

# Public Document Pack



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

Town House,  
ABERDEEN 26 October 2020

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

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet **via Microsoft Teams on WEDNESDAY, 4 NOVEMBER 2020 at 10.00 am.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

### **BUSINESS**

#### **COMMITTEE BUSINESS**

- 1 Internal Audit Summary Report (Pages 3 - 18)
  - 1.1 Shutdown of Non-Essential Spend - AC2002 (Pages 19 - 26)
  - 1.2 Car Parking and Bus Lane Enforcement Income - AC 2003 (Pages 27 - 36)
  - 1.3 Ring Fenced Funding - AC2008 (Pages 37 - 48)
  - 1.4 Integration Joint Board Risk Management - AC2011 (Pages 49 - 58)
  - 1.5 Civil Contingencies - AC2014 (Pages 59 - 76)
  - 1.6 Financial Ledger System - AC2016 (Pages 77 - 88)
  - 1.7 Workforce Planning - AC2018 (Pages 89 - 104)

- 1.8 Procurement Compliance - AC2019 (Pages 105 - 128)
- 1.9 Information Governance - AC2020 (Pages 129 - 138)
- 1.10 SEEMiS - AC2021 (Pages 139 - 150)
- 1.11 Transformation - AC2022 (Pages 151 - 160)
- 1.12 Gas Servicing Contract - AC2024 (Pages 161 - 170)
- 1.13 Social Care Commissioned Services Contract Monitoring - AC2027 (Pages 171 - 180)
- 1.14 Fostering and Adoption Payments - AC2028 (Pages 181 - 194)

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

## ABERDEEN CITY COUNCIL

---

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	8 October 2020
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	2019/20 Internal Audit Reports
<b>REPORT NUMBER</b>	IA/20/007
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.3

---

### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide the Committee with summaries of those 2019/20 Internal Audit reports which have not been reported to Committee previously.

### **2. RECOMMENDATION**

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

### **3. BACKGROUND / MAIN ISSUES**

- 3.1 Internal Audit has completed the following reports which, in the normal course of events would have been reported to Committee in full. However, due to the passage of time since the Internal Audit testing was completed, it was agreed with the Convener that the executive summary of each report would be presented to Committee rather than the full detail. The full reports will be made available separately.

- 3.2 Shutdown of Non-Essential Spend (Internal Audit Report AC2002 – February 2020)**

- 3.2.1 In 2018/19, the Council's year end position was a general fund surplus on provision of Services of £562,000. Finance had previously identified through the quarter 2 budget monitoring process for 2018/19 that cost pressures would lead to a general fund overspend for the Council in 2018/19 of £826,000 and if other demand led cost pressures and a higher pay award occurred, this could lead, in a worst case scenario, to a deficit of £7 million by the year end.
- 3.2.2 As a result, Finance issued a year end instruction in November 2018 to all budget holders stating that the last date for ordering goods and services, for 2018/19, would be Monday 14 January 2019, with the exception of certain consumables and perishable items, but that both should be kept to a minimum. It was also stated that "*expenditure should be incurred only because it is essential for business purposes, not just because there is unspent budget.*" A similar memo was issued to non-housing capital project managers exempting them from this requirement.
- 3.2.3 The objective of this audit was to provide assurance that the shutdown of non-essential spend has been effective in achieving its objective and instructions were complied with. In general, this was found to be the case.
- 3.2.4 Budget holders were notified of the non-essential spend instruction timeously and the instruction was clear on what constituted essential spend (and therefore non-essential spend). Compliance with the instruction was monitored by Corporate Management Team via reported financial indicators and the Procurement Control Board was meeting to consider, and where appropriate approve, non-essential spend exceptions.
- 3.2.5 It was noted that, contrary to year end instructions, 80% of approved PECOS orders were being raised without justification, after the year end cut-off dates when orders were required to be adequately justified before being approved. Finance has agreed to remind staff and budget holders of their respective responsibilities to justify orders and obtain adequate justification prior to approval of orders.
- 3.2.6 Finance holds regular meetings with budget holders throughout the financial year. The numbers of meetings varied between Cluster and Function. A small percentage of meetings referred to non-essential spend after the instruction was issued, meaning expected cost reductions were not, generally, being discussed. Finance has agreed to address this in future by reducing budgets to address in-year budget pressures.
- 3.3 Car Parking and Bus Lane Enforcement Income (Internal Audit Report AC2003 – September 2020)**
- 3.3.1 Local Authorities Parking and Bus Lane Enforcements are governed by legislation including the Road Traffic Act 1991, Road Traffic Regulations Act 1984, the Transport (Scotland) Act 2001 and the Bus Lane Contraventions (Charges, Adjudication and Enforcement) (Scotland) Regulations 2011. Within Aberdeen City, elements of these have been adjusted through the

Road Traffic (Permitted Parking Area and Special Parking Area) (Aberdeen City Council) Designation Order 2003.

- 3.3.2 The Council operates designated chargeable parking areas and bus lanes, and issues charge notices to registered keepers where it has evidence that specified contraventions have taken place. Income from car parking and bus lane charges, collected from car parking machines, cashless parking transactions, vouchers and permits, and penalty charges was £8.35 million in 2019/20.
- 3.3.3 The objective of this audit was to ensure that procedures regarding income collection and the management of fines are adequate. Whilst there are comprehensive procedures in place, aspects of the Service are disaggregated across various Council functions. Whilst a Parking Performance Group meets quarterly to review all parking related activity, ensuring there remains clarity over roles in service delivery, the Service Level Agreement (SLA) in place pre-dates the Council's Transformation and would benefit from being updated. The City Warden Service has agreed to review and update the SLA.
- 3.3.4 The separate Appeals Team uses the parking system to manage appeals and indicate an appropriate response, however the system response can be overridden if the circumstances require it. There is currently no system enforced requirement for such decisions to be checked independently before they are issued, and instances were identified where although supporting information was available it was not recorded on the system. The Service anticipates a new system which is being implemented in 2020 will provide the functionality for a proportion of decisions to be checked in future. In the interim requirements have been reiterated to the team.
- 3.3.5 Cash collection records are not routinely reconciled and investigated where discrepancies arise. The Service has agreed to review procedures to ensure this is addressed. System records are also not reconciled against payments, debt recovery records, appeals and cancellations, reducing assurance that all charges raised are accounted for. The new system will provide enhanced reporting functionality, providing additional management data to facilitate reconciliations, and review by the Parking Performance Group.
- 3.3.6 Purchase Orders have not always been raised in line with the requirement set out in the Financial Regulations, and no exemption has been documented, in respect of cash collection and cashless parking services. The Service now raises these in advance.
- 3.3.7 Debts are being pursued where appropriate. However, when Sherriff Officers recommend the write off of a debt, for example where the customer is deceased or sequestrated, Penalty Charge Notices are being marked as cancelled on the Parking System instead of being written off. Notices cancelled in this way are not reported to Committee as written off debts as required by the Financial Regulations, reducing visibility of the extent of debt which is no longer being pursued. The Service has highlighted that

legal advice had previously been obtained, and this will be reconfirmed to ensure this remains the correct approach.

### **3.4 Ring Fenced Funding (Internal Audit Report AC2008 – March 2020)**

3.4.1 In 2019/20, the proportion of the overall block grant which was ring-fenced by the Scottish Government was £30.6 million - 8.1% of the total grant settlement for the year of £380.57 million. The objective of this audit was to provide assurance that the Council has appropriate arrangements in place to ensure that conditions relating to ring-fenced funding within the Scottish Government Grant are complied with.

3.4.2 Grants are generally administered in line with the Council's Scheme of Delegation including powers delegated to officers, Financial Regulations and Procurement Regulations. There are no separate written procedures, though individual grants are subject to specific terms and conditions set out in award letters. This has led to some variation in practice. Finance has agreed to develop procedures to increase assurance that grants are being administered in line with best practice – including nominated lead officers, development of a comprehensive grants register, and improved documentation to evidence that all and only appropriate spend has been attributed to relevant grants.

3.4.3 The timing of grant announcements and time limits on their use can cause difficulties in planning implementation and associated budgets. Finance has agreed to review procedures to ensure decision making can be adequately supported within appropriate timescales. Finance considers that the Council's Medium Term Financial Planning, including the annual Budget, is developed and updated based on the best information available. This includes the incorporation of assumptions about anticipated changes in funding, and any new information, including proposals for mainstreaming. If any recurring funding were to be discontinued a review would need to be undertaken of the future level of service being provided, and this would be factored into financial planning.

### **3.5 Integration Joint Board – Risk Management (Internal Audit Report AC2011 – January 2020)**

This report was presented to and noted by the Integration Joint Board Risk, Audit and Performance Committee in February 2020 and is being submitted to this Committee as part of the information protocol agreed between the two Committees.

3.5.1 Risk management is the process by which risk is identified, evaluated and prioritised followed by the implementation of resources to manage, control and mitigate risks wherever possible. The overall aim of risk management is to reduce the frequency of risk events occurring and to minimise the impact of them when they do occur.

3.5.2 Systems for assurance and escalation are based on an understanding of the nature of risk to an organisation's goals, and to the appetite for risk-

taking. How an organisation understands and manages risk is an important part of the development of its governance systems. The Service notes that the innovative nature of Health and Social Care Integration Schemes also requires governance systems which support complex arrangements, such as hosting of services on behalf of other IJBs, planning only of services delivered by other entities, accountability for assurance without delivery responsibility, and other models of care delivery and planning. As such, risk management is fundamental to the running of the Health and Social Care Partnership that is directed by the Integration Joint Board.

- 3.5.3 The objective of this audit was to review the process for identifying risks, managing them (including performance measures against each risk), and reporting to the IJB.
- 3.5.4 Governance arrangements including the IJB's Scheme of Governance, Committee terms of reference, Board Assurance and Escalation Framework (BAEF) and Risk Management Policy are in place covering key elements of risk management and reporting. At the time of the audit, elements including annual review of the IJB's risk appetite, and review of operational risks by the Clinical Care and Governance Committee, had not been undertaken as set out in governance documentation. The IJB has reviewed and amended terms of reference in November 2019, has approved an updated risk appetite in January 2020, and the Service notes that the BAEF will be updated shortly to reflect work currently ongoing across the three Integration Joint Boards working with NHS Grampian in respect of risk management policy.
- 3.5.5 Whilst processes are in place, resulting in a regularly reviewed strategic risk register, the Service has not yet fully coordinated operational risk management recording across the Partnership – with separate systems in place for staff within each Partner organisation. Use of one such system has been reduced in one Partner's wider operations, and assurance is being sought as to its continued availability for the Partnership pending plans to introduce a single system solution. The Service has agreed to work to ensure an appropriate level of standardisation between the two systems in the interim, with a workshop session planned to refresh officers on the different parts of the risk management process.

#### Management Comments

- 3.5.6 Management welcomed the audit and have implemented the recommendations contained therein.

### **3.6 Civil Contingencies (Internal Audit Report AC2014 – September 2020)**

- 3.6.1 Under the Civil Contingencies Act 2004 (the Act), the Council is defined as a Category 1 responder in the event of an emergency, meaning an event or situation which threatens serious damage to: human welfare; the environment; and / or the security of the United Kingdom (the latter as a result of war or terrorism). The Act requires Category 1 responders, such as the Council, to:

- assess the risk of an emergency occurring from time to time;
- maintain plans, informed by risk assessments, for continuing to perform their functions, including in relation to preventing emergencies, mitigating their effects or taking other necessary action;
- maintain business continuity plans;
- publish all or part of risk assessments and plans, to prevent emergencies occurring; mitigate their effects; and to enable required action to be taken in relation to an emergency;
- maintain arrangements to warn the public and to provide information and advice to the public, if an emergency is likely to occur or has occurred;
- co-operate and share information with other responders;
- provide advice and assistance to businesses and voluntary organisations on business continuity management

3.6.2 The objective of this audit was to provide assurance that the Council has in place adequate training, planning and testing for civil contingency events to ensure that it can deliver on its obligations in the event of an emergency. In general, this was found to be the case. Governance undertook a comprehensive Organisational Resilience stocktake of the Council's Civil Contingency arrangements in 2019, taking the requirements of the Civil Contingencies Act 2004 into account. Governance arrangements and emergency response procedures were improved as result. An online Resilience Hub is also being developed to centralise relevant information.

3.6.3 Whilst the Council's emergency procedures are clear and concise, there were some elements which could be enhanced: how to assess the risk of emergencies occurring from time to time (statutory requirement); guidance on providing business continuity advice and assistance to businesses and voluntary organisations (statutory requirement); and the Council's procedure for the recovery phase of an incident / emergency. Governance will review and update procedures.

3.6.4 Business Continuity Plans are scheduled for periodic review and testing, however the schedule requires to be updated to demonstrate it is being adhered to. Plans have been activated as necessary in response to COVID-19, and lessons learned are being captured and will be fed into the review process.

3.6.5 The Public Protection Committee receives an annual Resilience report. The Committee's terms of reference also set out that it should receive assurance that services are maintaining and reviewing Business Continuity Plans in accordance with the priorities allocated to them. The Committee has not recently received updates on Business Continuity Plan preparation, review and testing status nor is it receiving a report on the risk of emergencies occurring, emergency plan review and emergency plan testing. Governance will cover emergency and business continuity risks, controls and control gaps as part of further development of the annual Resilience report to the Committee. The next scheduled report is due to be presented to the Public Protection Committee in December 2020.



- 3.6.6 Corporate Risk Corp-004 Civil Contingencies is set out as “The Council must ensure that it puts in place adequate training, planning and testing for civil contingency events and other incidents”. This is monitored by CMT regularly, supported by ECMT and the Council’s Organisational Resilience Group (ORG).
- 3.6.7 In addition, the CMT recently agreed to develop the civil contingencies risk register into a Place register, and to expand this to include all operational civil contingencies events covered by civil contingencies legislation. This will ensure that all appropriate controls are in place for each scenario and will complement the scrutiny of civil contingencies risks at the LRP. This will be overseen by the ORG on which it will base its review of such risks in accordance with its Terms of Reference.
- 3.6.8 The Council fulfils its responsibilities as a Category 1 responder partly through internal structures and reporting but also through its membership of and active participation in the Grampian Local Resilience Partnership (GLRP). The Council’s Organisational Resilience Stocktake identified opportunities to enhance the Aberdeen City plans in place, to dovetail with the plans held at GLRP level. Further development of these plans has yet to be scheduled, and will be subject to further consideration.

#### Management Comments

- 3.6.9 The audit recognises the comprehensive stocktake completed in 2019. The COVID-19 pandemic has had an impact on the prioritisation of relevant activities, however, as set out in a report to be presented to PPC on 7 October 2020, Council’s resilience arrangements have been proven to be reliable and effective, including the Council’s Generic Emergency Plan. The recommendations are welcomed and approved, and building on Council’s experience during last six months, will be used as means to further enhancing the organisation’s resilience.

### **3.7 Financial Ledger System (Internal Audit Report AC2016 – February 2020)**

- 3.7.1 The Council uses the financial ledger system for the Council’s budget and accounting requirements. The annual system support and maintenance cost for the system and related reporting tools for 2019/20 is approximately £152,000.
- 3.7.2 The objective of this audit was to provide assurance over system controls, business continuity and contingency plans. In general, these areas were found to be adequate.
- 3.7.3 System performance is being adequately monitored and corrective action is being taken to improve performance where required. A contract is in place with the supplier which includes a Data Processing Agreement that complies with data protection legislation. Timetables covering relevant period and year-end accounting dates and requirements are available to staff. Reconciliations of the creditors and debtors sub-ledgers to the

general ledger were taking place timeously and the suspense accounts, for transactions interfacing with the financial ledger with invalid or no financial codes, are being regularly reviewed and cleared. In addition, system disaster recovery testing has been scheduled to take place in 2020 in accordance with scheduled arrangements with the Council's data centre service provider.

- 3.7.4 System access controls were found to be adequate however a recommendation was agreed with Finance to ensure mandatory finance training is completed prior to access being granted to the system.

### **3.8 Workforce Planning (Internal Audit Report AC2018 – August 2020)**

- 3.8.1 Effective workforce planning provides a structured and evidence based approach to achieving the objective of having the right people, in the right place, doing the right thing, at the right time, in the face of changing circumstances, funding challenges, and increasing service demands. The Council's 2019/20 staffing budget, including on-costs, is £284.1 million. As at 5 June 2020 the Council employed 6,515 FTE of permanent and fixed-term staff.
- 3.8.2 The objective of this audit was to provide assurance that the Council has appropriate and adequate plans in place to determine its workforce requirements and that these are in operation throughout the Council.
- 3.8.3 The Council's Workforce Plan (the Plan) was approved by the Staff Governance Committee in June 2019. The Plan is clear in terms of how the Council will build the capacity and capabilities of the workforce in order to deliver the Council's Target Operating Model.
- 3.8.4 In terms of capacity, the Plan includes an analysis of the workforce age profile, recognising the need to capture knowledge of more experienced members of staff, while developing the young workforce. The Council has a number of schemes in place to develop the young workforce and was awarded an Improving Investors in Young People gold award in March 2020. The Plan also recognises the need to reshape the workforce from areas of reducing demand into areas of sustained and increasing demand whilst giving consideration to employee health and wellbeing. The Council has achieved a silver NHS Healthy Working Lives award and has a mental health action plan to help ensure employee wellbeing.
- 3.8.5 A Capability Framework is included in the Plan which clearly describes the behaviours, knowledge and skills expected of employees in order to adhere to the Council's Guiding Principles, which were agreed following consultation with employees and Trade Unions and are linked to the design principles of the Council's Target Operating Model. A Continuous Review and Development process, based on the Capability Framework, was made available to employees and managers in December 2019, to facilitate "continuous conversations" between staff and their line managers for staff development purposes. In addition, a digital learning platform has been established so employees can seek, access and share knowledge and

learning.

- 3.8.6 Workforce related policies, procedures and guidance were clear and comprehensive. The Council's "re.cr.uit" (retaining employees, changing roles, using internal talent) scheme aims to find suitable internal employees for vacant roles within the Council, based on alignment between the attributes required to perform a specific role, with the attributes held by employees in the scheme. 439 staff had registered interest in the scheme at 1 June 2020. It is intended that the scheme will use a digital tool to match potential internal candidates to suitable roles. The Cluster advised the tool is currently at the testing stage and have agreed to develop and launch the tool.
- 3.8.7 Workforce performance indicators and risk assessments are reported regularly to Corporate Management Team while six monthly absence data is reported to Staff Governance Committee. Under the Council's Committee Terms of Reference, one of the purposes of the Staff Governance Committee is to approve and monitor workforce strategies which ensure the Council has a workforce fit for the capabilities required to be a 21<sup>st</sup> century Council. People and Organisation has agreed to report progress on the Workforce Plan to Committee when appropriate.

**3.9 Procurement Compliance (Internal Audit Report AC2019 – September 2020)**

- 3.9.1 Aberdeen City Council makes payments of over £500 million per annum to external sources. Where this includes the procurement of goods, services and works, legislation and internal rules and regulations set out specific requirements which must be complied with in order to meet the Council's legal obligations, and provide assurance over Best Value in procurement.
- 3.9.2 The objective of this audit was to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations. A sample of high value expenditure was reviewed, and this indicated that requirements are not being demonstrably complied with in several cases.
- 3.9.3 The Commercial and Procurement Shared Service (CPSS) supports the Functions by providing the structure, system, training, advice and support to demonstrate compliance with procurement legislation and regulations. Procurement activity is delegated to each of the Council's Functions and Chief Officers who may delegate authority to relevant officers.
- 3.9.4 Commitment to action was sought to ensure that: contracts will be subject to appropriate procurement, including public tender where they exceed the relevant thresholds individually and in aggregate; procurement intentions and awards will be appropriately published; adherence to Committee approvals will be monitored to ensure they are adhered to; and purchase orders will be raised in advance unless a specific exemption applies.
- 3.9.5 Actions were agreed with Directors on 16th July and presented to Extended

Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

- 3.9.6 CPSS will review whether additional data can be recorded to demonstrate that spend is linked back to contracts, approvals and business cases. Training and guidance will be updated following a review of the contracts register and associated processes to provide assurance over compliance. A new website is also being developed to assist buyers in the selection of appropriate contracts and signpost them to guidance should alternative options be required.

**3.10 Information Governance (Internal Audit Report AC2020 – February 2020)**

- 3.10.1 The Council's Corporate Information Policy defines the Council's information as all information and data created, received, maintained or used by or on behalf of the Council, in any format and of any age.
- 3.10.2 The Council's Corporate Risk Register includes risk Corp-005 which is defined as "Information governance protocols and processes do not provide the appropriate framework to facilitate optimum information management in support of decision making and resource allocation based on a Business Intelligence culture".
- 3.10.3 The objective of this audit was to provide assurance that the controls in place for mitigating the risks identified in the Corporate Risk Register (Corp005) are adequate and operating as expected. In general, this was found to be the case.
- 3.10.4 Comprehensive and clear policies, procedures and mandatory training are in place. In addition, the Corporate risk and related controls are being assessed monthly by the Information Governance Group, chaired by the Council's Senior Information Risk Owner, and by Corporate Management Team, and reviewed annually by Committee. Information Governance controls were comprehensive and control assessments were, in general, supported.

**3.11 SEEMiS (Internal Audit Report AC2021 – February 2020)**

- 3.11.1 SEEMiS provides the management information needs of all Aberdeen City Council schools as well as a wide range of central administrative and quality improvement functions. It is used for the maintenance of personal and academic (including SQA) records for pupils; personal information and work records for staff; and attendance records for pupils and staff.
- 3.11.2 The objective of this audit was to provide assurance that appropriate control is being exercised over the system in view of the perceived criticality of the system and the significant volume of sensitive personal data held.
- 3.11.3 Whilst access to and removal from the system for non-school staff is controlled via an online portal, at a school level this is managed by school

system administrators and the majority of access is set up based on verbal requests by the school's senior management team. Education has agreed to introduce a documented approval process for providing system access at a school level. It was also noted that a number of former employee "work records" within the system remained current and that certain employees had access to records of schools where they no longer worked. The Service has agreed to address this by: disabling accounts where required; updating procedures in relation to removing access; and scheduling regular reviews of user access.

- 3.11.4 As at November 2019, 362 current system users had not completed the mandatory Information Governance training, which covers data protection requirements under the General Data Protection Regulation (GDPR). As SEEMiS holds personal information about both pupils and staff, the Service has agreed to instruct staff to complete the Information Governance training and will consider establishing a requirement to complete this training before access is granted to the system.
- 3.11.5 A Data Sharing Agreement is in place with the SQA, however the agreement is historic and predates the introduction of the data protection requirements under the GDPR. The Service has agreed to complete a Data Protection Impact Assessment for SEEMiS to identify all personal data sharing with third parties, the related risks and to ensure data sharing agreements in place cover routine sharing of personal data with third parties.
- 3.11.6 In accordance with data protection legislation, any arrangement that the Council has which involves a third party processing personal data on its behalf must be set out in writing in a Data Processing Agreement (DPA). Whilst a signed DPA was in place for SEEMiS, it was noted that two secondary schools have purchased a separate school management software package which is being used by them for tracking and monitoring purposes instead of SEEMiS. The Service has agreed to complete a data protection impact assessment (DPIA) on the use of the system and depending on the outcome, either cease its use or establish a DPA with the supplier.

### **3.12 Transformation (Internal Audit Report AC2022 – September 2020)**

- 3.12.1 In 2017 Aberdeen City Council proposed a new Target Operating Model in order to help manage an increased demand for services in the current environment of increasingly restricted budgets. The associated transformation blueprint, to be implemented over 5 years, included delivery of the Target Operating Model by 31 March 2021, a Digital Strategy by 31 December 2020, and £125 million of savings by 31 March 2023. The initial phase of this Transformation process was to move to a new interim structure with a managed reduction in posts. This phase was completed, and a new Scheme of Governance was approved in support of the new structure.
- 3.12.2 The objective of this audit was to provide assurance that the Council is continuing to make progress to ensure the success of its transformational

aspirations, through a follow-up review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, new Scheme of Governance, etc). Assurance was obtained, and the Council is reporting progress and reflecting the planned changes from transformation in its Council Delivery Plan, Commissioning Model, Budget and Medium Term Financial Strategy.

- 3.12.3 Clear governance arrangements are in place including management reporting of progress, supported by underlying detail held in a bespoke in-house developed system. However, some of the detail has not been consistently recorded. The Corporate Management Team (CMT) is satisfied with the level of assurance obtained through the governance routes already in place, however the Programme Management Office (PMO) will be asked to review current system reporting to ascertain if the system can be further enhanced. Greater assurance can be evidenced / supported at a detailed level, with clear system reporting of completed projects and milestones.
- 3.12.4 Financial return on investment was a key part of the transformation proposals, including the £125 million of savings, and investment of £15 million in specific projects. Progress with this has not been separately reported to Committee. The Service has noted that Transformation has become business as usual: return on investment for transformation is therefore reflected in the budget setting process, as part of service redesign, and monitored through the Council's quarterly financial reporting reported to the City Growth and Resources Committee. Internal Audit considers that in the absence of separate tracking there is less assurance that specific activities resulted in the planned financial outcomes. However, the focus on preparing and delivering against a balanced budget is acknowledged. The budget set in March 2020 provided substantial detail on savings to be delivered through service redesign, and these are being tracked.

#### Management Comments

- 3.12.5 Internal Audit made two recommendations in respect of the approach to progress reporting against return of investment and project completion. These were not approved because the Corporate Management Team (CMT) is satisfied that the existing arrangements in place provide sufficient assurance. Return on investment is reflected in the Council's budget setting process. This is further monitored through the Council's quarterly financial reporting. Project completion is monitored using a reporting system scrutinised by the relevant Senior Responsible Officer. That Senior Responsible Officer is in turn held to account for completion by the CMT Transformation Management Group. CMT is therefore satisfied with the level of assurance obtained through the governance routes already in place.
- 3.12.6 In the meantime, the Council continues to make good progress on its transformation aspirations.
- 3.13 Gas Servicing Contract (Internal Audit Report AC2024 – September 2020)**

- 3.13.1 The Council, as a landlord, has a legal duty under the Gas Safety (Installation and Use) Regulations 1998 and the Gas Safety (Installation and Use) (Amendment) Regulations 2018 to ensure that gas fittings and flues in its residential leased properties are maintained in a safe condition, meaning the gas fittings are required to be serviced and checked at least annually.
- 3.13.2 As of January 2020, the Council had 16,630 properties with gas appliances. A contractor is used to carry out the annual gas safety check in these properties within 12 months of the previous check.
- 3.13.3 The objective of this audit was to provide assurance that contractual and operational issues were being complied with.
- 3.13.4 A single contractor is used to carry out annual gas safety checks across the City. Procurement approval was last obtained from the Strategic Commissioning Committee in June 2018, for an estimated cost of £7.5 million over two years, to directly award an extension to the existing contract, in contravention of EU and Scottish procurement regulations which require periodic competitive tendering at this level of expenditure. Planned procurement activity had commenced in 2017 but was abandoned due to short timescales impacting on the ability to obtain and implement a new contract cost-effectively, because the contract had not been tendered sufficiently in advance. Assurances were provided that this would represent Best Value due to discounts offered on previous rates, and that appropriate procurement exercises would take place in advance of the extension expiring. The Service also acknowledged the risks inherent in a direct award, as it would be open to challenge from suppliers who had no opportunity to bid for the work. This risk was considered low at the time due to short-term mobilisation costs outweighing any perceived benefit for a two-year contract.
- 3.13.5 However, there is no record of a tender opportunity having been published to allow for a new contract to be awarded prior to expiry of the Committee's approval in April 2020. Failure to subject contracts to appropriate competition can be an indicator of potential fraud, and means that costs will not have been reviewed and market tested to ensure Best Value is being achieved. Procurement needs to be planned and progressed timeously for contracts which are significant in terms of cost and service delivery. The Service will review the issues with the Commercial and Procurement Shared Service.
- 3.13.6 In general, operational activity is being planned and recorded appropriately. However, efficiencies, and actions to address minor issues with accuracy of records, have been recommended to the Service, which has agreed to review and implement alternative and further measures where identified as appropriate. Charges are raised where there are repeated failed attempts to gain access to property for the purpose of gas safety checks. The basis for those charges (set in 2010) needs to be reviewed to ensure it remains appropriate, and is being applied in accordance with agreed policy. Some delays were also noted in invoices being issued. The Service has agreed to

review the current processes and costs.

**3.14 Social Care Commissioned Services – Contract Monitoring (Internal Audit Report AC2027 – February 2020)**

- 3.14.1 Aberdeen City Health & Social Care Partnership (the HSCP) procures care services from a variety of contracted Suppliers in order to meet the assessed needs of persons requiring support and assistance. The contracts register indicates contracts are in place for £86 million of social care services in 2020/21.
- 3.14.2 The objective of this audit was to provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate. Contract monitoring is undertaken by Commercial & Procurement Shared Services (the Service).
- 3.14.3 The contract monitoring procedures were examined as part of a National Care Home Contract (NCHC) Internal Audit (report AC1920) in January 2019, in which recommendations were made, and have been subsequently reported to Committee as having been actioned. Whilst the procedures, associated template documents, and changes made as a result of the previous audit, are appropriate, it has been identified following review of individual contract monitoring reports as part of the current audit that further clarification with regards to some areas, could improve the procedures and their application. This includes scheduling to ensure all monitoring activity takes place at required frequencies, and ensuring records are complete and variations reviewed, adequately explained and challenged where appropriate.
- 3.14.4 The Service has noted that it was always the intention to carry out a review of the revised procedures after a full year of operation, to consider whether they had achieved the desired outcome, and where improvements might be made. It has not been possible to do this due to the Covid19 situation, which has meant that routine monitoring has been temporarily suspended, and all resources within the team are fully engaged in dealing with supplier sustainability issues and reconciliation of service provision, contract variations, and additional cost claims. All of the points raised in the audit will be considered as part of the review, completion of which is planned by the end of the financial year, depending on available resources pending transition to a 'new normal' post Covid19.
- 3.14.5 An instance was identified of a supplier being used where a signed contract was not in place. Whilst there may be implications for service provision, services should not be procured from suppliers for which there is no signed contract in place. The absence of a signed contract is an indicator that procurement may not have followed the correct route. If contract terms have not been agreed, there is a greater risk to service delivery, service users, and to the level of assurance the Service can obtain through contract monitoring – as it may be more difficult to enforce the contract. The HSCP is aware of this risk and the Service will continue to reinforce this point.



**3.15 Fostering and Adoption Payments (Internal Audit Report AC2028 – July 2020)**

- 3.15.1 Care for children sometimes needs to be provided away from their home, when their family cannot provide suitable care. Foster Care, Adoption and Kinship Care are options to help provide a high standard of care and ensure positive outcomes for these children.
- 3.15.2 At the time this area was reviewed there were 91 active in-house Foster Carers, 105 Adoptive Parents and 207 Kinship arrangements financially supported by the Service. The Service also uses the services of external fostering agencies.
- 3.15.3 Payments to foster carers amounted to £1.9 million for internal placements and £9.3 million for external placements during 2019/20. There were payments of £0.48 million for adoption allowances, and £2.2 million for kinship care.
- 3.15.4 The objective of this audit was to provide assurance over Fostering, Adoption and Kinship Allowances paid. In general these are paid accurately, however minor recurring system generated errors were identified in a small number of cases, which are being corrected by the Service. A new system is being developed, for implementation in 2021, and this will be informed by Internal Audit's findings to improve efficiency and reduce the scope for error in the future. In the interim, administrative support has been put in place to ensure the accuracy of payments.
- 3.15.5 Procedures and documentation would benefit from updating and review to ensure requirements are clear and aligned with policy, and to better demonstrate that payments are accurately calculated based on evidence of relevant circumstances. The Service will map its processes and ensure they are fully documented, including a review of the Adoption Policy and associated allowances.
- 3.15.6 The Service is moving to electronic filing, which will improve the consistency of record keeping, and has agreed to improve records where variations from standard practice have been agreed.

**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.

**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 consider Internal Audit’s annual report. 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. REPORT AUTHOR DETAILS**

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



## **Internal Audit Report**

### **Cross Service**

## **Shutdown of Non-Essential Spend**

**Issued to:**

Steven Whyte, Director of Resources  
Jonathan Belford, Chief Officer – Finance  
Fraser Bell, Chief Officer – Governance  
External Audit

## EXECUTIVE SUMMARY

In 2018/19, the Council's year end position was a general fund surplus on provision of Services of £562,000. Finance had previously identified through the quarter 2 budget monitoring process for 2018/19 that cost pressures would lead to a general fund overspend for the Council in 2018/19 of £826,000 and if other demand led cost pressures and a higher pay award occurred, this could lead, in a worst case scenario, to a deficit of £7 million by the year end.

As a result, Finance issued a year end instruction in November 2018 to all budget holders stating that the last date for ordering goods and services, for 2018/19, would be Monday 14 January 2019, with the exception of certain consumables and perishable items, but that both should be kept to a minimum. It was also stated that *"expenditure should be incurred only because it is essential for business purposes, not just because there is unspent budget."* A similar memo was issued to non-housing capital project managers exempting them from this requirement.

The objective of this audit was to provide assurance that the shutdown of non-essential spend has been effective in achieving its objective and instructions were complied with. In general, this was found to be the case.

Budget holders were notified of the non-essential spend instruction timeously and the instruction was clear on what constituted essential spend (and therefore non-essential spend). Compliance with the instruction was monitored by Corporate Management Team via reported financial indicators and the Procurement Control Board was meeting to consider, and where appropriate approve, non-essential spend exceptions.

It was noted that, contrary to year end instructions, 80% of approved PECOS orders were being raised without justification, after the year end cut-off dates when orders were required to be adequately justified before being approved. Finance has agreed to remind staff and budget holders of their respective responsibilities to justify orders and obtain adequate justification prior to approval of orders.

Finance holds regular meetings with budget holders throughout the financial year. The numbers of meetings varied between Cluster and Function. A small percentage of meetings referred to non-essential spend after the instruction was issued, meaning expected cost reductions were not, generally, being discussed. Finance has agreed to address this in future by reducing budgets to address in-year budget pressures.

# 1. INTRODUCTION

- 1.1 As part of the 2018/19 budget setting process, the Strategic Transformation Committee agreed to save £6 million and Full Council agreed to save an additional £810,000 of “third party spend”. The savings were removed from individual budget lines in 2 tranches during 2018/19. Subsequently, Finance identified through the quarter 2 budget monitoring process for 2018/19 that cost pressures would lead to a general fund overspend for the Council in 2018/19 of £826,000. It was also reported that other demand led cost pressures and a higher pay award could lead to a higher deficit of £7 million by the year end.
- 1.2 Finance issued a year end instruction in November 2018 which included a covering memo to all budget holders stating that the last date for ordering goods and services, for 2018/19, would be Monday 14 January 2019, with the exception of certain consumables and perishable items, but that both should be kept to a minimum. It was also stated that *“expenditure should be incurred only because it is essential for business purposes, not just because there is unspent budget.”* A similar memo was issued to non-housing capital project managers exempting them from this requirement.
- 1.3 There are a number of other ordering processes in use throughout the Council along with payments that result from a contract or not instigated by any documented purchase order. The Council’s revenue expenditure for the last two years is detailed below.

System	2018/19		2017/18	
E-Financials - Creditors System payments no PO	159,949,590	46.3%	173,008,330	54.0%
PECOS	64,008,351	18.5%	30,988,846	9.7%
Carefirst – Social Work Care Management System	78,179,738	22.6%	73,179,743	22.9%
Total Consilium – Roads, Landscape Services and Operational Buildings	22,229,493	6.4%	22,848,490	7.1%
Fostering – payments to foster carers	10,385,149	3.0%	9,373,642	3.0%
NDR – Business Rates refunds	5,846,335	1.7%	5,813,878	1.8%
Confirm – HRA repairs	1,968,508	0.6%	2,024,967	0.6%
Tranman – Council fleet management system	1,317,710	0.4%	1,327,913	0.4%
Fleet Hire – hire of operational vehicles	719,430	0.2%	1,012,300	0.3%
Library (Spydus) – library book ordering system	343,067	0.1%	384,736	0.1%
EMA / Clothing Grant	560,685	0.2%	399,350	0.1%
<b>Revenue Total</b>	<b>345,508,056</b>	<b>100.0%</b>	<b>320,362,195</b>	<b>100.0%</b>

- 1.4 The objective of this audit was to provide assurance that the shutdown of non-essential spend has been effective in achieving its objective and instructions were complied with.
- 1.5 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Jonathan Belford, Chief Officer – Finance.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 2018/19 Budget Pressures and Non-essential Expenditure

2.1.1 Regular Council financial performance reviews carried out by Finance in quarters 1 and 2 indicated *“savings realisation and tracking at the half year point indicates significant progress being made towards achieving all the savings that were agreed, with over 75% so far captured.”* However additional cost and demand pressures arising during the opening periods of 2018/19, and those anticipated for the remainder of that financial year required additional savings to be achieved.

2.1.2 The Corporate Management Team (CMT) agreed to cap non-essential expenditure following discussions with the Chief Officer – Finance on 8 November 2018. This was also agreed with members of the Extended Corporate Management Team (ECMT).

2.1.3 On 31 October 2018, the City Growth and Resources Committee resolved *“to note the advice provided by the Chief Officer – Finance that the Council must continue to be proactive in its financial planning arrangements and to prepare for and respond to the range of cost pressures and uncertainties described in the report and appendices, and in respect of the Council’s General Fund Revenue Budget, to instruct the Corporate Management Team to stop and reduce net expenditure wherever possible with immediate effect.”*

2.1.4 An email issued to all level 9 budget holders on 28 November 2019 stated *“Every month all budget holders are expected to actively review the financial information and to take appropriate action to achieve balanced budgets. From now to the end of the financial year CMT will be closely monitoring financial indicators and introduce measures to stop and reduce expenditure as a response to the City Growth and Resources Committee decision.”*

2.1.5 A budget monitoring PowerBI dashboard was developed by Finance and made available to Directors and Chief Officers for the purposes of monitoring non-essential expenditure. The dashboard was reported to CMT in February and March 2019.

2.1.6 The email to budget holders also provided a set of defined criteria for what constituted essential spend:

- Food and other perishables (including schools, care facilities, etc.);
- Life and limb expenditure (including essential social care);
- Health and safety (including essential building repairs);
- Fuel / energy required to deliver essential services and business continuity / emergency planning;
- External funds that ACC manage on behalf of others (e.g. Pupil Equity Fund and other specific grants, regional funding);
- Contracts to which the Council is legally committed to pay (e.g. school unitary charges, external leases for occupied properties).

All exceptions to the criteria, after discussion with a Director, needed to be approved by the new Procurement Control Board (PCB) prior to commencing the procurement. The PCB met regularly in December 2018 and January 2019 and agendas included business cases for non-essential expenditure for consideration by the Board.

2.1.7 Finance undertook an analysis of what potential savings could be achieved via the non-essential spend instruction, using the methodology applied to the second tranche of applied savings. This involved reviewing the actual expenditure against budget as at 31 October 2018 of those ledger codes which had been deemed to be in scope for the third party savings exercise (approximately £20 million of forecast expenditure yet to be

incurred against in-scope budgets). It was not confirmed what the value of the savings from restricting non-essential spend would be however it was not expected that it would amount to the entire £20 million of targetable spend.

2.1.8 The year-end procedures with covering memo were issued in November 2018 to all budget holders. These procedures covered the normal year end accounting timetable and processes including the last date goods could be ordered along with some general requirements:

- “It is acknowledged that certain consumables and perishable items will require to be ordered beyond this point, but this should be kept to a minimum.”
- “Expenditure should be incurred only because it is essential for business purposes, not just because there is unspent budget.”

## 2.2 Compliance

2.2.1 The 2018/19 cut-off date for ordering goods (except IT equipment) and services was 14 January 2019, while the last date for ordering IT equipment in 2018/19 was 14 December 2018. The year-end procedures stated in para 2.9.7 “*For any purchase orders processed after cut-off dates that are for 18/19 purchases the Comments Box in PECOS should be completed with full details to justify why the order had to be raised after the cut off dates.*” There was no reference as to what would happen should such justification be insufficient or omitted. There is also no mention of a justification requirement for any orders raised in the other systems used for purchasing e.g. Carefirst, Consilium, Tranman, etc.

2.2.2 Internal Audit requested an extract of all PECOS orders raised between the 14 January and 31 March 2019, including the comments field, in order to test this requirement. The Financial Systems team was unable to provide such a report as the comments field was not part of the reporting structure available from the system. Therefore, a sample of 40 orders raised and approved against non-essential expenditure codes was checked manually back to the PECOS system comments field. This found that 20% of the sample had comments justifying the order.

### **Recommendation**

a) Staff should be reminded of the requirement to justify orders in PECOS which have been raised after the year-end instruction deadline.

b) Budget holders should be reminded, where required justification is not provided, the order should not be approved.

### **Service Response / Action**

a) Agreed. A communication will be issued.

b) Agreed. A communication will be issued.

### **Implementation Date**

a) February 2020

b) February 2020

### **Responsible Officer**

Chief Officer – Finance

### **Grading**

Significant within audited area

2.2.3 Along with the orders raised, Internal Audit extracted all payments processed through the creditors system in February and March 2019 to establish any payments made without a purchase order being raised. The analysis found 2,103 invoices from 894 suppliers totalling £45 million without a purchase order. Of these, 1,503 totalling £41.9 million had an exemption under appendix A of Financial Regulations, leaving 600 totalling £3.1 million which did not. While orders being raised through PECOS had their approval process changed to a Chief Officer level, no such provision was made for payments without a

purchase order.

- 2.2.4 As all of these invoices had no supporting purchase order they are authorised for payment in manuscript on the invoice and submitted to Business Services for payment. Financial Regulation 5.12.3 paragraph 3 states *“The Council has adopted a “No Purchase Order No Pay” approach to managing procurement expenditure, and as a result invoices will not be paid unless a purchase order has been raised. A list of exemptions from the requirement for a purchase order is maintained by the Chief Officer - Finance and is included in this document as Appendix A.”* and Appendix A states - *“All other purchases require a purchase order to be raised and quoted on the supplier’s invoice. Invoices not containing the purchase order number will not be paid. No exceptions will be accepted unless specifically approved by the Chief Officer - Finance or their authorised representative.”*
- 2.2.5 On discussing this requirement with the Business Services Team Leader it was noted that the No PO No Pay and approval by the Chief Officer – Finance was not being applied and that all invoices are paid, order or not, and the normal authorised signatory for that Cluster / Function is accepted as authority to make payment, with no subsequent corroborating approval from Finance. A similar finding was identified in audit report AC1914, Compliance with Procurement Legislation and Council Regulations with recommendations made and agreed to improve compliance.
- 2.3 **Budget Holder Meetings**
- 2.3.1 Finance hold regular meetings with budget holders throughout the financial year. The numbers of meetings varied between Cluster and Function. Finance had indicated that the non-essential expenditure requirements would form part of any such meetings and therefore a review of the minutes between June 2018 and February 2019 was undertaken to ascertain how this was being reported. Although all minutes were checked, the main focus of testing related to those minutes after the CG&R meeting of 31 October 2018, after which it became a requirement to stop and reduce expenditure wherever possible.
- 2.3.2 Of the eighty five meetings that were minuted, forty six were held after 31 October 2018. Of these, eighteen referred to non-essential spend. Where non-essential spend is minuted, only six (3 service areas - Roads & Infrastructure, Facilities, and Environment and Bereavement) indicated how this was being applied or had a financial value. The remainder simply stated their knowledge of the requirement. None of the minutes indicate that Finance was undertaking any monitoring of actual expected reductions in spend, or which non-essential areas related to the budget holders at the meetings.
- 2.3.3 Detailing expected cost reductions at a budget holder level and monitoring these with budget holders will increase the likelihood of non-essential spend cost reductions being achieved. Finance advised that the Council’s commissioning led approach to structuring future budgets, provides the framework to build the appropriate level of budget for goods and services, that meets the service standards that will be delivered and this will enable the Council to adjust to changing resources in the future.

**AUDITORS:** D Hughes  
A Johnston  
G Flood



## 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.

This page is intentionally left blank



## **Internal Audit Report**

### **Cross Service**

## **Car Parking & Bus Lane Enforcement**

**Issued to:**

Andy MacDonald, Director of Customer Services

Rob Polkinghorne, Chief Operating Officer

Steven Whyte, Director of Resources

Jacqui McKenzie, Chief Officer - Customer Experience

Wayne Connell, Revenues & Benefits Manager - Customer Experience

Jonathan Belford, Chief Officer - Finance

Derek McGowan, Chief Officer - Early Intervention & Community Empowerment

Mark Reilly, Chief Officer – Operations & Protective Services

Doug Ritchie, Roads Infrastructure Manager

Mark Wilson, City Warden Officer - Early Intervention & Community Empowerment

Martin Murchie, Chief Officer - Business Intelligence & Performance Management

Reyna Stewart, Performance & Improvement Manager - Business Intelligence & Performance Management

External Audit

## **EXECUTIVE SUMMARY**

Local Authorities Parking and Bus Lane Enforcements are governed by legislation including the Road Traffic Act 1991, Road Traffic Regulations Act 1984, the Transport (Scotland) Act 2001 and the Bus Lane Contraventions (Charges, Adjudication and Enforcement) (Scotland) Regulations 2011. Within Aberdeen City, elements of these have been adjusted through the Road Traffic (Permitted Parking Area and Special Parking Area) (Aberdeen City Council) Designation Order 2003.

The Council operates designated chargeable parking areas and bus lanes, and issues charge notices to registered keepers where it has evidence that specified contraventions have taken place. Income from car parking and bus lane charges, collected from car parking machines, cashless parking transactions, vouchers and permits, and penalty charges was £8.35 million in 2019/20.

The objective of this audit was to ensure that procedures regarding income collection and the management of fines are adequate. Whilst there are comprehensive procedures in place, aspects of the Service are disaggregated across various Council functions. Whilst a Parking Performance Group meets quarterly to review all parking related activity, ensuring there remains clarity over roles in service delivery, the Service Level Agreement (SLA) in place pre-dates the Council's Transformation and would benefit from being updated. The City Warden Service has agreed to review and update the SLA.

The separate Appeals Team uses the parking system to manage appeals and indicate an appropriate response, however the system response can be overridden if the circumstances require it. There is currently no system enforced requirement for such decisions to be checked independently before they are issued, and instances were identified where although supporting information was available it was not recorded on the system. The Service anticipates a new system which is being implemented in 2020 will provide the functionality for a proportion of decisions to be checked in future. In the interim requirements have been reiterated to the team.

Cash collection records are not routinely reconciled and investigated where discrepancies arise. The Service has agreed to review procedures to ensure this is addressed. System records are also not reconciled against payments, debt recovery records, appeals and cancellations, reducing assurance that all charges raised are accounted for. The new system will provide enhanced reporting functionality, providing additional management data to facilitate reconciliations, and review by the Parking Performance Group.

Purchase Orders have not always been raised in line with the requirement set out in the Financial Regulations, and no exemption has been documented, in respect of cash collection and cashless parking services. The Service now raises these in advance.

Debts are being pursued where appropriate. However, when Sherriff Officers recommend the write off of a debt, for example where the customer is deceased or sequestrated, Penalty Charge Notices are being marked as cancelled on the Parking System instead of being written off. Notices cancelled in this way are not reported to Committee as written off debts as required by the Financial Regulations, reducing visibility of the extent of debt which is no longer being pursued. The Service has highlighted that legal advice had previously been obtained, and this will be reconfirmed to ensure this remains the correct approach.

# 1. INTRODUCTION

- 1.1 Local Authorities Parking and Bus Lane Enforcements are governed by legislation including the Road Traffic Act 1991, Road Traffic Regulations Act 1984, the Transport (Scotland) Act 2001 and the Bus Lane Contraventions (Charges, Adjudication and Enforcement) (Scotland) Regulations 2011. Within Aberdeen City, elements of these have been adjusted through the Road Traffic (Permitted Parking Area and Special Parking Area) (Aberdeen City Council) Designation Order 2003.
- 1.2 The City Wardens team monitors the designated parking areas, maintaining machines where appropriate and issuing excess penalty charge notices and similar where vehicles drive within a bus lane or go through a bus gate.
- 1.3 Income from car parking and bus lane charges, collected from car parking machines, cashless parking transactions, vouchers and permits, and penalty charges was £8.35 million in 2019/20.
- 1.4 The objective of this audit was to ensure that procedures regarding income collection and the management of fines are adequate.
- 1.5 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; Jonathan Belford, Chief Officer – Finance; Derek McGowan, Chief Officer - Early Intervention & Community Empowerment; Mark Reilly, Chief Officer - Operations & Protective Services; and Martin Murchie, Chief Officer - Business Intelligence & Performance Management

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Process**

- 2.1.1 The Parking Machines are secure machines which are emptied regularly by the Council's cash collection contractor. When a cash box is removed from a machine, the contractor should collect an audit ticket from the machine which shows the ticket number, the date, the number of the car park meter, and the amount of income collected since the last uplift.
- 2.1.2 The Council's Business Intelligence and Performance & Management Service receives a spreadsheet from the contractor by email detailing the cash as per the audit ticket collected from the parking machines. Until October 2019, when all elements of the collection and banking process were taken over by a single contractor (following an appropriate procurement process), cash was then passed to a separate contractor, which took it to a central repository for counting and banking. The previous contract expired in 2016.
- 2.1.3 Records are provided by the contractor of the cash counted and any variations where appropriate from the audit ticket. This information is input by the Service into an Access Database, from which a report is run, and an E-return prepared to register the cash received in the financial system.
- 2.1.4 City Wardens may issue Penalty Charge Notices where a driver is found to have contravened the Road Traffic Act 1991 amended by The Road Traffic (Permitted Parking Area and Special Parking Area) (Aberdeen City Council) Designation Order 2003. For example where a vehicle does not display a valid parking ticket or have a valid cashless parking session, they have parked on yellow lines when waiting restrictions are in force, they do not display a valid blue badge or they are parked in a loading / unloading bay while not loading / unloading.
- 2.1.5 Offending vehicles' details are input into a Wardens handheld device which uploads to the Parking System. Checks, times, contravention details and other evidence (including photographs of the vehicle and area if appropriate) are added to the system, and the Warden prints a ticket, places it in a secure wallet, and affixes it to the windscreen of the offending vehicle or hands it to the driver. The Service was unable to provide a copy of the contract for the previous Parking System. A new contract is now in place and has been recorded on the Council's contracts register.
- 2.1.6 The Penalty Charge Notice (PCN) is £60 and this must be paid with 28 days, however the PCN is reduced by 50% if it is paid within 14 days. After 14 days the full amount of £60 will become due. If no payment or appeal is received within 28 days, details of the registered keeper are requested from the DVLA and a Notice to Owner is issued. If no payment or appeal is received with 28 days of the Notice to Owner being served, a Charge Certificate is issued and the amount due increases to £90. The scale of fees are aligned with national guidelines.
- 2.1.7 The penalties are the same for bus lane enforcement notices, which are issued where drivers drive in a bus lane or go through a bus gate contravening the Bus Lane Contraventions (Charges, Adjudication and Enforcement) Regulations 2011. Images of all vehicles which drive within a bus lane or through a bus gate are captured by fixed cameras positioned at locations across the City. The Office based Bus Lane Enforcement Team reviews these in batches to determine which vehicles should be issued with an Enforcement Notice. The batches are uploaded to the Parking System overnight. No Notice to Owner is issued for Bus Lane Enforcement Notices as details of the registered keeper are obtained from the DVLA prior to the Notice being issued. If no payment or

appeal is received after 28 days of the Notice being served, a Charge Certificate is issued and the amount due increases to £90

## 2.2 Written Procedures

- 2.2.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving. They have increased importance where new systems or procedures are being introduced.
- 2.2.2 The City Wardens have operating procedures along with a training manual, and records of staff training. The procedures are generally clear and unambiguous.
- 2.2.3 The procedures for the Appeals Team are comprehensive, and provide clear instruction on how to manage, record and respond to Bus Lane & Parking appeals appropriately. The system has built in logic to make decisions and generate appropriate correspondence based on the information input by the member of staff in relation to contravention reason and the reasons the customer has given on their appeal
- 2.2.4 However, the team has the ability to override this – as each appeal is considered on its own merits. There is scope for discretion to be applied in granting appeals or accepting offers of reduced payment, but the limits of officers' authority to apply discretion is not set out in writing. There are procedural requirements to review such decisions with a line manager, and all actions are recorded on the system. The requirements for review are not enforced by the system, and except in the case of further appeals where an independent officer should review the case, there is no routine review of cases by a more senior or independent officer where the system decision has been amended. There is therefore a potential risk of inconsistent treatment.

### **Recommendation**

The Service should review appeals procedures to ensure it can encourage and demonstrate consistent application of the process.

### **Service Response / Action**

Agreed. A new system has been procured which includes a workflow system which can be set to automatically send a % of cases to be checked by a line manager and it is our intention to put this into place once it is available. Procedures will be reviewed to match the new system.

### **Implementation Date**

June 2021

### **Responsible Officer**

Revenues and Benefits  
Manager

### **Grading**

Significant within audited  
area

- 2.2.5 There is a Service Level Agreement (SLA) between the various teams involved in Parking and Bus Lane Enforcement. This pre-dates the Council's Transformation, and therefore roles, responsibilities and reporting lines may have changed. Updating the SLA would ensure the requirements remain clear.

### **Recommendation**

The Service should review and update the SLA between the different teams involved in providing and facilitating parking services.

### **Service Response / Action**

Agreed. The Parking Performance Group continues to meet quarterly to review all parking related activity, ensuring there remains clarity over roles in service delivery. The SLA will be reviewed and refreshed.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	City Warden Officer	Important within audited area

2.2.6 Income collection and recording procedures contained limited detail on the process followed and the reasons behind what was being done. In the event of staff changes or a requirement to provide cover, it would be difficult to replicate and have assurance over the process.

2.2.7 There are no procedures on how to identify and address errors. Reliance is generally being placed on the contractor to declare cash received from each collection. Whilst data is recorded from which a reconciliation between Parking Machine records and cash collection records could be undertaken, and reports indicate that an overall reconciliation 'summary' is completed, there are no investigations into potential errors or omissions. Data quality is mixed, including regular omitted or transposed reference numbers, which makes reconciliation more difficult, but there is no evidence of this being challenged by the Service. Where there are variations between amounts declared by the machine audit tickets and the cash collection contractor, there is no evidence of challenge, and no procedure in place to escalate in the event of a defined threshold of materiality.

2.2.8 Service data indicates there were 330 missing audit tickets during 2018/19. Assumptions are made that missing data relates to machines which are broken or have failed to produce audit tickets, or that out of sequence cash boxes have been incorrectly recorded or will turn up at a later date. These assumptions are not regularly checked to ensure they remain appropriate – i.e. there are no checks against records of machines which were out of service on the dates of collection; missing audit tickets are not re-printed and checked at a later date; out of sequence boxes are not investigated. This affects the level of assurance that all income due to the Council has been accounted for.

**Recommendation**

The Service should ensure cash collection and recording procedures are clear and include reconciliation and investigation of discrepancies between machine and collection data.

**Service Response / Action**

Agreed. A process is in place, however feedback on its operation will be sought and the process reviewed to ensure any potential discrepancies are being highlighted and investigated / escalated as appropriate.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	Accounting Manager	Significant within audited area

2.2.9 The cash collection contractor and the cashless parking service provider issue invoices for their services based on contractual agreements, including the number and / or value of collections / transactions each period. These are not subject to a recorded exemption from the requirement to issue a purchase order, and there are no checks carried out to confirm that the values charged are in line with the volume of service received. Reliance is being placed on the contractors to invoice appropriately. In the event of an error this may not be identified and corrected promptly.



**Recommendation**

The Service should ensure that purchase orders are raised and receipt of services is matched against expectations prior to payments being authorised.

**Service Response / Action**

Agreed. Orders are now being raised in advance for an estimated value and re-approved where adjustments are required. A process is in place to confirm receipt.

**Implementation Date**

Implemented

**Responsible Officer**

City Warden Officer

**Grading**

Significant within audited area

**2.3 Penalty Charges**

2.3.1 A sample of ten Parking and Bus Lane penalties issued was reviewed, and assurance obtained that appropriate evidence substantiated the correct penalty, notices, Parking System entries and that all payments had been pursued for payment where appropriate.

2.3.2 There are elements of duplication in the appeals process. The Appeals Team has a Retention and Destruction spreadsheet which records details of each appeal received and concluded. The majority of this data is already held in the Parking System, and minor errors and omissions have been highlighted to the Service (missing / transposed / incorrect dates). If all information could be held in one place it would reduce the risk of error, and improve efficiency and compliance with data protection requirements.

**Recommendation**

The Appeals Team should ensure data is captured efficiently and accurately.

**Service Response / Action**

Agreed. The appeals team considers that the spreadsheet is currently sufficient, and the requirement for accuracy has been reiterated to the team. A replacement system is being implemented which will include functionality to scan and hold documentation, allowing the spreadsheet record to be phased out.

**Implementation Date**

Implemented

**Responsible Officer**

Revenues Support Officer

**Grading**

Important within audited area

2.3.3 As noted at 2.2.4 above there is potential for discretion to be applied in certain circumstances. To protect the officers involved, decisions should therefore be supported by appropriate evidence. This was not always the case.

2.3.4 In one instance there was no supporting evidence on the Parking System of further enquiries prior to cancelling a penalty, where the owner advised that the vehicle identified as using a bus lane incorrectly was a taxi and that they had a renewal licence submitted but not yet received. The Service stated that they would have clarified with the Licencing Service via telephone that it had been submitted, but there is no record of this.

2.3.5 In another case a penalty charge notice for a parking breach was appealed on the basis that the customer had paid online for the parking, which was accepted by the Service. However, the online payment was made after the ticket had been issued – and the times had not been checked by the Service.

**Recommendation**

The Appeals Team should ensure there is clear evidence held on the Parking System supporting decisions made.

**Service Response / Action**

Agreed. The requirements have been reiterated to the team.

**Implementation Date**

Implemented

**Responsible Officer**

Revenues Support Officer

**Grading**

Significant within audited area

- 2.3.6 It was not possible to obtain reports from the system to obtain assurance that all penalties had either been paid, passed to debt recovery, been written off or cancelled.
- 2.3.7 The Appeals Team provided summary data from the Parking System for penalty charges between April 2019 and November 2019. This data indicated that during the period 23,391 Penalty Charge Notices had been issued; 16,359 notices totalling £537,234.80 had been paid; leaving 7,032 notices with fines outstanding totalling £416,477.19. (The reason these are not multiples of £30, £60 or £90 is that there are some part payments and Sheriff Officers fees may be added where debts have to be pursued). During the same period 5,309 appeals were received, and 941 Penalty Notices had been cancelled.
- 2.3.8 In this period the data shows 17,053 Bus Lane Charge Notices had been issued, and 13,065 notices had been paid totalling £427,412.43; which it states leaves 3,050 bus lane charges outstanding totalling £180,107.90. 3,270 appeals had been received, and 986 Notices had been cancelled.
- 2.3.9 Neither set of figures fully matches. The number of Penalty Charge Notices outstanding does not appear to have been reduced for those cancelled. The number of Bus Lane Charge Notices outstanding does not match the net of those issued less paid or cancelled. If the figures are incorrect there is less assurance that all debts are being addressed appropriately, in line with the Council's Financial Regulations (see further discussion below). The Service has stated that a new system is being implemented during 2020, and as part of implementation it is intended to review reporting to ensure the data is accurate.
- 2.3.10 There are currently no reconciliations to demonstrate that all penalties issued have been paid, appealed, pursued, written off or cancelled.

**Recommendation**

The Service should ensure that it has assurance that all penalties issued have been paid, held pending appeal, passed to debt recovery, written off or cancelled.

**Service Response / Action**

Agreed. The new system will have enhanced reporting functionality. Reports will be provided to the Parking Performance Group to provide assurance over progress and performance, providing an opportunity to escalate issues as appropriate.

**Implementation Date**

January 2021

**Responsible Officer**

City Warden Officer &  
Revenues Support Officer

**Grading**

Significant within audited area

- 2.3.11 Debts are being pursued where appropriate. However, when the Sherriff Officers recommend the write off of a debt, for example where the customer is deceased or sequestrated, the Appeals Team are cancelling the Penalty Charge Notices on the Parking System as an alternative to writing the debt off.
- 2.3.12 The Service has stated that this was determined to be the appropriate route after a Scottish Parking & Bus Lane Tribunal indicated a failure in notices issued as both the date of offence and date of issue were not noted. After which, on 22 April 2008, the Resources

Management Committee agreed that Penalty Charge Notice debts of £4.863 million at the time should be cancelled.

- 2.3.13 However, the Committee did not approve the same treatment of debts thereafter. As with appeals, cancellation indicates agreement that the circumstances which led to a charge being applied, and a Notice issued under the relevant legislation, are no longer evidenced. In the case of debts being written off, the circumstances have not changed – i.e. the Notice was valid, but the debt is no longer being pursued. This is a different decision, and should be recorded accordingly.
- 2.3.14 The Financial Regulations 2019 ‘5.3’ set out that the Chief Officer – Finance has authority to write off debts up to £25,000, and the Chief Officer – Customer Experience has authority to write off debts of up to £25,000 per debtor for Business Rates and sundry debts, and up to £10,000 per debtor for Council Tax, Housing Benefit Overpayments and Penalty Charge Notices. Such write-offs may only be approved in cases of insolvency, receivership, liquidation and sequestration; ceased trading / defunct company; unable to trace; recommendation of sheriff officer; or small balances that are uneconomic to pursue. This authority may be delegated, subject to reporting back at least 6 monthly on its use.
- 2.3.15 Where the named Chief Officers consider a debt to be uncollectable, they must prepare and retain a schedule of debtors showing name, address, amounts due, and reason for the debt. The Chief Officer – Customer Experience is required to submit annual joint reports with the Chief Officer – Early Intervention and Community Empowerment (who has similar powers in respect of their Service) to the City Growth and Resources Committee advising of the number, value and reasons for such accounts to be written off, and of any in excess of their delegated authority which require Committee approval to write-off.
- 2.3.16 Because it has treated written off debt as cancelled, the Service has not produced reports to Committee in respect of Penalty Charges written off in line with the Financial Regulations.

**Recommendation**

The Service should ensure all charges which are written off are recorded as written off rather than cancelled, and reported accordingly in line with the Financial Regulations.

**Service Response / Action**

Current practice is based on previous legal advice. It was considered that there was a risk of setting precedents in respect of penalty charges. The Service will review and reconfirm the position with Legal Services and Finance.

**Implementation Date**

January 2021

**Responsible Officer**

Revenues and Benefits  
Manager &  
Finance Partner

**Grading**

Significant within audited  
area

**AUDITORS:** D Hughes  
C Harvey  
J Galloway

## 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.



## **Internal Audit Report**

### **Resources**

## **Ring Fenced Funding**

**Issued to:**

Steven Whyte, Director of Resources  
Jonathan Belford, Chief Officer – Finance  
Fraser Bell, Chief Officer – Governance  
External Audit

## **EXECUTIVE SUMMARY**

In 2019/20, the proportion of the overall block grant which was ring-fenced by the Scottish Government was £30.6 million - 8.1% of the total grant settlement for the year of £380.57 million. The objective of this audit was to provide assurance that the Council has appropriate arrangements in place to ensure that conditions relating to ring-fenced funding within the Scottish Government Grant are complied with.

Grants are generally administered in line with the Council's Scheme of Delegation including powers delegated to officers, Financial Regulations and Procurement Regulations. There are no separate written procedures, though individual grants are subject to specific terms and conditions set out in award letters. This has led to some variation in practice. Finance has agreed to develop procedures to increase assurance that grants are being administered in line with best practice – including nominated lead officers, development of a comprehensive grants register, and improved documentation to evidence that all and only appropriate spend has been attributed to relevant grants.

The timing of grant announcements and time limits on their use can cause difficulties in planning implementation and associated budgets. Finance has agreed to review procedures to ensure decision making can be adequately supported within appropriate timescales. Finance considers that the Council's Medium Term Financial Planning, including the annual Budget, is developed and updated based on the best information available. This includes the incorporation of assumptions about anticipated changes in funding, and any new information, including proposals for mainstreaming. If any recurring funding were to be discontinued a review would need to be undertaken of the future level of service being provided, and this would be factored into financial planning.

# 1. INTRODUCTION

- 1.1 The Scottish Government announces its funding package for local authorities each year in Local Government Finance Circulars. These typically detail funding which the Scottish Government indicates makes up approximately 85% of local authorities net revenue expenditure. It has three parts: General Revenue Grant, Non-Domestic Rates Income, and Specific Revenue Grants – commonly known as ‘Ring-Fenced Funding’. The Circular also details the values of Specific Capital Grants which have been allocated to local authorities for the coming financial year.
- 1.2 Both types of Specific Grant must be used in accordance with conditions stipulated in Grant Offer letters provided to each council. The letters are issued each year by Scottish Government Policy Teams and detail the extent of the offer, purpose of the grant, qualifying expenditure, payment arrangements, and reporting requirements. Specific Grants (referred to hereafter as ‘grant’ or ‘grants’) often enable the Scottish Government to use local authorities as a vehicle with which it can drive key policies forward.
- 1.3 In 2019/20, the proportion of the overall block grant which was ring-fenced by the Scottish Government rose from 4.5% to 8.1%, with total ring-fenced funding for 2019/20 amounting to £30.6 million. The type of grants received by Aberdeen City Council in 2019/20 and their value are detailed below with a comparison to the 2018/19 figures.

	2018/19	2019/20
<b>Revenue</b>	<b>£</b>	<b>£</b>
Gaelic Education	120,000	114,000
Pupil Equity Fund	2,791,000	2,784,000
Criminal Justice Services	4,057,000	4,123,000
Early Learning and Childcare Expansion	1,418,000	13,316,000
<b>Total Specific Revenue Grants</b>	<b>8,386,000</b>	<b>20,337,000</b>
<b>Total Revenue Grant</b>	<b>330,159,000</b>	<b>342,296,000</b>
	<b>2.5%</b>	<b>5.9%</b>
<b>Capital</b>		
Early Learning and Childcare Expansion	7,400,000	8,600,000
Cycling, Walking and Safer Streets	313,000	374,000
Town Centre Fund	-	1,351,000
<b>Total Specific Capital Grants</b>	<b>7,713,000</b>	<b>10,325,000</b>
<b>Total Capital Grant</b>	<b>31,390,000</b>	<b>38,274,000</b>
	<b>24.6%</b>	<b>27.0%</b>
<b>Total Specific Grants</b>	<b>16,099,000</b>	<b>30,662,000</b>
<b>Total Local Government Settlement</b>	<b>361,549,000</b>	<b>380,570,000</b>
	<b>4.5%</b>	<b>8.1%</b>

- 1.4 The objective of this audit was to provide assurance that the Council has appropriate arrangements in place to ensure that conditions relating to ring-fenced funding within the Scottish Government Grant are complied with. Because the Pupil Equity Fund was subject to review by Internal Audit in April 2019 (report AC1922), this component of specific grant income was excluded from the review.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Steven Whyte, Director of Resources, and Jonathan Belford, Chief Officer – Finance.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Governance

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff. This is important in the event of an experienced employee being absent or leaving, and they have increased importance where new systems or procedures are being introduced.
- 2.1.2 Ring-fenced funding is subject to Financial Regulations and Procurement Regulations as with any other Council funding. The Council has not developed specific guidance, with reliance placed on that contained in Grant Offer letters and any further guidance which may be issued from time to time by the Scottish Government in respect of specific grants. Council Officers can seek further guidance from Scottish Government Policy Teams to determine appropriate courses of action where they need more clarity.
- 2.1.3 Several documents are completed in the course of the grant funding period. These are: the Grant Application, Grant Acceptance, Grant Reports, Grant Claims, and a Statement of Compliance with Conditions of Grant.
- 2.1.4 The Council's Scheme of Delegation - Powers Delegated to Chief Officers includes: "To approve applications for grant funding. Thereafter, following consultation with the Convener of the City Growth and Resources Committee, to accept grand funding provided that the terms and conditions of such funding have been approved by the Chief Officer - Finance and the Head of Commercial and Procurement Services. Expenditure of such grant funding may then be approved by the relevant Chief Officer subject to any such terms and conditions and in compliance with the ACC Procurement Regulations and Financial Regulations."
- 2.1.5 Completion practice varied between grants in terms of the salary grade of the staff involved and whether they were Finance or Service based. Beyond the delegation to Chief Officers noted above, approved delegated authority in respect of the grants is not recorded. It is therefore not clear whether a Service Manager is authorised to sign off a Grant Acceptance Form or Statement of Compliance, or whether this responsibility is reserved for the Section 95 Officer (Chief Officer – Finance). Similarly, in one case a Trainee Accountant signed off a grant claim form, whilst in others it was a higher graded officer within Finance or the Service.
- 2.1.6 A brief description of the internal controls and authorisation required in the grant process would be beneficial to increase assurance that grants are being administered in accordance with both management's expectations and grant terms and conditions.

#### **Recommendation**

A brief procedural document should be developed for grant administration to ensure appropriate personnel follow approved practice.

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

Agreed. This will be linked to the current scheme of delegation in relation to grant acceptance.

#### **Implementation Date**

September 2020

#### **Responsible Officer**

Finance Operations  
Manager

#### **Grading**

Important within audited  
area



- 2.1.7 Scottish Government grant allocations are normally advised through Local Government Finance Circulars and the details are fed into the Council's budget setting process. Some specific grants, or the distribution values, are not known in advance and cannot be fed into the budget setting process. Letters can be received at later points in the year, and grants accepted under the Scheme of Governance – Powers Delegated to Officers.
- 2.1.8 The Grant Offers containing the value of each grant, the conditions which apply, and their value are received by the Council from Scottish Government Policy Teams. Grant Offer letters include a Grant Acceptance form which must be signed and returned within the financial year.
- 2.1.9 While most acceptance forms had been returned promptly, those involving Services delivered through Aberdeen City Health & Social Care Partnership were not returned until March 2019, though they had been sent to the Council in August and September 2018. There was an increased risk of deadlines being missed and grant not being recovered in this instance, as the grant conditions stated that 'Scottish Ministers shall not be bound to pay any instalment of the grant which has not been claimed by 31 March of the applicable financial year.' This type of grant condition is often included for ring fenced grants.

**Recommendation**

All grant documentation should be shared with appropriate officers in order that it can be completed and submitted to the Scottish Government timeously.

**Service Response / Action**

Agreed. This will be written into the procedure document in 2.1.6.

**Implementation Date**

September 2020

**Responsible Officer**

Finance Operations  
Manager

**Grading**

Significant within audited  
area

- 2.1.10 There is a risk of late claims being rejected, as stated in grant conditions. This risk is greater in the event that specific individuals have been assigned sole responsibility for applying, monitoring, reporting and claiming grants – particularly during a period of significant organisational change. There is currently no overall independent review to ensure adequate control is being exercised and all grant activities are being completed in accordance with Scottish Government requirements and timetables.
- 2.1.11 A register of grants which captures timelines, when income is expected, the value of this and any claims submitted would be beneficial. This could provide assurance for management that key documents and reports have been submitted to the Scottish Government and that the appropriate transactions have been completed and recorded timeously. A register could also capture where variances from Grant Offer values are expected, and any additional ring-fenced funding which has been announced such as additional awards of £78,721 and £35,000 to Criminal Justice in 2018 for the Problem-Solving Court in Aberdeen and Caledonian System Men's Programme respectively. Although bank reconciliation and budget monitoring measures should identify material variations, this may be some time after the event.

**Recommendation**

A register of specific grants should be developed and monitored regularly to enhance assurance over specific grant income.

**Service Response / Action**

Agreed. There are records of incoming grants and monitoring of grant expenditure in relation to the budget monitoring and grant conditions where applicable. However, these are not comprehensive. It has been recognised by the Service that there is a

requirement for a comprehensive grants register.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2020	Finance Operations Manager	Important within audited area

## 2.2 Spending Plans

- 2.2.1 Specific grants represent an increasing proportion of Scottish Government funding. They allow the Scottish Government to use Local Authorities as a vehicle with which it drives certain policies and initiatives forward. There is therefore a requirement for them to be demonstrably applied to expenditure directly associated with achieving those aims. While some grants can be carried forward, many require expenditure or full legal commitment of funds within a set time period (typically the financial year in which they are provided).
- 2.2.2 It is therefore prudent for Services to have clear spending plans for each grant which demonstrate management's intentions and focus on meeting grant conditions in terms of the time period and nature of expenditure.
- 2.2.3 The extent of spending plans which Services have vary depending on the value and type of project or service being delivered through grant monies. For example, the Early Learning and Childcare Expansion Project has extensive planning documents for both capital and revenue expenditure. These are required to manage delivery of the obligation to meet increased childcare provision requirements by August 2020.
- 2.2.4 The works included in the Cycling, Walking and Safer Streets spending plan are used as 'fill in' jobs when Roads teams are less busy, generally outwith surface dressing and winter maintenance periods. While this represents the Service seeking to manage its workload efficiently and effectively, progress with the plan could be jeopardised where, for example, unexpected events divert staff resources away from planned works. If there is insufficient time to complete the works and use the funds available, under-recovery of grant monies could be reputationally damaging. Management needs to have assurance that adequate progress is being made and control maintained.
- 2.2.5 The Town Centre Capital Grant Fund (TCF) was announced by the Scottish Government on 1 March 2019, only 4 days before the Council set its 2019-20 budget. Aberdeen City Council was awarded £1.35 million with the caveat that *'If the grantee does not use the grant in the financial year 2019-20, unused grant is to be repaid to the Scottish Government unless otherwise agreed in writing by Scottish Ministers'*, meaning that a clear spending plan was essential to ensure prompt delivery of projects and commitment of funds within the due date.
- 2.2.6 The TCF grant was not anticipated and officers were required to identify desirable projects which met its criteria within a very short space of time. A list of potential projects for TCF was presented to the City Growth and Resources Committee in June 2019 by the External Funding and Policy Officer for consideration, but the value of projects approved fell short of the Grant Offer by over £137,000 and officers were asked to return with further projects in September 2019. The Committee has been advised that the Service was *'...unable to report on how the balance of the fund can be allocated due to not having the final costings from the approved projects...'* and that this is *'...due to the nature of the projects, in particular the capital aspects which have required seeking input from external sources, contractors etc.'*
- 2.2.7 The absence of a complete spending plan increases the risk of grant not being recovered – though in the case of this grant the requirement is *"If the Grantee does not use the grant in the financial year 2019-20, unused grant is to be repaid to the Scottish Government*

*unless otherwise agreed in writing by Scottish Ministers. It is expected that work will be completed; or, at least work or contracts signed or commenced within 2019-20.*" In this instance the risk may therefore be reduced as the timescale does not require full delivery of all projects. However, funds can only be legally committed once contracts are in place with suppliers, contractors and third party delivery partners – which require lead time to meet procurement and legal requirements and to evidence compliance with grant terms and conditions.

2.2.8 The Service planned to report to Committee in February 2020, though a progress report was required by the Scottish Government by November 2019. Return of the funds could disadvantage City development and prevent the Council from achieving the grant's objectives.

2.2.9 At the end of August 2019, 5 months into the 2019/20 financial year, no project expenditure had been processed. Although project leaders had been assigned, few had created individual project spending plans, and basic project timetables had only recently been developed (as at October 2019). Contracts and agreements are still in draft. The Council needs to determine ways in which it can change procedures and practice to reduce the risk of grant funding not being recovered.

<b><u>Recommendation</u></b>		
Procedures and practice should be reviewed to improve the efficiency of the project identification, approval, planning and delivery process.		
<b><u>Service Response / Action</u></b>		
Agreed. It is agreed that procedures and practice will be reviewed and linked in relation to the aforementioned processes. This will be incorporated into the procedures in recommendation 2.1.6. It is held that it is not viable to create reserve lists of projects and liaise with partners prior to grants being offered. This would mean committing resource inefficiently to speculative grants that may never materialise.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2020	Finance Operations Manager	Significant within audited area

2.2.10 Monitoring of the TCF was assigned to the Council's External Funding Team, which has previously overseen delivery of similar programmes. Although in this case having a single team over many ringfenced funded projects has not yet proven effective – as the projects (at the time audited) had not reached an advanced stage of delivery to utilise the available grant, consideration should be given as to whether a central team could be used to co-ordinate the use of and ensure compliance with the terms of grants included within the specific grant register recommended at 2.1.11 above.

<b><u>Recommendation</u></b>		
Consideration should be given to whether a central team could enhance control and assurance over specific grants.		
<b><u>Service Response / Action</u></b>		
This has been considered and it is felt that with the assurance provided by the new procedures and effective liaison between all relevant roles in the process, that this can bring about the required co-ordination and controls.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Finance Operations Manager	Important within audited area

## 2.3 Income and Expenditure

- 2.3.1 Specific Grant income and expenditure is accounted for in the financial system through dedicated ledger codes. The coding structure allows budget holders and Finance Partners to monitor the budgets and produce management information in order to maintain control over the use of specific grant funding.
- 2.3.2 The majority of specific grants are received in regular periodic payments for which the Scottish Government requires statistical and financial returns. Most of the grants reviewed required initial returns to be submitted in November 2019 and therefore, as the draft audit report was issued in October 2019, Internal Audit was unable to review compliance for the current financial year, however there is evidence of these reports being submitted for relevant grants in the previous year.
- 2.3.3 A review of grant income received from the Scottish Government in 2018/19 and in the early part of 2019/20 showed grant income was generally being received as expected. However, for the 2019/20 Early Learning and Childcare revenue grant there is a variance between the Grant offer of £14.045 million, and project documentation provided by the Service which indicates it is working on the basis of £12.04 million being received. If plans are not in place to fully utilise available funds there is a risk of delays in implementing projects or in some cases of grants having to be repaid. The recommendation at 2.2.10 above applies.

### **Recommendation**

The level of grant funding available should be consistently recorded.

### **Service Response / Action**

Agreed. It is agreed that recording of grant funding available should be consistently recorded. This will be incorporated into the procedures in recommendation 2.1.6.

### **Implementation Date**

September 2020

### **Responsible Officer**

Finance Operations  
Manager

### **Grading**

Important within audited  
area

- 2.3.4 Payments associated with grants are subject to the Council's Financial and Procurement Regulations, and are processed through the Council's payroll, purchasing and payments systems. These systems are periodically reviewed by Internal Audit to provide assurance over the controls in place. Reliance is placed on the application of these controls to provide assurance over the legitimacy of expenditure.
- 2.3.5 However, transactions claimed as eligible grant expenditure against grants which must be used within a single financial year included accruals, adjustments and estimates, in addition to direct expenditure:
- 2.3.6 The majority of expenditure for Cycling, Walking and Safer Streets in 2018/19 included a spending plan category identifier (e.g. 051, 052, etc) within the transaction description, however over £113,000 of costs included in the 2018/19 claim did not include the identifier. Claims also included smaller works combined in one total. These gave the appearance in one instance of the Service making a £100,000 adjustment at year-end from work charged against other budgets, in addition to the items included in the spending plan and directly charged, reducing assurance that the expenditure met the conditions of the grant. In addition to these variations, whilst the overall grant claim matched the total recorded in the ledger (after adjustments), there was no record to support allocation of the costs between the expenditure categories included on the claim form – which did not clearly correspond to ledger coding, transaction descriptions or to the spending plan. It is

therefore difficult to demonstrate compliance with the terms of the grant, which included consideration of a minimum spend of 36% on cycling schemes.

2.3.7 The Criminal Justice grant claim includes an element for overheads (£231,000), which has not been calculated based on directly attributed costs. Whilst it is within the allowed percentage for overheads, which may have been incurred but not specifically charged against the Criminal Justice budget, supporting calculations indicate that it is a balancing figure added to claim the maximum available grant.

2.3.8 Improving the consistency of financial recording would aid in completion and verification of grant claims and demonstrating that approved spending plans have been delivered.

<b><u>Recommendation</u></b>		
The audit trail between spending plans, ledger transactions, grant claims and supporting documents should be improved.		
Estimates and adjustments should be reviewed to ensure they are compliant with grant terms and conditions.		
<b><u>Service Response / Action</u></b>		
Agreed. The service confirms that the Cycling, Walking and Safer Streets grant was compliant with grant criteria and the percentage spend on cycling schemes was considered at Strategic Commissioning Committee on 30 April 2018.		
It is agreed that procedures and practice will be reviewed in relation to the audit trail. This will be incorporated into the procedures in recommendation 2.1.6.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2020	Finance Operations Manager	Significant within audited area

2.3.9 Where grants are awarded for use in capital projects only, expenditure must meet the normal accounting rules for recognition of non-current assets. However, the Early Learning and Childcare Expansion capital grant has been used to fund feasibility studies to determine appropriate capacity building options. Such expenditure should not generally be included as capital expenditure unless it is directly associated with specific works.

2.3.10 Cycling, Walking and Safer Streets is also a capital grant, and expenditure in respect of the 'Safe Drive Stay Alive' campaign which did not result in a tangible asset being created or enhanced, has been charged against it. It may therefore be difficult to demonstrate that capital grants have been used wholly for appropriate purposes.

<b><u>Recommendation</u></b>		
The Service should ensure revenue and capital expenditure is appropriately recorded against relevant grants.		
<b><u>Service Response / Action</u></b>		
Agreed. A year end process exists that reviews appropriate treatment of revenue and capital expenditure, but it is noted that this requirement is of particular importance in respect of grant conditions. It is agreed that procedures and practice will be reviewed in relation to recording of revenue and capital expenditure. This will be incorporated into the procedures in recommendation 2.1.6.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2020	Finance Operations Manager	Significant within audited area

## 2.4 Medium Term Financial Planning

- 2.4.1 Financial planning sits alongside budget preparation, performance management and stakeholder reporting. The ability to look strategically beyond the current budget period is crucial for resilience and long-term financial sustainability. A longer and more strategic approach to planning helps determine future policy and development, and a medium-term financial strategy (MTFS) provides a framework for budget setting. Medium term financial planning should highlight the impact of known service and funding changes and include decisions that address any gaps in long-term financing. An effective MTFS makes clear the actions needed to ensure long-term financial sustainability.
- 2.4.2 The Council's anticipated medium term financial position and relevant assumptions were set out in the 2019/20 budget setting papers. These included anticipation of reductions in future funding and cost increases, though did not explicitly reference specific grant funding. The budget is prepared based on the best information available at the time, including initial indications from the Scottish Government (where available) in December of the preceding year. Planned funding is included in future years' budgets, along with recurring funding unless there is a defined end date.
- 2.4.3 While the Early Learning and Childcare Expansion project received a five-year funding agreement commencing 2017/18 for both Revenue and Capital, other grants such as Cycling, Walking and Safer Streets, and Criminal Justice Services receive only single year awards, though have been received on a recurring basis. The Town Centre Capital Grant Fund is in its first year and the Council does not anticipate it will recur. Guidance relating to the Gaelic Education project in 2019/20 reminds '*...authorities to plan for the mainstreaming of grant-aided project costs as early as possible, and certainly no later than five years from commencement of funding.*'
- 2.4.4 However, there remains a risk given that funding is regularly being confirmed by the Scottish Government for a single year, and the availability of detail regarding the amounts offered and associated conditions can be subject to delay. It may be appropriate to plan for such a contingency by developing outline exit strategies to be applied, subject to appropriate policy decisions, in the event that funding ceases at short notice.
- 2.4.5 'Mainstreaming' of funding involves moving grants provided for a specific purpose in previous years into the general revenue / capital grant. As there is then no direct link between the level of funding provided and delivery of any particular service or outcome, it is open for the Council to redetermine its priorities. This may provide an opportunity to review the level of service which is being delivered – though this may be difficult if e.g. expectations have been created and contracts entered into on the basis of previous funding allocations. It is however essential as there is no guarantee that equivalent levels of funding will be provided within the general grant.

### **Recommendation**

Strategies should be identified for situations where continuity of ring-fenced funding is not guaranteed.

### **Service Response / Action**

It has been considered by the Service that specific assumptions relating to cessation and mainstreaming of grants have been incorporated into budget assumptions based on the best available information. Medium Term Financial Planning, including the annual Budget, is developed and updated based on the best information available. This includes the incorporation of assumptions about anticipated changes in funding, and any new information, including proposals for mainstreaming. If any recurring funding were to be discontinued a review would need to be undertaken of the future level of service being provided, and this would be factored into financial planning. It is not

considered possible or best use of resources to pre-empt this except to the extent indicated.

**Internal Audit Comment**

Service position noted. There remains a risk if funding ceases at short notice.

**Grading**

Significant within audited area

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

## Appendix 1 – Grading of Recommendations

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





Aberdeen City Health & Social Care Partnership  
*A caring partnership*



## **Internal Audit Report**

## **Integration Joint Board**

## **Risk Management**

Sandra MacLeod, Chief Officer  
Alex Stephen, Chief Finance Officer  
Martin Allan, Business Manager  
External Audit

## EXECUTIVE SUMMARY

Risk management is the process by which risk is identified, evaluated and prioritised followed by the implementation of resources to manage, control and mitigate risks wherever possible. The overall aim of risk management is to reduce the frequency of risk events occurring and to minimise the impact of them when they do occur.

Systems for assurance and escalation are based on an understanding of the nature of risk to an organisation's goals, and to the appetite for risk-taking. How an organisation understands and manages risk is an important part of the development of its governance systems. The Service notes that the innovative nature of Health and Social Care Integration Schemes also requires governance systems which support complex arrangements, such as hosting of services on behalf of other IJBs, planning only of services delivered by other entities, accountability for assurance without delivery responsibility, and other models of care delivery and planning. As such, risk management is fundamental to the running of the Health and Social Care Partnership that is directed by the Integration Joint Board

The objective of this audit was to review the process for identifying risks, managing them (including performance measures against each risk), and reporting to the IJB.

Governance arrangements including the IJB's Scheme of Governance, Committee terms of reference, Board Assurance and Escalation Framework (BAEF) and Risk Management Policy are in place covering key elements of risk management and reporting. At the time of the audit, elements including annual review of the IJB's risk appetite, and review of operational risks by the Clinical Care and Governance Committee, had not been undertaken as set out in governance documentation. The IJB has reviewed and amended terms of reference in November 2019, will be asked to approve an updated risk appetite in January 2020, and the Service notes that the BAEF will be updated shortly to reflect work currently ongoing across the three Integration Joint Boards working with NHS Grampian in respect of risk management policy.

Whilst processes are in place, resulting in a regularly reviewed strategic risk register, the Service has not yet fully coordinated operational risk management recording across the Partnership – with separate systems in place for staff within each Partner organisation. Use of one such system has been reduced in one Partner's wider operations, and assurance is being sought as to its continued availability for the Partnership pending plans to introduce a single system solution. The Service has agreed to work to ensure an appropriate level of standardisation between the two systems in the interim, with a workshop session planned to refresh officers on the different parts of the risk management process.

# 1. INTRODUCTION

- 1.1 Risk management is the process by which risk is identified, evaluated and prioritised followed by the implementation of resources to manage, control and mitigate risks wherever possible. The overall aim of risk management is to reduce the frequency of risk events occurring and to minimise the impact of them when they do occur.
- 1.2 Systems for assurance and escalation are based on an understanding of the nature of risk to an organisation's goals, and to the appetite for risk-taking. How an organisation understands and manages risk is an important part of the development of its governance systems. The Service notes that the innovative nature of Health and Social Care Integration Schemes also requires governance systems which support complex arrangements, such as hosting of services on behalf of other IJBs, planning only of services delivered by other entities, accountability for assurance without delivery responsibility, and other models of care delivery and planning. As such, risk management is fundamental to the running of the Health and Social Care Partnership that is directed by the Integration Joint Board
- 1.3 The objective of this audit was to review the process for identifying risks, managing them (including performance measures against each risk), and reporting to the IJB.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Martin Allan, Business Manager

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Policy and Procedures

2.1.1 The policy and procedures regarding Risk Management are covered within the Board Assurance and Escalation Framework (BAEF) approved by the Audit and Performance Systems (APS) Committee in February 2019. This document references and contains details of the separately documented risk management Policy, risk appetite statement, and the strategic and corporate (operational) risk registers which form the risk management framework. The BAEF explains how risks are to be assessed and reported, roles and responsibilities, sets out the initial risk appetite and how it is reviewed, and is publicly available online.

2.1.2 Information and training on how to use the risk management system (DATIX) used by the Aberdeen City Health & Social Care Partnership (ACH&SCP) to record and manage risks at an operational level is accessible through the NHS Grampian (NHSG) Intranet. This limits access for Partnership staff employed by Aberdeen City Council, who do not generally have access to the system.

#### **Recommendation**

The Service should review systems and documentation access to ensure all risk owners / managers have access.

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

Agreed. This will be achieved across DATIX for NHSG staff and Pentana for Council staff. There are financial implications around licenses for the use of software which will need to be considered before a singular system for across the Partnership is implemented.

#### **Implementation Date**

Implemented

#### **Responsible Officer**

Business Manager

#### **Grading**

Important within audited area

2.1.3 The BAEF is reviewed annually by the Business Manager, who is in charge of Risk Management, and is then reported to the APS Committee for approval of any updates or changes. The risk appetite statement is to be reviewed at least as often as the strategic plan is reviewed (every three years) and more often when required, though in practice it is reviewed annually along with the BAEF.

2.1.4 The APS Committee terms of reference include that it will "Review risk management arrangements, receive annual Risk Management updates and reports and annually review with the full Board the IJB's risk appetite document". Whilst the Committee was asked to approve and provide comment on a revised risk appetite statement in February 2019, minutes show that it provided comment and required the report to be revised. The IJB has not thereafter (at the end of October 2019) reviewed the revised risk appetite document.

#### **Recommendation**

The Service should ensure the IJB reviews and approves changes to the risk appetite.

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

Agreed. The IJB held a workshop on the 19<sup>th</sup> of November, at which the Board's risk appetite statement was considered and reviewed. The changes to the statement are being brought to the meeting of the IJB on the 21<sup>st</sup> of January 2020, for approval.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
January 2020	Business Manager	Important within audited area

- 2.1.5 While policies and procedures are in place relating to risk management within the Partnership, the Policy document is not widely available despite being referenced within the BAEF. The BAEF however does cover all of the areas which the policy covers, and therefore a separate policy may not be necessary.

<b><u>Recommendation</u></b> The Service should review the requirement for a risk management policy separate to the Board Assurance and Escalation Framework.		
<b><u>Service Response / Action</u></b> Agreed. Work is currently ongoing across the three Integration Joint Boards working with NHS Grampian to review the overall Risk Management Policy used for all organisations, updates to the IJB BAEF will reflect any changes. It is proposed that the revised BAEF will be reported to the Risk, Audit and Performance Committee on the 28 <sup>th</sup> of April, 2020.		
<b><u>Implementation Date</u></b> April 2020	<b><u>Responsible Officer</u></b> Business Manager	<b><u>Grading</u></b> Important within audited area

## 2.2 Strategic Risk Register

- 2.2.1 The strategic risk register sets out what are considered by management to be the most significant risks to achievement of the IJB's strategic plan.
- 2.2.2 The strategic risk register was last updated in August 2019, following which it was approved by the IJB and is available to view publicly online. The strategic risk register contains a wealth of information on the identified risks, including; a description of the risk, the strategic priority that the risk impacts, the leadership team owner, the risk rating, the risk movement (and when this was last reviewed), a rationale for the rating, a rationale for the risk appetite, controls, mitigating actions, sources of assurance, gaps in assurance, current performance and any additional comments. Additionally, the register contains an overview "Risk Summary" at the beginning where risks are described, and their current rating given.
- 2.2.3 Following discussions at the Leadership Team Meeting in September 2019 the strategic and operational (see below) risk registers will now be a standing item on its meeting agenda, allowing for them to be reviewed monthly. This will include recommendations for risks to be removed or added to the registers. When the APS Committee has the risk register on its agenda, a specific risk is reviewed in detail with an intention of covering all risks over a certain period of time.
- 2.2.4 Specific risk identification exercises have been conducted annually with the IJB for the strategic risk register; however, there is no set procedure or practice. Without a planned review schedule, it is possible that new and emerging risks may be missed, and incidents may occur before mitigants and controls can be put in place.

**Recommendation**

The Service should schedule risk identification exercises.

**Service Response / Action**

Agreed. This will be added to the BAEF when it is next updated to form part of written procedures. The BAEF is currently being reviewed and will be submitted to the Risk, Audit and Performance Committee in April 2020. For this Committee's information, the IJB at its workshop on the 19<sup>th</sup> of November reviewed the strategic risks.

**Implementation Date**

April 2020

**Responsible Officer**

Business Manager

**Grading**

Important within audited area

### 2.3 Operational Risk Register

2.3.1 The operational risk register includes risks anticipated to affect service delivery and outcomes. Elements may be escalated to the strategic risk register if they are considered to have significant potential impact on delivery of the IJB's strategy.

2.3.2 Although elements of the operational risk register were reviewed in August 2019, notes indicate that not all risks were updated at this time. If risk registers are not up to date, mitigations and controls may not be sufficiently in place to avoid an incident or reduce the impact.

**Recommendation**

The Service should ensure risk owners keep risks up to date.

**Service Response / Action**

Agreed. This is now a standing item on leadership team meeting agendas which will allow for the Team to scrutinise the details in the Risk Register. In addition, a workshop for Risk Owners is being arranged in early 2020 to refresh officers on the different parts of the risk management process and how controls and mitigations can be used to reduce the impact and likelihood of the risk. The Workshop is proposed to be held by the end of February 2020.

**Implementation Date**

February 2020

**Responsible Officer**

Business Manager

**Grading**

Important within audited area

2.3.3 The operational risk register is to be populated by risks escalated from service risk registers and locality risk registers (once developed). Locality risk registers are not currently in place, pending planned changes which will reduce the number of localities from four to three. Responsibility and reporting lines for locality level risk registers have still to be determined.

2.3.4 There are a limited number of risks relating to the social care operations of the ACH&SCP on the operational risk register. The Service has stated that social care risks are recorded separately on the Pentana system used by Aberdeen City Council. However, the Pentana system is not currently being used by Aberdeen City Council for recording of risk at levels below the Corporate register. If it cannot be used, there is a risk of reduced assurance over the completeness and currency of risks and their associated controls and mitigants from across the Partnership.

**Recommendation**

The service should ensure operational risks across all areas of the partnership are covered within the operational risk register.

**Service Response / Action**

Agreed. The Service intends to work with Aberdeen City Council to allow for the continued use of Pentana within the Partnership by Adult Social Care. The Operational Risk registers for Adult Social Care and Health Care will be maintained separately until a single system solution is introduced. In the interim it is the intention that these registers will be presented in the same format and together, thus forming an overall view of the operational risks that the Partnership faces.

**Implementation Date**

February 2020

**Responsible Officer**

Lead Social Worker,  
Social Work Services  
Managers and Business  
Manager.

**Grading**

Significant within audited  
area

2.3.5 The operational risk register is stored within the DATIX system for risk management and records the service involved, the speciality, a risk title, the current risk level, the date last reviewed, the handler and the risk owner. A separate page within DATIX, called the assurance framework, which is designed to provide evidence that the risk is being managed and reviewed includes identification of controls in place to reduce the risk, any gaps in controls, the relevant assurance sources and the action plan used for mitigants and controls.

2.3.6 The risk register extract as supplied for this audit does not include the inherent risk, the rationale behind the risk rating, the movement of the risk (whether it has increased, decreased or stayed the same rating since its last review), a description of the risk, the mitigants and controls, areas of assurance, and any gaps in assurance, and therefore does not subscribe to the format established within the BAEF for risk registers. Whilst this information is held on the system, if it is not being reported in the correct format management action and assurance provided to Committees may be affected.

**Recommendation**

The Service should ensure that risk registers conform to the standardised format.

**Service Response / Action**

Agreed. Work is ongoing to ensure the output from DATIX and Pentana are the same, and this includes the deliberations of work currently being undertaken by NHSG and the 3 IJB's on a revised risk management policy.

**Implementation Date**

April 2020

**Responsible Officer**

Business Manager

**Grading**

Significant within audited  
area

2.3.7 The BAEF states that the operational risk register is reviewed bi-monthly by the Clinical and Care Governance Committee, but there are no records of this having taken place, reducing assurance that risks are being reported and managed at the appropriate level.

**Recommendation**

The Service should ensure risk registers are reviewed at the appropriate level and frequency.

**Service Response / Action**

Agreed. When the Scheme of Governance (which included the Terms of Reference of the Clinical Care and Governance Committee) was revised and approved at the meeting of the IJB on the 19th of November 2019 this included changes to how often and where committees would review risks. The Clinical and Care Governance Group will now consider the operational risks and provide assurance to the Committee over their management.

**Implementation Date**

Implemented

**Responsible Officer**

Business Manager

**Grading**

Significant within audited area

2.3.8

The requirement to monitor the Partnership's risk register is included within the Clinical and Care Governance Committee Terms of Reference. Whilst these are not explicit in referencing the operational register, as the APS Committee regularly reviews the strategic register it is unlikely to be appropriate that both Committees undertake the same review. At the meeting of the IJB on the 22nd of May 2018, the IJB agreed to review the terms of reference for the IJB and its committees annually. As at the end of October 2019, no such review has been completed. Assurance may also be required that delegated functions are being fulfilled.

**Recommendation**

The IJB should ensure that delivery of Committee terms of reference is reviewed annually.

**Service Response / Action**

Agreed. The Scheme of Governance (which included the Terms of Reference) was revised and approved at the meeting of the IJB on the 19th of November 2019. The next revision is scheduled in the IJB's Committee tracker for consideration in the second half of 2020.

**Implementation Date**

Implemented

**Responsible Officer**

Business Manager

**Grading**

Important within audited area

**AUDITORS:** D Hughes  
C Harvey  
C Johnston



## 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.

This page is intentionally left blank



## **Internal Audit Report**

### **Governance**

### **Civil Contingencies**

**Issued to:**

Fraser Bell, Chief Officer – Governance  
Vikki Cuthbert, Assurance Manager  
Jonathan Belford, Chief Officer – Finance  
External Audit

## EXECUTIVE SUMMARY

Under the Civil Contingencies Act 2004 (the Act), the Council is defined as a Category 1 responder in the event of an emergency, meaning an event or situation which threatens serious damage to: human welfare; the environment; and / or the security of the United Kingdom (the latter as a result of war or terrorism). The Act requires Category 1 responders, such as the Council, to:

- assess the risk of an emergency occurring from time to time;
- maintain plans, informed by risk assessments, for continuing to perform their functions, including in relation to preventing emergencies, mitigating their effects or taking other necessary action;
- maintain business continuity plans;
- publish all or part of risk assessments and plans, to prevent emergencies occurring; mitigate their effects; and to enable required action to be taken in relation to an emergency;
- maintain arrangements to warn the public and to provide information and advice to the public, if an emergency is likely to occur or has occurred;
- co-operate and share information with other responders;
- provide advice and assistance to businesses and voluntary organisations on business continuity management

The objective of this audit was to provide assurance that the Council has in place adequate training, planning and testing for civil contingency events to ensure that it can deliver on its obligations in the event of an emergency. In general, this was found to be the case. Governance undertook a comprehensive Organisational Resilience stocktake of the Council's Civil Contingency arrangements in 2019, taking the requirements of the Civil Contingencies Act 2004 into account. Governance arrangements and emergency response procedures were improved as result. An online Resilience Hub is also being developed to centralise relevant information.

Whilst the Council's emergency procedures are clear and concise, there were some elements which could be enhanced: how to assess the risk of emergencies occurring from time to time (statutory requirement); guidance on providing business continuity advice and assistance to businesses and voluntary organisations (statutory requirement); and the Council's procedure for the recovery phase of an incident / emergency. Governance will review and update procedures.

Business Continuity Plans are scheduled for periodic review and testing, however the schedule requires to be updated to demonstrate it is being adhered to. Plans have been activated as necessary in response to COVID-19, and lessons learned are being captured and will be fed into the review process.

The Public Protection Committee receives an annual Resilience report. The Committee's terms of reference also set out that it should receive assurance that services are maintaining and reviewing Business Continuity Plans in accordance with the priorities allocated to them. The Committee has not recently received updates on Business Continuity Plan preparation, review and testing status nor is it receiving a report on the risk of emergencies occurring, emergency plan review and emergency plan testing. Governance will cover emergency and business continuity risks, controls and control gaps as part of further development of the annual Resilience report to the Committee. The next scheduled report is due to be presented to the Public Protection Committee in December 2020.

Corporate Risk Corp-004 Civil Contingencies is set out as "The Council must ensure that it puts in place adequate training, planning and testing for civil contingency events

and other incidents”. This is monitored by CMT regularly, supported by ECMT and the Council’s Organisational Resilience Group (ORG).

In addition, the CMT recently agreed to develop the civil contingencies risk register into a Place register, and to expand this to include all operational civil contingencies events covered by civil contingencies legislation. This will ensure that all appropriate controls are in place for each scenario and will complement the scrutiny of civil contingencies risks at the LRP. This will be overseen by the ORG on which it will base its review of such risks in accordance with its Terms of Reference.

The Council fulfils its responsibilities as a Category 1 responder partly through internal structures and reporting but also through its membership of and active participation in the Grampian Local Resilience Partnership (GLRP). The Council’s Organisational Resilience Stocktake identified opportunities to enhance the Aberdeen City plans in place, to dovetail with the plans held at GLRP level. Further development of these plans has yet to be scheduled, and will be subject to further consideration.

# 1. INTRODUCTION

- 1.1 Under the Civil Contingencies Act 2004 (the Act), the Council is defined as a Category 1 responder in the event of an emergency, meaning an event or situation which threatens serious damage to: human welfare; the environment; and / or the security of the United Kingdom (the latter as a result of war or terrorism). The Act requires Category 1 responders, such as the Council, to:
- assess the risk of an emergency occurring from time to time;
  - maintain plans, informed by risk assessments, for continuing to perform their functions, including in relation to preventing emergencies, mitigating their effects or taking other necessary action;
  - maintain business continuity plans;
  - publish all or part of risk assessments and plans, to prevent emergencies occurring; mitigate their effects; and to enable required action to be taken in relation to an emergency;
  - maintain arrangements to warn the public and to provide information and advice to the public, if an emergency is likely to occur or has occurred;
  - co-operate and share information with other responders;
  - provide advice and assistance to businesses and voluntary organisations on business continuity management.
- 1.2 Corporate Risk Corp-004 identifies the requirement for the Council to ensure that it puts in place adequate training, planning and testing for civil contingency events and other incidents.
- 1.3 The objective of this audit was to provide assurance that the Council has taken the necessary action and has plans in place to mitigate risks identified in the Corporate Risk Register to ensure that it can deliver on its obligations in the event of an emergency.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Fraser Bell, Chief Officer – Governance, Vikki Cuthbert, Assurance Manager, Ronnie McKean, Corporate Risk Lead.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Organisational Resilience Stocktake**

- 2.1.1 In the absence of an independent external inspection regime the council's Governance function commissioned a comprehensive Organisational Resilience Stocktake of the Council's Civil Contingency arrangements in 2019 to obtain management assurance over this area. This covered all of the Council's statutory responsibilities under the Civil Contingencies Act 2004 as detailed in paragraph 1.1, above. The outcome of this stocktake was reported to CMT on 28 November 2019 where recommendations to improve civil contingency procedures, training, governance arrangements and the means by which the Council ensures it complies with its statutory civil contingency obligations were approved. Internal Audit has reviewed progress with implementing the associated actions as part of this report.

### **2.2 Governance**

- 2.2.1 The governance arrangements are multi-layered, including Partnerships at a Regional and Local level, and supporting working groups, within which Aberdeen City Council senior officers have taken lead roles.

#### North of Scotland Regional Resilience Partnership (NSRRP)

- 2.2.2 The Regional Resilience Partnerships cover East, West and North of Scotland areas and these boundaries align with the territorial areas for both Police Scotland and the Scottish Fire and Rescue Service. The NSRRP aims to protect the people, economy and environment of the north of Scotland by building resilience and having effective arrangements in place to deal with emergencies. It supports and coordinates three local Resilience Partnerships, including the Grampian Local Resilience Partnership.

#### Grampian Local Resilience Partnership (GLRP)

- 2.2.3 The GLRP's purpose is to maintain effective local liaison and coordination between agencies; to provide strategic direction to the Grampian Local Resilience Partnership Working Group for the development and implementation of a risk register and work plan; and to assist members in delivering their obligations under the Civil Contingencies Act 2004, Control of Major Accident Hazards 2015, and Pipeline Safety Regulations 1996.
- 2.2.4 The GLRP supports multi-agency incident planning and response in the region, monitors key and emerging risks, approves regional emergency plans, and monitors their implementation.
- 2.2.5 The GLRP membership consists of all Category 1 Responders within the North East of Scotland, with attendees being the strategic leads within the organisation they represent or a deputy with delegated authority to agree policy, strategy and to commit financial and other resources. Category 1 Responders include: the 3 Councils – Aberdeen City, Aberdeenshire and Moray ; Police Scotland; Scottish Fire and Rescue Service; Scottish Ambulance Service; National Health Service Grampian; Maritime Coastguard Agency; and the Scottish Environment Protection Agency. The GLRP was chaired by the Council's Chief Executive between 2015 and 2020.
- 2.2.6 Category 2 Responders may also attend, including: utilities companies (gas, electricity, telecommunication); rail and air transport operators; the Health and Safety Executive; NHS National Services Scotland, and other organisations depending on the nature of risks and threats emerging.

- 2.2.7 The GLRP is scheduled to meet twice annually and may also be convened as required e.g. in response to an emergency. GLRP members are also required to attend the NSRRP at least twice annually. The Council has had input to the review and approval of a new structure for the GLRP, its governance arrangements, and the introduction of a multi-agency risk register and action plan.
- 2.2.8 The GLRP is supported by the Grampian Local Resilience Partnership Working Group (GLRPWG), to develop and undertake a risk register and work plan, based on the strategic direction of the GLRP. This group was chaired by the Council's Chief Officer – Governance between 2017 and 2020.
- 2.2.9 The GLRPWG is made up of resilient experts from Category 1 responder organisations at the tactical level, ensuring information is shared and work streams are effectively co-ordinated. The group is required to meet at least every 8 weeks to consider national and regional issues and progress GLRP objectives. During preparation for a forecast incident or event, the GLRPWG will come together to ensure a prompt and co-ordinated response.
- 2.2.10 Following the review of the GLRP structure in February 2020 Liaison Groups (which will meet 6 monthly) and Sub-Groups (which will meet quarterly) are in the process of being established to assist the GLRP in delivering their obligations under the Civil Contingencies Act 2004, to: assess the risk of an emergency occurring; maintain relevant multi-agency plans; and maintain arrangements to warn and inform the public where required. Membership varies but generally includes Category 1 and 2 responders as well as other relevant stakeholders. The Council either chairs or has appropriate representation on each group.

#### Aberdeen City Council

- 2.2.11 Through representation and reporting at each level the Council's Corporate Management Team (CMT) and Extended Corporate Management Team (ECMT) give consideration to the relevant risks and actions.
- 2.2.12 CMT is supported in doing so through an Organisational Resilience Group (ORG) which has oversight of the Council's arrangements to meet its statutory Civil Contingencies requirements.
- 2.2.13 From April 2019 to December 2019, CMT discharged the responsibilities of the ORG whilst its terms of reference were reviewed. This included de-briefs of incidents (of which there were few) and commissioning of the Stocktake referenced at 2.1.1 above. CMT also reviewed the civil contingencies risk in the Corporate Risk Register during this period.
- 2.2.14 Revised terms of reference for the ORG were approved by CMT in November 2019. The group is chaired by the Emergency Planning and Resilience Lead (EPRL) and has responsibility for the following:
- Reviewing de-brief reports from Incident Management Teams and approving related recommendations;
  - Oversight of subsequent improvement plans;
  - Oversight of plans, including training and exercising of plans; and
  - Risk registers.
- 2.2.15 ECMT Stewardship was established in January 2020 and took on responsibility for oversight of the ORG. Emergency Planning is a standing item on its agenda. The ORG shares lessons identified following emergency response with Duty Emergency Response Coordinators (DERCs) and reports these to ECMT, and there is evidence of this taking place e.g. in relation to recent flash flooding incidents. Governance advised that between April and December 2019, debriefs from incidents were being reported to CMT directly



rather than going through ORG, whilst the Terms of Reference were under review. These were approved in December 2019. ORG has since met to review action plans and debriefs and collaborates on these using a Teams site.

#### Business Continuity Sub-Group

- 2.2.16 The Business Continuity Sub-Group is a sub-group of the ORG chaired by the Corporate Risk Lead. The group aims to ensure there is a consistent approach to the Council's approach to business continuity for the purposes of complying with the Civil Contingencies Act 2004. This includes providing the ORG with assurance that business continuity plans are maintained, tested, promoted and communicated to all stakeholders. The group also intends to identify best practice and improvement opportunities from the testing and review of plans and share these within the Council. Meetings are scheduled to be held quarterly and progress on group activities is required to be reported to the ORG on this basis.
- 2.2.17 The Business Continuity Sub-Group (BCSG) met regularly in 2019 and progressed the annual review of all plans, discussed the plan that was activated during 2019 (Regional Communication Centre plan in response to lightning strike at Frederick Street) and considered the impact of emerging risks on business continuity plans e.g. EU exit. A work plan was also agreed for 2020 including updating the Council's Business Continuity Policy.
- 2.2.18 The most recent update by the BCSG to ORG was in February 2020. This covered the 2020 BCSG 2020 work plan progress and the annual review of Business Continuity Plans, including requests to BCSG members to review plans for changes or risks, including loss of staff as a result of COVID-19.
- 2.2.19 The Council's Business Continuity Policy requires all plans to be reviewed annually and tested in line with the schedule set by Governance. Whilst work had progressed to review and update a number of plans, testing of only three of these plans was concluded in 2019.
- 2.2.20 The Corporate Risk Lead advised that Council's business continuity plans have been activated in response to the COVID-19 lockdown and that plan holders and owners have been asked to complete a plan assurance questionnaire as a result. These were reviewed for a sample of Clusters which had responded. The questionnaire captures the impact of COVID-19 on service delivery at a Cluster level, covering critical service elements, the impact of loss of staff, single point failures, and related mitigations. The questionnaire also captures whether or not Business Continuity Plans have been updated since activation as required and if not when they will be updated.
- 2.2.21 A colour coded traffic light system based "Heat Map" spreadsheet has been prepared summarising the plan assurance questionnaire responses, including when BCPs will next be updated. This is a useful tool for highlighting risks that need to be addressed. The Heat Map was reported to ECMT in August 2020; ECMT discussed the data capture in relation to Business Continuity Plans in the context of COVID-19 and agreed to work with the Corporate Risk Lead to finalise the Heat Map. Business Continuity Plans are to be updated by the end of October 2020. The Corporate Risk Lead advised that once the Heat Map is completed work will commence again to test plans under "business as usual" activities.
- 2.2.22 A recommendation is included to track progress with the review and testing of business continuity plans.

#### **Recommendation**

A schedule of business continuity plan review and test due dates should be prepared, with a reminder to review and test plans where overdue.

**Service Response / Action**

Agreed. Schedules will be reviewed and placed on the Resilience Hub.

The Business Continuity Sub-Group continued to monitor progress of the review and testing schedule and considered any associated risk with any delays. ECMT will continue to monitor the actions associated with the heatmap to completion in October 2020.

**Implementation Date**

December 2020

**Responsible Officer**

Corporate Risk Lead

**Grading**

Significant within audited area

**CMT**

- 2.2.23 CMT Stewardship monitors the Corporate Risk Register on a monthly basis with Corp-004 “Civil Contingencies” covering the Council’s statutory duties under the Civil Contingencies Act. This is considered further under section 2.4 Risk Assessment.

**Public Protection Committee**

- 2.2.24 The Public Protection Committee is responsible for monitoring the Council’s compliance with its statutory duties in relation to Civil Contingencies. Reports relevant to the Council’s Civil Contingency duties were made to the Committee in 2019, including a Resilience annual report which updated the Committee on progress with implementing recommendations of the PREVENT peer review, a programme of work designed to stop people becoming terrorists or supporting terrorism, and provided an update on progress implementing the findings of a self-assessment of the Council’s resilience arrangements conducted in 2017. Separately the Council’s Generic Emergency Plan was also reported to the Public Protection Committee for approval, considered further at 2.3.2 below.
- 2.2.25 The Committee’s terms of reference also set out that it should receive assurance that services are maintaining and reviewing Business Continuity Plans in accordance with the priorities allocated to them. The Committee has not recently received updates on Business Continuity Plan preparation, review and testing status nor is it receiving a report on the risk of emergencies occurring, emergency plan review and emergency plan testing.

**Recommendation**

The Public Protection Committee should be provided with assurance over Business Continuity Plans.

**Service Response / Action**

Agreed. The Resilience Annual Report will continue to be expanded to provide assurance on the management of civil contingencies risks

**Implementation Date**

December 2020

**Responsible Officer**

Assurance Manager

**Grading**

Significant within audited area

**2.3 Policies and Procedures**

- 2.3.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.

- 2.3.2 It is acknowledged that the Council fulfils its responsibilities as a Category 1 responder partly through internal structures and reporting but also through its membership of and active participation in the GLRP as discussed in section 2.2 above.
- 2.3.3 The Council's Generic Emergency Plan (GEP) was produced as part of the Organisational Resilience Stocktake and was approved by the Public Protection Committee in December 2019. The GEP describes the following:
- the Council's responsibilities in an emergency, in accordance with the Civil Contingencies Act 2004 and other relevant legislation and guidance;
  - Supporting procedures and documentation (in general terms);
  - the roles and responsibilities of the various category 1 and 2 responders;
  - emergency response partnership arrangements at a North of Scotland, regional and local level;
  - the Council's emergency response structure at a strategic, tactical and operational level;
  - the roles and responsibilities of the Council in response to an incident;
  - the de-briefing process and arrangements for incident reporting.
- 2.3.4 The Roles and Responsibilities of the Council as a Category 1 responder under the GEP are as follows:
- support the emergency services and those assisting them;
  - provide a variety of support services for the local and wider community;
  - maintain normal services at an appropriate level;
  - provide a wide range of social care and welfare services, working alone or with public, private and voluntary organisations. Services include care for people, rest centres, temporary accommodation, re-housing and practical support for victims;
  - access a wide variety of specialist, scientific, environmental and communications expertise;
  - represent the diverse interests of local people and, in so doing, maintain close links with communities through elected members, Community Councils, Community Planning and other formal partnerships;
  - have powers to take action to preserve community wellbeing; and
  - lead the longer-term recovery and regeneration of affected communities
- 2.3.5 The GEP is complemented by the following activation packs for the Duty Emergency Response Coordinator (DERC) to follow, which were also developed as a result of the stocktake:
- Generic Initial Actions Activation Pack;
  - Generic Flooding Activation Pack;
  - Reception Centre Activation Pack (use of Rest Centres); and
  - Activating the GLRP Activation Pack.
- 2.3.6 The DERCs have delegated authority to co-ordinate the strategic response to an emergency on behalf of the Council. Directors and Chief Officers operate as DERCs on a weekly rota basis. If activated by the DERC on-call, the Incident Management Team will provide the tactical response to the emergency and co-ordinate the operational "hands-on" work at the scene of the incident.
- 2.3.7 The activation packs provide concise instructions for the DERC on how to respond to reported incidents, including flowcharts and checklists covering the formation of an incident management team; contact details, roles and responsibilities of incident management team members; media holding statements; and how to scale up or down the response as required, depending on the severity of the incident.

- 2.3.8 If the incident can be dealt with operationally, it will be delegated to the relevant service area. Incidents which threaten the Council’s ability to deliver critical functions will be led by the DERC who will chair the relevant incident management team. Should an incident be beyond the capability of the Council or have the potential to impact people, property, environment or another partner agency, the Grampian Local Resilience Partnership (GLRP) will be activated by the DERC in response to the emergency. The “Activating the Grampian Local Resilience Partnership (GLRP) Activation Pack” provides a clear and concise procedure for activating the GLRP, including a flowchart, checklist and pro-forma GLRP agenda pack.
- 2.3.9 The DERC pack of procedures is further complemented by: a list of emergency rest centres and the related contact details; a procedure on reporting the location of vulnerable individuals; a DERC rota detailing DERC cover until 30 November 2020; a list of DERC Buddies, pairing DERCs for the purpose of providing support responding to incidents and rota cover; and a list of emergency contacts.
- 2.3.10 Whilst the Council’s emergency procedures are clear and concise, the following elements had not been finalised and included at the time of the audit, though these are partially covered through the Council’s involvement with the GLRP:
- how to assess the risk of emergencies occurring from time to time (requirement of the Act);
  - the list of the Council’s “critical functions” and how they are assessed by the DERC to determine the appropriate response to an incident;
  - list of category 1 responders with lead responsibility for warning, informing and advising the public in relation to particular emergencies (as required to be identified by the Regulations 2005);
  - process for releasing media statements (need to avoid alarming the public unnecessarily under the Regulations 2005);
  - guidance on providing business continuity advice and assistance to businesses and voluntary organisations (as required by Regulations 2005);
  - the Council’s procedure / Plan for recovery phase of incident / emergency.

**Recommendation**

The Council’s emergency procedures and guidance, in support of the Council’s Generic Emergency Plan, should be reviewed and updated as appropriate.

**Service Response / Action**

Agreed. The procedures have been updated to include a list of the Council’s critical functions and the process for releasing media statements. The remaining updates will be completed.

**Implementation Date**

December 2020

**Responsible Officer**

Assurance Manager

**Grading**

Significant within audited area

**2.4 Risk Assessment**

**Corporate Risk Register**

- 2.4.1 Corporate Risk Corp-004 Civil Contingencies is monitored by CMT monthly. The definition of the risk is “The Council must ensure that it puts in place adequate training, planning and testing for civil contingency events and other incidents”. Corp-004 identifies a number of risk impacts which could result in the Council failing to meet its statutory obligations in relation to emergency planning and response, and business continuity; causes, such as lack of governance, training and failure to review and update plans as required; and

controls to address these causes, such as training key officers and ensuring an adequate governance structure is in place to manage risks and test resilience to emergencies.

- 2.4.2 Nine Corp-004 controls were reported to CMT in February 2020, four of which were described as “fully effective” as follows:
- established DERC rota to ensure a Chief Officer is always available to contribute to the Council’s response to emergencies;
  - management of single authority emergency planning arrangements;
  - system in place for monitoring the preparedness of ALEOs to support the Council in responding to emergencies through the ALEO Assurance Hub.
  - civil contingencies input to Capital Projects and planning of events.
- 2.4.3 The DERC rota is in place and the new activation packs and DERC buddy system have helped to support the DERCs. Arrangements are managed at a single authority level with multi-authority coordination / assistance managed through the LRP. The Resilience Hub is considered further at section 2.8.
- 2.4.4 The Council’s Arm’s Length External Organisations (ALEOs) are: Aberdeen Heat and Power (AHP); Aberdeen Performing Arts (APA); Aberdeen Sports Village (ASV); Bon Accord Care (BAC); and Sport Aberdeen (SA). The ALEO Assurance Hub chaired by the Council’s Assurance Manager has oversight of the ALEOs and is scheduled to meet twice annually. As in previous years, an ALEO Assurance Hub workplan was put in place for 2020; this covered reporting requirements for the ALEOs, including ALEO risk registers, business continuity planning and preparations around PREVENT.
- 2.4.5 The ALEO Assurance Hub noted in October 2019 that two of the ALEOs’ business continuity plans had not been subject to review. It was subsequently reported to the Audit, Risk and Scrutiny Committee in December 2019 that risks were generally ‘low’ or ‘very low’ in respect of each ALEO across a range of areas of focus. The Hub was unable to report in May 2020 due to COVID-19, but review of business continuity remains on its workplan.
- 2.4.6 An assurance action in relation to civil contingency arrangements for capital projects and events planning was last reported in October 2019 at which point the action was 70% complete. It has been confirmed that the Council’s Corporate Project Management Toolkit Business Case for capital projects now includes a requirement to consult with the Council’s Emergency Planning and Resilience Lead, and there is increased collaboration with the Events Team.
- 2.4.7 Assurance actions with responsible officers were in place to monitor the five ‘partially effective’ controls to completion. Progress with assurance actions was being regularly reported to CMT. However, the format of the Corporate Risk Register has since changed and controls are no longer recorded as partially or fully effective.
- 2.4.8 The new format Council risk register was reported to ECMT on 6 August 2020. The Corporate Civil Contingencies risk (formerly Corp-004), sets out that the Council must ensure that it puts in place adequate training, planning, and testing for civil contingency events and other incidents. The assurance actions reported as ‘partially effective’ in February 2020 included the following, and were recorded as 70% complete as at August 2020:
- Training and development programme for Duty Emergency Response Co-ordinators (DERCs). This includes regular testing of activation packs, including LRP activation;
  - Training and development programme for operational staff who are likely to have to play a key role in emergency response;

- Testing of resilience structures and emergency plans, including input to plans which are pan-Grampian and overseen by the LRP and institutional arrangements which dovetail with LRP plans and the Council's Generic Emergency Plan;
- Embed CONTEST priorities of Prepare and Prevent within the capability of ACC; and
- Review of Emergency Plans to ensure preparedness and ability of ACC as a Category 1 responder.

2.4.9 These are overseen and monitored towards completion by ECMT Stewardship, and the Governance Leadership Team, which reviews corporate risks within its portfolio once a month.

2.4.10 The ORG terms of reference include oversight of risk registers, but there is currently no comprehensive collation of civil contingency risks on which to base its review. Individual risks may be detailed in Cluster risk registers and depend on Officers escalating them as appropriate to the Corporate or Strategic level as appropriate. There is a risk that the cumulative impact of lower level risks may not be highlighted to the ORG through this route.

**Recommendation**

The Service should review risk register processes to ensure the ORG has sufficient data to fulfil its remit.

**Service Response / Action**

Agreed. We have a Corporate level risk on Civil Contingencies, and it is being developed into a Place register and will incorporate the operational level risks which are managed locally and escalated to strategic level if they will impact on our ability to manage the corporate level risk. This will be overseen and owned by ORG. The Corporate level risk register is monitored by CMT and ECMT Stewardship. This complements scrutiny of risk to the Place at the LRP.

**Implementation Date**

December 2020

**Responsible Officer**

Assurance Manager

**Grading**

Significant within audited area

**GLRP Risk Register**

2.4.11 The format and substance of the GLRP Risk Register was approved by the GLRP in February 2020. This is a live document and will be a standing agenda item under the GLRP's revised governance structure. The GLRP risk register is informed by the regional Community Risk Register and national risk register, covering emergency risks, including: pandemic influenza; flooding; national electricity and fuel supply disruption; radiation exposure; and terrorist threat in crowded places. The GLRP also covers identification of vulnerable people and training and exercising. For each risk the following is identified: risk owner; risk level (low, medium, high); last reviewed; controls; control gaps; and actions (to address control gaps). The Council partially meets its obligations as a Category 1 responder to assess the risk of emergencies occurring from time to time by feeding into the risks owned by the GLRP.

**2.5 Emergency Plans**

2.5.1 As detailed in the Council's Generic Initial Actions Activation Pack, the following Aberdeen City Council emergency plans are in place:

### **Aberdeen City Council Internal Plans:**

- Aberdeen City Council Care for People Plan – planned review date by 31 January 2020
- Aberdeen City Council Winter Preparedness Plan – 2020/21 plan in place

2.5.2 The Council's Move to Critical UK Threat Level plan was being updated in consultation with Chief Officers at the time of the audit.

2.5.3 It was noted that the Aberdeen City Council Care for People Plan was due to be reviewed by 31 January 2020 and this was outstanding as at 11 September 2020. Governance advised the plan is fit for purpose, was activated in response to COVID-19 and will be reviewed by the Health and Social Care partnership to reflect lessons learned during the Council's response phase to COVID-19. Work has begun in this regard through the preparation of revised procedures for reception centres. A recommendation is included to track progress.

#### **Recommendation**

The Aberdeen City Council Care for People Plan should be reviewed.

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

Agreed. The Care For People Plan will be reviewed in light of lessons learned during the response to Covid-19 and activation cards summarising key actions to be undertaken will be added to the plan. This will be reported through the Aberdeen City Care For People Group.

#### **Implementation Date**

December 2020

#### **Responsible Officer**

H&SCP Business  
Manager

#### **Grading**

Important within audited  
area

2.5.4 The Council's Organisational Resilience Stocktake identified opportunities to enhance the Aberdeen City plans in place, to dovetail with the plans held at GLRP level. Further development of these plans has yet to be scheduled, including:

- Coastal pollution plan
- Fuel plan
- Flooding response plan
- Scientific & Technical Advice Cell (STAC) activation and management plan
- Pipeline activation pack

#### **Recommendation**

Further development of the resilience plans detailed above should be scheduled, taking account of existing multi-agency plans.

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

Agreed. Further development will be considered.

#### **Implementation Date**

July 2021

#### **Responsible Officer**

Emergency Planning and  
Resilience Lead

#### **Grading**

Significant within audited  
area

## **2.6 Training and Exercising of Plans**

2.6.1 It is a statutory requirement under Civil Contingencies legislation for the Council to carry out exercises and training for the purposes of ensuring civil contingency arrangements are effective. Adherence to this requirement is evidenced through the Council's involvement in various exercises led by the GLRP. The Council also undertook specific and multi-

agency exercises in respect of the new P&J Live Arena and participated in a number of “no-notice” activations of the GLRP.

2.6.2 Crisis Management Founding Principles training was delivered on three separate occasions in 2019. This training is a requirement for being a member of the various Liaison and Sub-Groups detailed in paragraph 2.2.10. Sixteen Council staff have completed this training since 2016; this included six Chief Officers.

## **2.7 Incident De-brief Process**

2.7.1 Following the Organisational Resilience Stocktake, CMT approved the following de-brief process for emergencies requiring a strategic response:

- Within 24 hours, a ‘hot de-brief’ will be conducted. The de-brief will be chaired by the Emergency Planning and Resilience Lead (EPRL) and attendees should be all internal members of staff involved in the response including the DERC and Recovery Manager (if appointed). The ‘hot-de-brief’ will be used to establish the timeline, discuss what worked, what did not work, what could have been done differently, and identify lessons to be learned. Topics should cover: communication, resources, procedures, team working, multi-agency response, roles and responsibilities and emerging issues. If the incident occurs on a weekend, the ‘hot’ de-brief will take place on the next working day.
- The EPRL will compile the incident and de-brief report and circulate to de-brief participants within 2 weeks.
- De-brief participants will be given 2 weeks to provide comment.
- Incident report and de-brief will then be taken to the Organisational Resilience Group for critique and recommendations will be made on actions which are to be implemented. Recent reporting to ORG is covered at paragraph 2.2.15 above.
- Once approved, the report will be finalised and issued to ECMT who will allocate the actions with timescales to the relevant officers within their clusters. Recent reporting to ECMT is covered at paragraph 2.2.15 above.
- Once the actions have been implemented, the Organisational Resilience Group will sign off the incident report along with the Recovery Manager (if appointed) including a record of all costs incurred, and a conclusion on the legal outcomes if applicable. The incident report will then become a case study which can be used for learnings for the DERC and wider Aberdeen City Council team.
- There will be an annual review of all incidents across the organisation to identify if there is a trend of patterns in relation to the types of incidents that are occurring, and to identify if these incidents are related to risks or are the result of human behaviour. This could then influence the topic of community resilience projects or risk reduction projects to reduce the type of incidents. The annual report should also include a thorough assessment of the costs and resources incurred by types of incidents and identify areas of weakness. The annual report is expected to be reported to Public Protection Committee in December 2020.
- Any use of emergency powers will be subsequently reported to Committee in accordance with the Powers Delegated to Officers.



## 2.8 Resilience Hub

2.8.1 As part of the Organisational Resilience Stocktake, an office 365 Teams based “Resilience Hub” was approved by CMT for inclusion in the assurance tile of the Managers Portal, available to DERCs. It is intended that this will include the following:

- DERC procedures – this will include the Generic Emergency Plans and related activation packs.
- Emergency plans – copies of all emergency plans (local, Grampian, and national).
- Incident activation capability – the hub will be used to activate the various Incident Management Teams via text message. Live operation of the Incident Management Teams will also be possible via Microsoft Teams.
- Case Studies – details of incidents including de-brief reports, lessons learned, recommendations, actions and record of accumulated spend. This will facilitate annual review of incidents for establishing patterns / identifying relevant risks.
- GLRP documentation including multi-agency key contacts; GLRP risk register; Community Risk Register; and Grampian Community Asset Register.
- Risk Assessments – all Council hazard / site specific risk assessments and floor plans.
- Training – relevant emergency training materials for DERCs and other relevant staff. It is hoped online training will be developed and delivered through the Resilience Hub.
- Exercises – record of all the internal and multi-agency exercises including dates, locations and attendees. De-brief reports will also be included with recommendations detailed and action taken.
- Recovery – the Generic Recovery Plan and associated documents will be held within the Recovery section of the Resilience Hub. An activation pack for generic recovery will be included detailing roles and responsibilities for an appointed Recovery Manager and Recovery Incident Management Team. The Recovery Plan and activation pack have yet to be developed. A recommendation has already been included at paragraph 2.3.9 above.
- Warning and informing – the Hub will hold Corporate Comms guidance, briefing templates and holding statements for DERCs and Elected Members to update the media and make press releases.
- Legislation – copies of all relevant legislation and government Civil Contingencies guidance e.g. Civil Contingencies Act 2004, Terrorism Act 2000, Preparing Scotland guidance.
- News room – updates on current resilience issues e.g. webcasts, blogs, news articles. It can also be used to raise awareness of emergency planning activity.
- Finance – the Finance section will be used to reconcile any spend incurred by DERCs in relation to emergency response e.g. via credit cards or pre-established accounts (food take away delivery or taxis). An annual review of spend during incident response is proposed to identify where spend is frequently occurred (to improve procurement arrangements).

2.8.2 The Resilience Hub has the potential to raise awareness of the Council's emergency planning, response and recovery arrangements amongst relevant staff and should facilitate the Council in achieving its statutory obligations in relation to emergencies.

**AUDITORS:** D Hughes  
C Harvey  
A Johnston

## 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 organisation.
<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.

This page is intentionally left blank



## **Internal Audit Report**

### **Finance**

## **Financial Ledger System**

**Issued to:**

Steven Whyte, Director of Resources  
Jonathan Belford, Chief Officer – Finance  
Fraser Bell, Chief Officer – Governance  
Carol Smith, Accounting Manager  
Graham Stubbins, Finance Manager (Systems)  
External Audit

## **EXECUTIVE SUMMARY**

The Council uses the financial ledger system for the Council's budget and accounting requirements. The annual system support and maintenance cost for the system and related reporting tools for 2019/20 is approximately £152,000.

The objective of this audit was to provide assurance over system controls, business continuity and contingency plans. In general, this was found to be the case.

System performance is being adequately monitored and corrective action is being taken to improve performance where required. A contract is in place with the supplier which includes a Data Processing Agreement that complies with data protection legislation. Timetables covering relevant period and year-end accounting dates and requirements are available to staff. Reconciliations of the creditors and debtors sub-ledgers to the general ledger were taking place timeously and the suspense accounts, for transactions interfacing with the financial ledger with invalid or no financial codes, are being regularly reviewed and cleared. In addition, system disaster recovery testing has been scheduled to take place in 2020 in accordance with scheduled arrangements with the Council's data centre service provider.

System access controls were found to be adequate however a recommendation was agreed with Finance to ensure mandatory finance training is completed prior to access being granted to the system.

## **1. INTRODUCTION**

- 1.1 The Council utilises the Advanced Business Software and Solutions Limited (ABS) eFinancials v5.0 financial ledger system for the Council's accounting requirements. The System is capable of reporting the Council's budgeted and actual financial position. A number of additional reporting tools are used in conjunction with eFinancials by budget holders and Finance staff, including Collaborative Planning, eAnalyser and SAP Business Objects.
- 1.2 The annual system support and maintenance cost for the system and relating reporting tools for 2019/20 is approximately £152,000.
- 1.3 The objective of this audit was to provide assurance over system controls, business continuity and contingency plans.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jonathan Belford, Chief Officer – Finance, Carol Smith, Accounting Manager, Graham Stubbins, Finance Manager (Systems), and Richard Burnett, Finance Controls Accountant.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures and Training

2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.

2.1.2 A variety of eFinancials user guides and interactive courses are available on the Zone and the Council's online interactive learning module, which include relevant system screen shots. User Administration procedures are available within a Finance network drive, covering administrative tasks, such as: how to reset a user password and amend user authority limits.

### 2.2 System Supply and Maintenance

2.2.1 An annual contract for support and maintenance has been in place for a number of years and one-off license fees are paid for upgrades and additional modules. This covers an unlimited number of users in relation to eFinancials, eAnalyser, Collaborative Planning and the web-based journal upload software Xcel uploader.

2.2.2 In accordance with the Council's Procurement Regulations, the Strategic Commissioning Committee were requested to approve a business case and procurement work plan relating to a contract extension from 1 December 2019 to 30 November 2024 for the above system and reporting tools. This was approved on the basis of the detail submitted to Committee.

2.2.3 The system is supported and maintained by the Finance Systems Team (FST), Digital and Technology (D&T), the system supplier and the Council's Data Centre provider. Issues affecting the application, its interfaces the databases or servers will, in the first instance, be raised with D&T via the ServiceNow portal. Where an issue cannot be resolved locally, and it relates to the servers, it is referred to the Data Centre provider, whilst those relating to the application, database and interfaces are raised with the supplier directly via the supplier's portal.

2.2.4 As at 8 November 2019, there were two active cases logged with the software supplier, both of which had been given the lowest priority rating of 4. Neither issue related to problems with the financial ledger.

2.2.5 The Finance Manager (Systems) advised that meetings were no longer taking place with D&T to discuss system performance issues. This increases the risk of the FST being unaware of ongoing system problems and developments, which could affect the administration of the system.

#### **Recommendation**

D&T should liaise with the FST regularly regarding system performance.

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

Agreed. D&T will set up key stakeholders' meetings which will include Service, Supplier and Digital & Technology representatives.

#### **Implementation Date**

April 2020

#### **Responsible Officer**

Digital Operations  
Manager

#### **Grading**

Important within audited  
area



- 2.2.6 The software supplier issues maintenance packs (patches) for system updates, containing instructions on how to carry out the maintenance activity. The maintenance packs are reviewed by the FST and applied by the FST where possible. Where this is not possible, D&T will be requested to apply the patch. Prior to patches being applied to the live system, they are tested by the System Owner. Software patches are recorded on a spreadsheet maintained by the FST, detailing when the patch was received, when it was tested, whether it resolved the problem and when the revised version of eFinancials went live.
- 2.2.7 In response to specific performance issues reported by the FST, the software supplier will produce an SQL (standardised query language, used for database management) to be applied to the system. Running an SQL will allow the system to be updated and resume normal functioning. The Service maintains a spreadsheet detailing a list of all SQLs that have been applied since 28 June 2018, their purpose, date and time applied, and the name of the system user who applied each. All entries were complete.
- 2.2.8 The last major system upgrade took place in June 2017 when the system switched to eFinancials 5.0 from 4.1 at a cost of £35,675. The next significant upgrade is scheduled for September 2020, when eFinancials 6.0 will be applied.

### 2.3 System Access

- 2.3.1 Access is granted to eFinancials by the FST on receipt of an authorised new user form, detailing the required access rights. Access rights of 'Enquiry', 'Input' and 'Training' are available for the eFinancials general ledger, and 'Enquiry' and 'Training' for eAnalyser. Access can be requested to be the same as an existing user. Where the access is unique, the financial codes which the user can have access to must be specified.
- 2.3.2 Authorised signatories requesting access to eFinancials are required to confirm the proposed user has completed "Data Protection – Essentials" and the "Corporate Data Protection" courses however these have been replaced with the mandatory online Information Governance course.

#### **Recommendation**

The new user form should be updated to reflect current training requirements.

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

Agreed.

#### **Implementation Date**

Implemented

#### **Responsible Officer**

Finance Controls  
Accountant

#### **Grading**

Important within audited  
area

- 2.3.3 Access levels can be amended or removed on receipt of an authorised 'Amendments to eFinancials / eAnalyser Access' form. Access levels can be added or removed for enquiry and input including in relation to financial codes. It is not currently possible to lock user access after a period of inactivity. Access rights are only revoked when the FST is notified to do so, or if the employee with access terminates their employment with the Council.
- 2.3.4 A unique user ID and a temporary password, which must be changed when the user first logs in, are provided by the FST. The Financial Ledger System password requirements are in accordance with the Council's ICT Access Control Policy and accompanying Password Standard.
- 2.3.5 Test and Train versions of eFinancials are available for testing software updates and training staff and these contain the same data as the live system up to the point at which

they were last refreshed. The systems are subject to the same password controls as the live system.

- 2.3.6 Access to the system is blocked after three incorrect password attempts; this was confirmed by Internal Audit. The system does not produce reports on multiple failed log-in attempts however the FST is required to be notified by the user by email for the user's password to be unlocked, and a temporary password, that has to be changed when first used, is emailed to the user.
- 2.3.7 The system automatically logs an audit trail of user activity which cannot be amended or deleted; however, this is not monitored. System Administrators (superusers) have the ability to disable the audit trail function; the Finance Manager (Systems) advised that this has never occurred before.
- 2.3.8 Administrative functions in relation to eFinancials are not monitored generally (in relation to the financial ledger), however purchase orders raised by System Administrators with superuser functionality are emailed to the Finance Controls Manager for monitoring purposes.
- 2.3.9 As at 4 December 2019 there were 636 users with access to the system. A sample of five New User Request Forms was selected to ensure each was completed and authorised and access was only granted if appropriate. Testing confirmed only two of the five employees were granted access to the system; the three denied access had not completed required training and in two cases had not indicated if they were aware of their responsibilities under relevant policies, including Financial Regulations. It was noted that one user granted access to the system had declared they were not aware of their responsibilities under Financial Regulations and had not completed the required course Finance Fundamentals.

<b><u>Recommendation</u></b>		
Finance should ensure that all New User Request forms indicate required training has been completed and the potential system user is aware of their responsibilities under the relevant Council policies prior to access to the Financial Ledger System being granted.		
<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	Finance Controls Accountant	Significant within audited area

- 2.3.10 Monthly leaver reports sent by People and Organisation to the FST have temporarily ceased due to the implementation of a new payroll system. In the meantime, the FST has been identifying leavers as a result of undeliverable responses to monthly emails sent, via the generic ACC-Development email address, to staff in relation to general ledger, debtor and creditor closedown. Leavers are confirmed where emails cannot be delivered to the recipient. Leavers are also identified monthly by the FST using a HR system report of leavers. A sample of five leavers between April to December 2019 was selected from a list of leavers provided by Customer Experience, and it was noted that two former employee accounts had not been disabled, one of which related to an employee who left on 22 September 2019. Accounts of former employees should be closed timeously to reduce the risk of unauthorised access to the system.
- 2.3.11 The present system of identifying users who no longer require access to the system does not account for Council employees who have changed job within the Council and no longer

need access to the financial ledger system. An annual audit of user access would help to ensure user access remained appropriate and current.

<b><u>Recommendation</u></b>		
The Service should audit and update financial ledger system access, as required, regularly.		
<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>
April 2020	Finance Manager (Systems)	Important within audited area

## 2.4 Data Protection

2.4.1 A Data Processing Agreement in the form of a contract addendum was signed by the system supplier and Finance in March 2018. As required by the Council's Corporate Information Handbook and the General Data Protection Regulation, this sets out the following:

- the subject matter and duration of processing;
- nature and purpose of the processing;
- type of personal information and categories of data subject;
- obligations and rights of the controller and the processor;
- security arrangement in respect of the processing.

## 2.5 Timetabling

2.5.1 Annual eFinancials timetables, detailing the creditor, debtor, purchase order and ledger period closure dates as well as the processing dates each period relate to, are published on the Zone. The timetable is maintained and updated by the FST with the current version updated on the 20 March 2019. This version includes closure dates up until the 28 February 2020.

2.5.2 Quarterly financial reporting key dates are made available through the Financial Monitoring timetable published on the Zone. A timetable had been included for 2019/20, detailing dates for budget holder, deadlines for Finance staff to update the ledger with accruals, and Committee reporting deadlines to the Chief Officer – Finance.

2.5.3 Comprehensive year end procedures have been posted on the Zone for the 2019/20 year-end. These include schedules for Services to return to Finance by 20 March 2020 which are required for the preparation of the Annual Accounts. Schedules include the year-end stock position and details of accruals and prepayments.

2.5.4 Finance has advised that they no longer maintain a rota for spreadsheet journal and interface processing since this is the responsibility of a single member of staff, however in the event this member of staff is absent it is the responsibility of the Finance Controls Accountant to complete these tasks.

## 2.6 Interfaces and Reconciliations

2.6.1 System interfaces update the ledger with creditors, debtors and general ledger journal transactions on a daily basis. Creditor interfaces include: the Payroll System; Consilium; Spydus; Clothing Grants; Education and Maintenance Allowances (EMA); Business Rates (NDR); ObCapture; Confirm; Estateman; and Tranman. Debtors interfaces include: Housing Advances; Trade Refuse; Housing Rents (IDOX); Xcel Uploader; and ICON Cash

Receipting. General ledger interfaces include: the Payroll System; ICON Cash Receipting; Xcel Uploader; BOXI; Collaborative Planning; and Housing.

- 2.6.2 Interface files run overnight and are posted to a CLINK holding area within eFinancials. The system has a number of automated checks which identify failures for Systems Analysts in D&T to take corrective action as required. Successful interfaces are sent by D&T to the Processing Team within the FST for posting to eFinancials, with details of the batch name, date, net amount, VAT, and number of transactions. In the case of creditor interfaces, system owners also send details of the interface batch, net amount, VAT and number of transactions. A reconciliation is then carried out by the Processing Team confirming the interface details, amount, and number of transactions per the clink file, per D&T, and per the System Owner (for creditors interfaces) agree. If these balance, the interfaces are posted to the ledger by the Processing Team.
- 2.6.3 Interfaces will commonly fail where a variance occurs, such as inputting a date out of the expected range for the period or an incorrect financial code. Duplicate interface uploads based on batch references and invoice numbers are also rejected by the system. Rejected transactions are automatically held in the CLINK holding area, with system generated exception reports produced as a result, detailing rejected transactions. The Processing Team reviews these reports and rejected transactions are queried with System Owners who are required to investigate the query and inform the Processing Team if rejected transactions should be processed or deleted.
- 2.6.4 A sample of 15 exception reports was selected from April to December 2019 to ensure System Owners had been notified of the rejections for investigation where required and appropriate corrective action was taken in a timely manner. Testing showed that corrective action had been taken for all exceptions and each correction was posted into eFinancials timeously. There were six instances where corrections were made by the FST in the absence of consultation with the respective System Owners. However, for each of these, minor / obvious reasons for failure were recorded and therefore resolved by the Processing Team to save time. However, there is not a standardised procedure in place detailing errors that the Processing Team can address in the absence of System Owner input. This increases the risk of inappropriate changes to financial coding of rejected transactions.

**Recommendation**

Finance should formalise interface processing carried out by the FST within a procedure including when System Owner input is not required to resolve interface errors.

**Service Response / Action**

Agreed

**Implementation Date**

February 2020

**Responsible Officer**

Finance Controls  
Accountant

**Grading**

Important within audited  
area

- 2.6.5 As at 4 December 2019, the CLINK holding area contained no transactions that required to be cleared. A sample of 15 interfaces from April to December 2019 was selected to ensure that reconciliations were completed by the Processing Team and interfaces were posted in a timely manner. This was the case for the 15 interfaces reviewed.
- 2.6.6 At period end the debtors and creditors sub-ledgers are closed down and reports are run to confirm that this has taken place successfully. November and December 2019 debtors and creditors closedown reports were reviewed and the sub-ledgers had been closed in a timely manner. Following closedown of the debtors and creditors sub-ledgers, the general ledger is closed for the same period and a report is run to reconcile the respective general

ledger control accounts with the debtors and creditors sub-ledgers. The reports for November and December 2019 were both completed in a timely basis also and the general ledger debtor and creditors control accounts agreed to the respective sub-ledger balances.

## 2.7 Manual Data Input

2.7.1 Journals are used to make manual accounting adjustments in the financial ledger. On receipt of a journal voucher which is complete, balanced and adequately authorised, the Processing Team will post the journal, using Xcel uploader, which uploads spreadsheet journals. A journal description is required, as is the period, amount and financial coding. Journal references are automatically generated by the system when the journal is saved. Journals cannot be posted until mandatory fields have been completed and the debits and credits balance.

2.7.2 Journal upload is limited to 10 users based in Finance. The preparer and authoriser of a journal must be separate with the authority to approve journals as follows:

- Assistant Accountants up to £100,000
- Finance Development Officers up to 500,000
- Accountants – up to £2,500,000
- Finance Partners / Finance Operations Manager – unlimited

2.7.3 The Finance Ledger Journal Entry Procedure has been updated to reflect the above requirements and is accessible through the FST's shared drive. It was noted that an outdated Journal Input Manual is accessible on the Zone; this is no longer required since staff outwith Finance are no longer required to process journals.

**Recommendation**

The Journal Input Manual on the Zone should be removed.

**Service Response / Action**

Agreed.

**Implementation Date**

Implemented

**Responsible Officer**

Finance Manager  
(Systems)

**Grading**

Important within audited  
area

2.7.4 The period a journal should be posted to is recorded on the journal voucher sent to the Processing Team. All requests to backpost must be authorised by the Senior Accountant before they are referred to the FST, who will then review journals and determine whether it is reasonable to backpost.

2.7.5 A sample of 30 journals was selected between April and December 2019. These were checked to ensure that they were properly authorised, there was segregation of duties between preparer and authoriser, supporting documentation was present and the journals were input timeously and accurately by the FST. This was the case for all 30 journals reviewed, with the exception of one journal with a control value of approximately £2.9 million, authorised by a Senior Development Officer, despite the Financial Ledger Journal Entry Procedure stating Finance Development Officers only have authority to authorise journals up to a limit of £500,000, with journals over £2.5 million being the responsibility of Finance Partners and the Finance Operations Manager.

**Recommendation**

Finance should ensure journal authorisation is granted by the appropriate members of staff.

**Service Response / Action**

Agreed.

**Implementation Date**

Implemented

**Responsible Officer**

Finance Controls  
Accountant

**Grading**

Important within audited  
area

**2.8 Suspense**

2.8.1 Payroll and cash receipting system journals posted with invalid financial codes result in the associated transactions being posted automatically in eFinancials to the respective suspense account. The accounts are being regularly reviewed by the FST who receive email notifications every Monday and Wednesday in the form of a BOXI report of the suspense account balances. As at 14 January 2020 the suspense account codes all had a balance of nil.

**2.9 Business Continuity and Disaster Recovery**

2.9.1 The Council's Business Continuity Policy states that all Services must develop, implement and maintain Business Continuity Plans, that are to be reviewed and tested annually to ensure that:

- All critical functions are identified;
- The impact of the loss or disruption to these functions is identified and recorded; and
- Arrangements are in place to ensure the continuance of these critical functions at a predefined level in the event of an emergency.

2.9.2 The Finance Business Continuity Plan (version 6) was last updated in January 2019. Section 1.3 of the Plan defines a critical function of Finance as "maintenance of books and records in relation to financial transactions". E-financials is used for this purpose and is defined in section 1.8 of the Plan as being "difficult to replace". However, section 3.2.2 of the Plan, covering how critical functions will continue if key systems are lost, does not explain the process should access to e-Financials be lost.

**Recommendation**

The Finance Business Continuity Plan should be updated to cover the procedure should access to the Financial Ledger System be lost.

**Service Response / Action**

Agreed.

**Implementation Date**

March 2020

**Responsible Officer**

Accountant

**Grading**

Important within audited  
area

2.9.3 The business-critical systems, including eFinancials, are backed up in full on a weekly basis and incrementally on a daily basis by the Council's Data Centre provider. Thirty days of backup files are held locally with ninety-days of backup files held offsite.

2.9.4 The Incident and Problem Co-ordinator carries out disaster recovery testing in conjunction with the Data Centre Provider on agreed dates. A schedule of systems to be tested in the

next 4 years has been set up with testing dates included where known. eFinancials is included as one of the systems due to be tested and the Incident and Problem Co-ordinator confirmed this will take place during quarter 4 of calendar year 2020.

**AUDITORS:** D Hughes  
A Johnston  
C Jamieson

## 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 organisation.
<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.





## **Internal Audit Report**

### **Cross Service**

### **Workforce Planning**

**Issued to:**

Steven Whyte, Director of Resources  
Isla Newcombe, Chief Officer – Organisational Development  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
Lesley Strachan, Talent Acquisition Lead  
External Audit

## EXECUTIVE SUMMARY

Effective workforce planning provides a structured and evidence based approach to achieving the objective of having the right people, in the right place, doing the right thing, at the right time, in the face of changing circumstances, funding challenges, and increasing service demands. The Council's 2019/20 staffing budget, including on-costs, is £284.1 million. As at 5 June 2020 the Council employed 6,515 FTE of permanent and fixed-term staff.

The objective of this audit was to provide assurance that the Council has appropriate and adequate plans in place to determine its workforce requirements and that these are in operation throughout the Council.

The Council's Workforce Plan (the Plan) was approved by the Staff Governance Committee in June 2019. The Plan is clear in terms of how the Council will build the capacity and capabilities of the workforce in order to deliver the Council's Target Operating Model.

In terms of capacity, the Plan includes an analysis of the workforce age profile, recognising the need to capture knowledge of more experienced members of staff, while developing the young workforce. The Council has a number of schemes in place to develop the young workforce and was awarded an Improving Investors in Young People gold award in March 2020. The Plan also recognises the need to reshape the workforce from areas of reducing demand into areas of sustained and increasing demand whilst giving consideration to employee health and wellbeing. The Council has achieved a silver NHS Healthy Working Lives award and has a mental health action plan to help ensure employee wellbeing.

A Capability Framework is included in the Plan which clearly describes the behaviours, knowledge and skills expected of employees in order to adhere to the Council's Guiding Principles, which were agreed following consultation with employees and Trade Unions and are linked to the design principles of the Council's Target Operating Model. A Continuous Review and Development process, based on the Capability Framework, was made available to employees and managers in December 2019, to facilitate "continuous conversations" between staff and their line managers for staff development purposes. In addition, a digital learning platform has been established so employees can seek, access and share knowledge and learning.

Workforce related policies, procedures and guidance were clear and comprehensive. The Council's "re.cr.uit" (retaining employees, changing roles, using internal talent) scheme aims to find suitable internal employees for vacant roles within the Council, based on alignment between the attributes required to perform a specific role, with the attributes held by employees in the scheme. 439 staff had registered interest in the scheme at 1 June 2020. It is intended that the scheme will use a digital tool to match potential internal candidates to suitable roles. The Cluster advised the tool is currently at the testing stage and have agreed to develop and launch the tool.

Workforce performance indicators and risk assessments are reported regularly to Corporate Management Team while six monthly absence data is reported to Staff Governance Committee. Under the Council's Committee Terms of Reference, one of the purposes of the Staff Governance Committee is to approve and monitor workforce strategies which ensure the Council has a workforce fit for the capabilities required to be a 21<sup>st</sup> century Council. People and Organisation has agreed to report progress on the Workforce Plan to Committee when appropriate.

# 1. INTRODUCTION

- 1.1 Audit Scotland advised in their “Challenges and Performance 2018” report on local government in Scotland that “robust workforce planning is essential to ensure Councils have the right people, who have the right training and skills, to deliver their priorities”.
- 1.2 The Chartered Institute of Personnel and Development (CIPD) describes workforce planning as an iterative process of:
- understanding the organisation and its environment;
  - analysing the current and potential workforce;
  - determining future workforce needs;
  - identifying workforce gaps;
  - taking action to address shortages, surpluses or skills mismatches;
  - ongoing monitoring and evaluation of the workforce.
- 1.3 The Council’s 2019/20 staffing budget, including on-costs, is £284.1 million. As at 5 June 2020 the Council employed 6,516.5 FTE of permanent and fixed-term staff.
- 1.4 The objective of this audit was to provide assurance that the Council has appropriate and adequate plans in place to determine its workforce requirements and that these are in operation throughout the Council.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Isla Newcombe, Chief Officer – Organisational Development, and Lesley Strachan, Talent Acquisition Lead.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Target Operating Model**

2.1.1 In August 2017 the Council approved a proposed Target Operating Model (TOM) for Building a Council of the Future. This included a Transformation Portfolio to deliver the Target Operating Model in phases by 2020/21, which would deliver £125 million of associated savings between 2018/19 and 2022/23. The drivers for change included:

- ongoing and increasing fiscal restraints;
- evolving customer needs and expectations;
- the need to have increasingly engaged and flexible staff;
- legislative and policy changes; and
- opportunities afforded through modern technologies.

2.1.2 The Target Operating Model was developed with consideration of the above drivers for change and the strategic ambition for both the City and the Council as expressed through the Local Outcome Improvement Plan (LOIP).

2.1.3 The Target Operating Model describes the factors creating pressure on Council Services, including a growing and ageing population, with the pre-school age and over 65 populations both expected to rise. The economic downturn in Aberdeen which followed the 2014 crude oil price drop was also identified as a pressure for the Council, as a result of the impact on deprivation levels, as was the Scottish Government initiative to increase free early learning and childcare hours from 600 to 1,140 hours per annum per child.

2.1.4 Under the Target Operating Model, the workforce is expected to work flexibly, openly and collaboratively across functions, solving problems where required, and be empowered to make decisions to deliver the Council's priorities. This will involve fewer management layers and employees moving where they are needed. Employees will also be expected to be digitally able, connected, data informed, and future focussed. Opportunities for employees to move more flexibly across the organisation will facilitate the transition in skills base required to deliver the TOM.

2.1.5 The Council's workforce of the future will have objectives aligned to Community Planning Aberdeen's LOIP goals, the overall vision of which is to make Aberdeen "a place where all people can prosper". The approach to reward and recognition and how work is packaged will be revised to support a "24/7" access model for the Council's customers. In addition, staff will be expected to be open and co-operative in relation to learning and development.

### **2.2 Organisational Capabilities and Guiding Principles**

2.2.1 Seven organisational capabilities have been established based on the design principles of the Target Operating Model:

- Managing demand through prevention and early intervention;
- Being flexible and adaptable;
- Ensuring accountability, transparency and openness;
- Becoming intelligence led;
- Encouraging inclusiveness, engagement and collaboration;
- Achieving consolidation and consistency; and
- Focussing on outcomes that make a difference.

2.2.2 On 18 March 2019 the Staff Governance Committee approved the Council's new Guiding Principles intended to guide employee behaviours and relationships with colleagues and customers, in order to support the delivery of the seven organisational capabilities and

therefore the Target Operating Model. The Guiding Principles, were developed after consultation with staff, including senior managers, and as reported to the Staff Governance Committee, Trade Union colleagues. The Guiding Principles are as follows:

- Purpose – we care about our purpose, our city and our people;
- Pride – we take pride in what we do and work to make things better;
- Team – one team, one Council, one city;
- Trust – we trust each other and take responsibility;
- Value – we value each other and recognise a job well done.

2.2.3 Linked to each Guiding Principle is a set of expected behaviours and behaviours which should be avoided. These behaviours are comprehensive and clear and demonstrated a link with the organisational capabilities. It was reported to Staff Governance Committee in March 2019 that the Guiding Principles will likely remain relevant for the next two to five years, however the associated behaviours will need to be reviewed annually to ensure they reflect the key drivers of change.

## **2.3 Workforce Plan**

2.3.1 The Staff Governance Committee approved the Council's Workforce Plan (the Plan) on 18 June 2019. The Plan describes:

- the Council's vision for a workforce of the future;
- the link with the LOIP, Target Operating Model, the organisation capabilities and the Guiding Principles
- workforce capacity requirements i.e. attracting and retaining the workforce of the future, with an emphasis on developing the internal workforce and the young workforce;
- workforce capability requirements – skills, knowledge and behaviours.

2.3.2 The Plan further identifies the need to build the capacity and capability of the future workforce by:

- Identifying the skills, knowledge and behaviours required;
- Identifying areas of potential shrinkage and areas of growth or sustained need;
- Addressing key gaps in the workforce;
- Creating a more flexible and fluid approach to career development with opportunities for reskilling and internal movement;
- Collaboration with Arm's Length External Organisations (ALEOs); the Health and Social Care Partnership; and other Partners.

### Workforce Capacity

2.3.3 The Workforce Plan recognises the need to review the current workforce profile and the areas of sustained and increasing demand, alongside reducing areas of demand and to use this information in the preparation of the Workforce Plan. The Plan identifies three areas of focus for building workforce capacity:

- Responding to the Council's multi-generational workforce;
- Developing the young workforce;
- Reshaping the current workforce to support areas of sustained and increasing demand as well as supporting health and wellbeing.

2.3.4 The workforce age profile at June 2019 is detailed in the Plan, indicating the Council has a greater proportion of older employees (38.7% aged 50 or over, as compared to 14.31% 20 to 29 years and 0.51% under 20 years). The challenges this poses are identified including the need to capture the knowledge, skills and experience of older staff before they leave the organisation.

- 2.3.5 The Plan seeks to develop the existing young workforce and attract new young employees (defined as aged 16-24), into areas of need, to develop a “workforce of the future” through a variety of means. Full details are shown in Appendix 1. The Council obtained an Improving Investors in Young People gold award in March 2020.
- 2.3.6 In the context of the financial challenges facing the Council, the Workforce Plan seeks to ensure organisational priorities are addressed by transferring staff from areas of reducing demand to areas of growth. This is to be achieved by developing employee skills, knowledge, behaviours and where appropriate, qualifications, accreditations and memberships e.g. retraining employees as primary and secondary teachers and early years practitioners.
- 2.3.7 To improve accessibility to roles of sustained (hard to fill) or increasing demand for internal employees, the Plan states there will be less focus on qualifications and experience and more on behaviours and capabilities which would ensure success in the role, thereby enabling delivery of priority services in a flexible way.
- 2.3.8 The Plan describes the general factors creating areas of sustained and increasing demand for employees, including local and national shortages, specific areas of growth, changing demographics and government initiatives, providing the early years expansion as an example of a relevant government initiative. In addition, examples of roles where there is sustained demand (Teachers, Educational Psychologists, Care Support Workers) and increasing demand (Early Learning and Childcare, Digital and Business Intelligence / Data Analysis) are described in the Plan.
- 2.3.9 The Plan also identifies the fact employees are more likely to embrace change, work flexibly and be creative problem solvers if there is a focus on supporting employee health and wellbeing. This is to be achieved by:
- Implementing the Mental Health Action Plan
  - Supporting managers and teams to create and maintain supportive and healthy workplaces and practices;
  - Developing the Council’s partnership with Healthy Working Lives;
  - Regular reporting to understand absence and support improvement by targeting specific areas;
  - Addressing the reasons for absence with evidence-based sickness absence action plans
- 2.3.10 The Council’s Mental Health Action Plan was prepared to address “psychological” related absence and develop a culture of openness and support in relation to employee mental health. The Plan was approved by Staff Governance Committee in January 2019. As at February 2020 it was reported to CMT that 75% of the work required to complete the plan has been completed.
- 2.3.11 Progress was also reported to Staff Governance Committee in February 2020. Work to date includes delivery of a Mental Health Awareness Week in partnership with the NHS, Aberdeen Health and Social Care Partnership, and third sector; communications to employees on the availability of the Employee Assistance Counselling Service and a “See Me” mental health awareness campaign in September 2019 via the staff intranet. In addition, a number of employees have undertaken Mental Health First Aid training in order to act as “Mental Health First Aiders” for employees, that is a trained point of contact for employees who require support with mental health matters.
- 2.3.12 It was reported to Staff Governance Committee on 3 February 2020 that 40 Mental Health First Aiders (MHFAs) have been trained. People and Organisation has advised that as at 1 June 2020, 62 MHFAs have undertaken training. It is anticipated that 90 will be trained by the end of the financial year following the roll out of further training. Contact details for

31 MHFAs at various locations across the Council are advertised on the staff intranet site; People and Organisation advised the staff intranet will be updated to include contact details for all staff trained.

- 2.3.13 A comprehensive training programme is available to staff to gain an understanding and raise awareness of mental health in the workplace. This includes eLearning and face to face training for managers and employees covering: suicide prevention; alcohol and drug use; understanding sleep; Mindfulness; and stress awareness.
- 2.3.14 The NHS Healthy Working Lives award programme helps employers identify issues and improve health, safety and wellbeing in their organisation in a structured way. Healthy Working Lives reports the benefits of the award as including improved employee morale, retention and productivity. The Council has obtained a silver Healthy Working Lives award.
- 2.3.15 A six-monthly report is issued to Staff Governance Committee detailing the number of days lost to sickness absence per month, with comparative absence figures for the same month in the previous year. The monthly absence figures are further analysed by percentage of days lost by absence reason. The last six-month absence report covering the period 1 May to 31 October 2019 was noted by the December 2019 Staff Governance Committee. The greatest number of absence days were lost due to musculoskeletal and psychological reasons, as were the majority of Occupational Health referrals.
- 2.3.16 The December six-monthly absence report identified relevant mitigating actions to address the days being lost to musculoskeletal and psychological health problems, including carrying out relevant risk assessments, provision of support to line managers, raising awareness of counselling available via the Employee Assistance Service, training Mental Health First Aiders, and delivering the Council's Mental Health Action Plan.

#### Workforce Capability

- 2.3.17 A Capability Framework is included in the Plan which describes the behaviours, knowledge and skills expected of employees in order to adhere to the Council's Guiding Principles. The framework is structured into four levels, centred on the responsibility to lead (i.e. responsible for leading: self (level 1); others (level 2); multiple teams (level 3); and organisation (level 4)); leadership covers responsibility for strategy and policy as well as management responsibility.
- 2.3.18 Whilst expected behaviours under the Guiding Principles are common to all employees, knowledge and skills expectations under each Guiding Principle are separately identified for each employee level, with knowledge and skills being cumulative up to the level an employee is on e.g. level 3 – level 1, 2 and 3 would apply. The Plan advises that the Capability Framework was developed following external research of industry best practice, including the CIPD and benchmarking against other Local Authorities as well as wide consultation with staff, managers, senior managers and trade unions.
- 2.3.19 The Capability Framework is comprehensive and clearly describes the expected employee behaviours, knowledge and skills, at all levels, required to deliver on the Council's seven organisational capabilities. Key employee requirements are covered, including the need to be flexible and adaptive, digitally skilled, a problem-solver, an accountable decision maker, and able to work collaboratively, to deliver on Council priorities. The framework also forms a clear basis for performance review and succession planning.
- 2.3.20 A Workforce Development Plan (WDP) is included in the Workforce Plan. The WDP identifies the fact the majority of learning is as a result of on the job experience (55%) and

coaching, mentoring and peer learning (25%), with just 20% through formal learning (classroom training or online courses). The WDP takes account of this by promoting self-directed learning and adopting a coaching and mentoring approach to learning where possible.

2.3.21 The following key development themes, derived from the Capability Framework, are detailed in the WDP: Demand and Customer; Improvement and Change; Digital and Data; Leadership and Management; Mental Health and Wellbeing; and Commissioning. These are to be addressed via the following “learning interventions”:

- Peer based learning (learn and share)
- Self-guided learning (video, webinar, how to guides, google, OIL etc)
- Skills Practice (peer led with identified experts / mentors)
- Bite Size (to introduce / refresh specific knowledge and skills)
- Coaching and mentoring (peer led; one to one support)
- Collaborative Learning (with partner agencies on priority areas)
- Skills Conferences (specific business needs)
- Online open courses

2.3.22 The Workforce Development Plan recognises the need to maintain the correct balance between professional knowledge and flexibility achieved by the Capability Framework, and therefore indicates that professional memberships will need to be maintained where required to ensure there is trust in the competence of the organisation. The WDP also acknowledges the need to comply with legislative and regulatory requirements via mandatory training (considered further below in sections 2.4 Continuous, Review and Development and 2.7 Workforce Governance).

2.3.23 To move from a hierarchical management to distributed and collaborative leadership, employee development will include a core message on what distributed leadership means in terms of increased personal accountability and empowerment. There will also be an emphasis on ensuring managers can apply people management policies and procedures and on leadership capabilities to enable and empower employees.

2.3.24 A digital learning platform (the Learning Academy) has been established so employees can seek, access and share knowledge and learning. Content on the platform covers the Guiding Principles; the development themes (see paragraph 2.3.21 above) face-to-face training; professional training resources; and external free sources of learning available, such as OpenLearn hosted by the Open University. The platform also links to sites hosted by other Clusters. The platform includes a form for employees to share learning resources and “tag” these according to the development theme they relate to e.g. Leadership; Customer; Mental Health etc. Submissions via the “Share Your Learning” form are received by People and Organisation into a shared inbox for consideration prior to being posted on the Learning Academy.

2.3.25 People and Organisation intends to issue monthly bulletins to staff detailing face to face courses available to managers and all employees. A draft monthly bulletin has been prepared (not issued due to COVID-19); this includes: training on the Council’s Continuous Review and Development process (considered further in section 2.4); wellbeing training; and training for managers including a 2 day workshop on coaching “The Coach Approach to Managing”. People and Organisation has advised that four People and Organisation advisors are training to achieve the Institute for Leadership and Management Level 5 Certificate and Diploma in Effective Coaching and Mentoring.

## **2.4 Continuous Review and Development**

2.4.1 The Continuous Review and Development (CR&D) scheme was made available to employees and managers via CoreHR in December 2019 along with detailed guidance.



The scheme is based on continuing conversations between managers and employees (rather than a single annual review). As part of the CR&D process, employees are required to self-assess their performance against the expected behaviours, skills and knowledge under the Capability Framework, to identify strengths and establish a development plan. Once line manager agreement has been reached on a proposed development plan and the employee's strengths, the employee is expected to address areas of development and share best practice (e.g. via the Learning Platform, coaching etc) where strengths have been agreed. Completion of job specific goals is also monitored via the CR&D process. The results of the CR&D process, including the development plan, are captured in the Council's digital platform CoreHR.

- 2.4.2 According to the Workforce Plan, learning and development success will largely be measured based on employee delivery of agreed outcomes, however, where training is mandatory or a requirement of the job profile, this will be recorded and tracked digitally, which will flag any outstanding development needs or any refresher training required.

## **2.5 Policies, procedures and guidance**

- 2.5.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving, or when a new process is being introduced.
- 2.5.2 Staff Governance Committee approved a revised approach to internal recruitment and movement of staff entitled "re.cr.uit" (retaining employees, changing roles, using internal talent) in October 2019. The scheme aims to find suitable internal employees for vacant roles within the Council, based on alignment between the attributes required to perform a specific role, with the attributes held by employees in the scheme.
- 2.5.3 Internal recruitment into areas of sustained demand is a priority under this scheme, with candidates considered based on their potential ability to undertake the role, based on transferable skills, knowledge and behaviours (rather than solely on qualifications, technical skills and experience required from day one). This builds on the Workforce Plan Capability Framework requirements, intended to create a flexible and agile workforce. It was reported to Staff Governance Committee that the Extended Corporate Management Team, a diverse range of recruiting managers and Trade Unions are supportive of the scheme.
- 2.5.4 Recruitment for all roles is via the re.cr.uit scheme. The scheme is promoted on the staff intranet website "People Anytime" and employees are encouraged to register interest by clicking a button on the re.cr.uit webpage. The Council's Redeployment Procedure is also available to staff on the re.cr.uit webpage, updated for the requirements of the scheme.
- 2.5.5 Under the re.cr.uit scheme employees will be assigned a priority status as detailed below depending on their current employment situation:
- Priority 1 – employees who are subject to formal redeployment
  - Priority 2 – employees currently undergoing changes which impact on their role and are therefore "at risk" of displacement from their current position, as a supportive measure / mitigation before and alongside formal job matching processes, and
  - Priority 3 – Volunteers – employees who wish to join the scheme as they are seeking a change in role or career
- 2.5.6 People and Organisation has advised that as at 1 June 2020, 439 staff have registered interest in the re.cr.uit scheme, for the purposes of receiving copies of the internal vacancy

bulletin. Scheme registration is required to apply for internal vacancies and / or to receive updates on the scheme.

- 2.5.7 People and Organisation also advised that the number of staff signed up for the re.cr.uit scheme has remained relatively unchanged since the temporary movement of staff scheme was launched in March 2020 in response to the COVID-19 emergency, to enable staff to be moved to critical services across the Council and city (considered further in section 2.8 below). As at 1 June 2020, approximately 1,600 employees have volunteered for the COVID-19 temporary movement of staff scheme and People and Organisation expect that a significant proportion of these employees will be interested in the re.cr.uit scheme in future, based on the willingness of staff concerned to adapt to deliver critical services.
- 2.5.8 It is anticipated that the scheme will provide a more streamlined approach to vacancy authorisation and the selection process. Under the scheme, when a manager identifies that a vacancy requires to be filled, they will be directed to an Advisor in the Talent Acquisition Team, to discuss all options, including consideration of a traineeship / apprenticeship and to look at the job profile and role requirements.
- 2.5.9 It is intended that the scheme will use a digital tool which will provide an electronic response as to whether there are potential candidates who may be suitable for a role. People and Organisation has advised that the tool is currently at the testing stage. The tool will determine the suitability of candidates on a ranked basis (a shortlist), by assessing employee personal profile information against the job requirements, taking into account a candidate's priority status and a combination of psychometric test results, as well as skills, qualifications and experience, to determine an employee's "fit" to a role.
- 2.5.10 Employees will only be able to view their own profile / data and their own potential alignments. Recruiting managers will only see data / alignments for their particular roles. Testing of the digital tool has been delayed due to the Council's response to COVID-19, therefore the re.cr.uit scheme has not been fully implemented.
- 2.5.11 People and Organisation advised that while the digital tool is being developed the re.cr.uit scheme has been operating using a manual process. Recruiting Managers submit an online "request to recruit" form to the Talent team within People and Organisation and a People and Organisation Adviser contacts the recruiting manager to discuss the requirements of the role and the minimum requirements of the job profile, to determine whether an internal employee with transferable skills could potentially undertake the role with time and development. The vacancy is then advertised internally using the jobs page on the intranet, via yammer on the intranet and by alerting the employees who have signed up to the re.cr.uit scheme.
- 2.5.12 However, the digital tool functionality is not presently available, meaning candidates signed up to the re.cr.uit scheme are not being matched to vacancies based on an assessment of their priority, skills, qualifications and experience. A recommendation is included to track progress with the development of the re.cr.uit scheme digital tool.

**Recommendation**

The RE.CR.UIT scheme digital tool should be developed and launched.

**Service Response / Action**

Agreed.

**Implementation Date**

December 2020

**Responsible Officer**

Talent Acquisition Lead

**Grading**

Significant within audited area

2.5.13 A number of other policies, procedures and guides are also in place covering matters related to workforce capability and / or capacity, including: Supporting Attendance and Wellbeing Policy and Procedure; Managing Vacancies (request to recruit) and Contractual hours guidance (increasing / decreasing employee hours; contracts / secondments and requesting higher grade duties); guidance on the staff intranet “People Anytime”; Performance Management guidance; Flexible Working Application guidance; Continuous Review and Development guidance; and Capability Framework guidance. As with the re.cr.uit scheme and redeployment procedure, all were available via People Anytime and were comprehensive and clear.

## **2.6 Corporate Risk Register**

2.6.1 The Corporate Risk Register contains risk 003 “Workforce of the future” (Corp-003) which is defined as “The Council must ensure that it has a workforce with the capability and capacity to deliver our Strategic Outcomes”. The potential impacts, causes and controls detailed in Corp-003, reported to CMT Stewardship in February 2020, were appropriate and comprehensive, with assurance actions listed where controls were partially effective, which were progressing well based on the original due date for completion of the action.

2.6.2 Causes detailed for the workforce lacking the required capacity and capability are largely what the Workforce Plan intends to mitigate e.g. workforce cannot meet needs of organisation and workforce behaviours do not support flexibility, change and improvement. Potential impacts detailed include inability to deliver corporate outcomes, including statutory obligations and customer and service user dissatisfaction.

2.6.3 Corp-003 controls marked as fully effective are as follows:

- Strategic workforce plan
- Workforce development plan
- Absence reporting
- Staff Governance Committee
- Regular engagement with Trade Unions (Staff Governance Committee is a forum for this)
- People Policies
- Establishment Control Board maintaining oversight of recruitment and the Council’s establishment list
- Horizon scanning - impacts of changes to service delivery on workforce requirements e.g. the Chief Officer - Organisational Development is a member of CMT Stewardship and CMT Transformation facilitating identification of relevant changes

2.6.4 Controls marked as partially effective as at February 2020 are as follows:

- Positive leadership and management
- Recruitment and movement of internal resource
- Regular monitoring of peripheral staffing

2.6.5 Since February 2020 CR&D controls have been established, with CR&D training rolled out to staff and staff being required to engage with the CR&D process for the purpose of determining pay increment eligibility. Regular communication with staff has also been addressed following the completion of the staff intranet refresh and the development of an Internal Comms strategy.

2.6.6 Employees are expected to be “developing” in skills, knowledge and behaviours and “successfully achieving” in objectives by 31 March 2020. By 31 March 2021 employees are expected to at least be “successfully achieving” in all areas. An employee’s eligibility

for a pay increment is dependent on meeting these performance requirements by 1 March 2020 and not being managed under conduct or performance policy.

- 2.6.7 Regular conversations via CR&Ds coupled with the use of the re.cr.uit scheme, are the main controls required to be fully implemented, to ensure the Council has a workforce of the future, with the skills, knowledge and behaviours necessary to deliver Council priorities. The Cluster has set a due date of 31 March 2021 to promote and implement fully a Culture Change Programme, shifting the Council's culture in line with the Guiding Principles and increasing employee empowerment and trust. This action is aligned with instructions to staff regarding the CR&D (e.g. webinar, staff intranet guidance) expecting as a minimum all employees will be "successfully achieving" behaviours, skills and knowledge under the Capability Framework and work objectives by 31 March 2021.

## 2.7 Workforce Governance

### Establishment Control

- 2.7.1 Comprehensive guidance is available for permanent changes to the Council's establishment, including: establishment of new posts; disestablishment of existing posts; and conversion of fixed term posts to permanent posts. All of these changes require a business case to be approved by the relevant Director / Chief Officer, following consultation with the Chief Officer – Organisational Development, Chief Officer – Finance, Trade Unions and affected employees.
- 2.7.2 Governance arrangements for the recruitment of permanent staff were revised by the Urgent Business Committee in May 2020 in response to the COVID-19 emergency. UBC agreed to *"limit external recruitment of employees only to critical posts where there was a clear and pressing need for resources relating to the COVID-19 response or public health and protection and the resources cannot be found either from temporary or permanent internal movement. Any permanent internal or external recruitment should only be undertaken in consultation with the Convenor of the City Growth and Resources Committee and should only be undertaken where the post would not be impacted by ongoing future redesign, and that the relevant Committee be provided with service updates regarding any permanent recruitment that had been undertaken."* Requests to recruit are initially considered by a People and Organisation Adviser within the Talent Team (as described in paragraph 2.5.11 above), to establish if there are internal recruitment opportunities in the first instance and to ensure only appropriate cases are referred to the Convenor of the CG&R Committee. The recruitment requirements specified by the UGC in May 2020 are clearly detailed on the Council's "Managing Vacancies" intranet web page, where online requests to recruit are made.

### Chief Officers and CMT

- 2.7.3 The People Performance dashboard is reported to Corporate Management Team and made available to Chief Officers. Reports available via the dashboard include: establishment control variances (between budgeted and actual full time equivalent staff numbers); monthly data on overtime and number of staff receiving payments for additional hours worked; sickness absence data; and number of staff yet to complete mandatory training. The dashboard is considered further in Internal Audit AC2026 Performance Management.
- 2.7.4 People and Organisation regularly prepared a report in 2019/20 for the purposes of monitoring employee Continuous Review and Development e.g. prepared 7 times in February 2020. This covered for each Cluster: the total number of CR&Ds due to be completed; the number of CR&Ds completed; and the number and percentage of actions outstanding with employees and managers in order to complete the CR&Ds (CoreHR

identifies where action is required). People and Organisation advised that as at 26 June 2020, 75% of staff had completed a CR&D self-assessment of their performance against the expected behaviours, skills and knowledge under the Capability Framework.

- 2.7.5 As reported to Staff Governance Committee in June 2019, Council employee contracts state “incremental progression is subject to you demonstrating that you meet the minimum performance criteria in your job and are not being managed under [the policies described in] the Local Salary Progression Scheme (LSPS)”. 1,064 Council employees successfully achieved a pay increment of 1,106 who were eligible to be considered.
- 2.7.6 Business Intelligence and Performance Management (BI&PM) and People and Organisation are working with Digital and Technology to provide access to live mandatory training completion exception data to CMT, Chief Officers and third tier managers via the PowerBI based “People Performance” dashboard. The Chief Officer – Business Intelligence and Performance Management (BI&PM) has advised progress will be monitored by the Employee Data Forum, which is co-chaired by the Chief Officer – BI&PM and the Chief Officer – People and Organisation. This should help ensure mandatory training is completed by employees as required by the Workforce Plan.
- 2.7.7 The Employee Data Forum is responsible for managing and driving a coordinated approach to improvements required to the governance, architecture, performance reporting and improvement arrangements for employee related information and data assets. The group is co-chaired by the Chief Officer – Business Intelligence and Performance Management and the Chief Officer – People and Organisation. People Performance was an agenda item on the January 2020 meeting of the Employee Data Forum and it was agreed that Business Intelligence and Performance Management would collaborate with Digital and Technology to automate updates of employee data, including exception reporting in relation to Information Governance training completion. The Chief Officer – BI&PM has advised progress will be monitored by the Employee Data Forum.

Staff Governance Committee

- 2.7.8 Under the Council’s Committee Terms of Reference, one of the purposes of the Staff Governance Committee is to approve and monitor workforce strategies which ensure the Council has a workforce fit for the capabilities required to be a 21<sup>st</sup> century Council.
- 2.7.9 Six monthly absence data is reported to Staff Governance Committee as described in paragraph 2.3.15 above. In addition, the Staff Governance Committee has requested an update report on the new approach to internal recruitment and movement of staff under the re.cru.it scheme for monitoring purposes, one year from when the scheme was approved in October 2019.
- 2.7.10 As at April 2020, the Staff Governance Committee has yet to receive a report on workforce capabilities and capacity. A regular report covering the Council’s headcount, FTE, vacancies and redeployment as well as employees’ development under the Capability Framework, as recorded via the CR&D process, would be useful to facilitate monitoring of the Workforce Plan.

<b><u>Recommendation</u></b>		
Progress on the Workforce Plan should be reported to Committee when appropriate.		
<b><u>Service Response / Action</u></b>		
Agreed		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
December 2021		

Chief Officer – Organisational Development	Significant within audited area
--	------------------------------------

## 2.8 COVID-19

- 2.8.1 The Chief Executive has issued regular communications to staff as the COVID-19 situation has progressed; on 26 March 2020 an email was issued to staff identifying the Council services regarded as critical during the COVID-19 emergency response and seeking volunteers to deliver these services. Critical services were categorised as follows: critical to Local Resilience Partnership response e.g. registration of deaths, refuse collection; critical to protect vulnerable people e.g. care at home; critical digital technology e.g. logistical support; and organisationally critical e.g. street lighting, health and safety.
- 2.8.2 A “Temporary Movement of Staff” form was circulated to all staff as part of the same communication from the Chief Executive. The form is comprehensive, covering availability to work, preferences for listed critical services and relevant skills, qualifications and experience. A similar Manager Questionnaire was also circulated for the purpose of identifying managers with a need for volunteers, the specific critical services to be delivered and the availability, skills, knowledge and experience required of volunteers.
- 2.8.3 At the time of the audit, the Council was seeking: helpline call handlers; LGV drivers; Environmental Operatives; a Data Loggist; Trade Waste administrators; resource coordinators (to receive requests for assistance and co-ordinate volunteer response); Personal Protective Equipment delivery drivers; and assistance at Bon Accord Care and “pop-up” locations for NHS patients e.g. TECA. As at 9 April 2020 1,571 staff had volunteered.

**AUDITOR:** A Johnston

## Appendix 1 – Young Workforce Schemes

- Foundation Apprenticeships -- one day per week work-based learning and experience for secondary school pupils S5 and S6 e.g. Early Years, Social Care, Digital and Technology, Finance, People and Organisation, and external Communications – 32 pupils in 2019/20;
- Modern Apprenticeships (MAs) – Young people aged 16 to 24 – learning with on-the job experience and salary – 4 year apprenticeship in craft roles (joiner, plumber, electrician etc) and corporate apprenticeships e.g. early years, social care, housing, customer service business admin – 54 craft in 2019/20 and 18 corporate MAs in 2019/20;
- Graduate Apprenticeships – undertake paid role within Council while undertaking recognised undergraduate degree at university to support development and career progression; variety of honours degrees e.g. BSc (Hons) IT Management for Business, BA (Hons) Accountancy, BEng (Hons) Civil Engineering – 15 in 2019/20;
- Career Ready Internship – work experience and mentoring for school pupils in S5 and S6. Students offered support by Council employee mentor throughout S5, four week summer internship and throughout S6. Students gain an understanding of Council careers and the right attitudes and professional skills needed for employment. Scheme also offers opportunity for staff to develop mentoring skills – 13 employees began mentoring in 2018 and a further 16 began mentoring in 2019;
- Internships – Care Experienced Young People (Corporate Parenting) – on completion of internship, Care Experienced candidates can apply for Modern Apprenticeship or entry level Council vacancies via guaranteed interview scheme;
- Young People Network – representatives from employees aged 16-24 gather views of young Council employees on employment experience and represent young employees in development of key initiatives;
- Mentoring Support to Managers – training, guidance and a network is being developed to share best practice for mentors e.g. mentoring via Career Ready Programme or apprenticeship programme.

**Appendix 2 – 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.





## **Internal Audit Report**

### **Cross Service**

## **Procurement Compliance**

**Issued to:**

Steven Whyte, Director of Resources  
Rob Polkinghorne, Chief Operating Officer  
Andy MacDonald, Director of Customer Service  
Craig Innes, Head of Commercial and Procurement Services  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
External Audit

## **EXECUTIVE SUMMARY**

Aberdeen City Council makes payments of over £500 million per annum to external sources. Where this includes the procurement of goods, services and works, legislation and internal rules and regulations set out specific requirements which must be complied with in order to meet the Council's legal obligations, and provide assurance over Best Value in procurement.

The objective of this audit was to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations. A sample of high value expenditure was reviewed, and this indicated that requirements are not being demonstrably complied with in several cases.

The Commercial and Procurement Shared Service (CPSS) supports the Functions by providing the structure, system, training, advice and support to demonstrate compliance with procurement legislation and regulations. Procurement activity is delegated to each of the Council's Functions and Chief Officers who may delegate authority to relevant officers.

Commitment to action was sought to ensure that: contracts will be subject to appropriate procurement, including public tender where they exceed the relevant thresholds individually and in aggregate; procurement intentions and awards will be appropriately published; adherence to Committee approvals will be monitored to ensure they are adhered to; and purchase orders will be raised in advance unless a specific exemption applies.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

CPSS will review whether additional data can be recorded to demonstrate that spend is linked back to contracts, approvals and business cases. Training and guidance will be updated following a review of the contracts register and associated processes to provide assurance over compliance. A new website is also being developed to assist buyers in the selection of appropriate contracts and signpost them to guidance should alternative options be required.

# 1. INTRODUCTION

- 1.1 Aberdeen City Council makes payments of over £500 million per annum to external sources. Where this includes the procurement of goods, services and works, legislation and internal rules and regulations set out specific requirements which must be complied with in order to meet the Council's legal obligations, and provide assurance over Best Value in procurement.
- 1.2 These requirements include:
- External requirements -
- Publicly advertised tenders for Council spend over relevant thresholds set by the Scottish Government and the European Union (EU)
  - Publishing a contracts register and forward procurement plans
  - Aggregation of spend across similar contracts in planning procurement
- Internal requirements -
- Obtaining Committee or officer delegated approval of all spend, via procurement plans and supporting business cases
  - Demonstrating best value by subjecting contracts exceeding specified internal thresholds to appropriate competition
  - Maintaining a detailed contracts register with evidence of the procurement process followed
  - Obtaining approval from the Director of Commissioning (currently vacant) and Head of Commercial and Procurement Services in respect of any proposals to divert from standard practice
  - Raising purchase orders in advance of spending, unless exempted
- 1.3 The objective of this audit was to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations. To do so, a sample of recurring high value expenditure was selected from financial reports, and evidence sought that it had been incurred and recorded under appropriately procured contracts with prior approval in line with the Council's Scheme of Governance. The tender receipt, review, and award decision making processes have not been reviewed in detail as part of this audit.
- 1.4 A review of the process in operation, and recommendations for improvement and adherence to the process have been made in section 2 below. Details of issues identified and the areas of expenditure in which they were identified are set out in section 3.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with the Head of Commercial and Procurement Services and Directors.

## 2. CONCLUSIONS AND RECOMMENDATIONS

### 2.1 Public Tendering

- 2.1.1 All procurement in excess of Scottish procurement thresholds must be advertised as contract opportunities on the Public Contracts Scotland website. Adherence to this process also provides more assurance over compliance with EU tendering requirements at higher levels of spend. The Council has also set out its own procurement thresholds beyond which varying degrees of competition must be applied to demonstrate best value in procurement.
- 2.1.2 Council, Scottish, and EU procurement thresholds appear to have been breached in several instances (3.1, 3.2, 3.3, 3.6, 3.13, 3.14, 3.15, 3.19, 3.23, 3.28, 3.29, 3.32, 3.34, 3.35) where records (or the absence of records) indicate that contracts have not been subject to appropriate competition or formally extended, either at all, or sufficiently in advance of existing arrangements expiring.

#### **Recommendation**

Contracts should be subject to appropriate procurement, including public tender where they exceed the relevant thresholds.

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

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans are being developed for review by the Strategic Commissioning Committee in November 2020. CPSS will support Services' efforts to collate information, and will be monitoring progress with implementing plans once agreed.

#### **Implementation Date**

November 2020

#### **Responsible Officer**

All Chief Officers, Service Managers and other Officers with delegated responsibility for the commission of goods, services and works

#### **Grading**

Major at a Corporate Level

- 2.1.3 Where contracts have been awarded as a result of competitive tendering, or following direct award without competition, an award notice must also be published on the Public Contracts Scotland (PCS) website. This requirement is not always being complied with (3.2, 3.22, 3.33, 3.34, 3.35), and in cases where notices have been published these have not always included the correct information, or been issued timeously (3.6, 3.20, 3.30).
- 2.1.4 Where there is an intention to not comply with procurement Regulations, e.g. by directly awarding a contract without competition, the Council can publish a Voluntary Ex-ante Transparency (VEAT) notice to signal its intentions and reasons to the market and by demonstrating transparency reduce the risk of legal challenge at a later date. This is not always being used where appropriate. (3.6)

#### **Recommendation**

Services should ensure procurement intentions and awards are appropriately published.

**Service Response / Action**

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

A monthly report will be issued to Delegated Procurers on outstanding PCS Awards.

**Implementation Date**

October 2020

**Responsible Officer**

Strategic Procurement  
Manager (Category  
Management)

**Grading**

Major at a Corporate Level

2.1.5

All spend on similar types or categories of spend requires to be aggregated (typically over four years) in order to identify the Council’s overall requirement for those supplies and services, and plan procurement activity appropriate to that value of spend. A series of ‘one-off’ contracts for such supplies and services, procured using approaches designed for lower value contracts, may quickly exceed the procurement thresholds, and fail to demonstrate compliance with Regulations. This has occurred in a number of the areas reviewed. (3.2, 3.3, 3.6, 3.13, 3.14, 3.15)

**Recommendation**

Services should ensure they comply with aggregation rules for procurement of similar goods / services.

**Service Response / Action**

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans are being developed for review by the Strategic Commissioning Committee in November 2020. CPSS will encourage and support Services’ efforts to collate information, including aggregation. Data, particularly from feeder systems, can make it difficult to identify related spend as discussed at 2.2.3 below. The Data Forum project may assist.

**Implementation Date**

November 2020

**Responsible Officer**

All Chief Officers, Service  
Managers and other  
Officers with delegated  
responsibility for the  
commission of goods,  
services and works as  
appropriate

**Grading**

Major at a Corporate Level

2.2

**Council Approvals**

2.2.1

Committee approval is required in advance for spend in excess of specified values, and requires submission of procurement plans and business cases. Such plans and business cases, or other approval documentation, were not found for several of the supplies

reviewed as part of this audit (3.1, 3.5, 3.6, 3.10, 3.20, 3.21, 3.26, 3.31, 3.32, 3.34). Whilst in some cases prior approval is evident (in different formats where these pre-date the current Procurement Regulations), the values, expiry dates, or other conditions of that approval had been breached or changed without recourse to Committee. (3.2, 3.3, 3.7, 3.12, 3.19, 3.24, 3.28, 3.33)

2.2.2 There has historically been no method of matching contracts entered into, back to the original approval. Whilst this functionality is available using the contracts register system it depends on clear links and consistent referencing, which are not in place for the majority of contracts reviewed as part of the audit. The Commercial and Procurement Shared Service agreed following the 2019 audit of this area (AC1914) to include contract references within Business Case files to demonstrate the link between contracts and approvals. Business cases are being allocated reference numbers to differentiate between them, but there is currently no link to the contracts derived from them.

2.2.3 Whilst there are methods for monitoring expenditure against revenue and capital budgets, and project and programme management and change controls, there is no set mechanism for monitoring expenditure against Committee approvals. Only a minority of spend includes a clear contract reference to facilitate monitoring at a contract level. Capital contracts typically include an internal contract reference number, though the format varies between projects and payments. Only a small number of purchase orders reviewed included reference to a particular contract, typically by name (which varies and is open to interpretation) rather than a reference number. Transactions processed through feeder systems do not generally pass contract information through to the financial system. Without a clear and consistent method of recording contract details against each payment, it will be difficult to ensure all spend is covered by a contract and is within approved levels of spend.

**Recommendation**

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.

A clear and consistent method of recording contract details against each payment should be developed and implemented.

**Service Response / Action**

Agreed. From July 2020 each Business Case sent to/prepared by CPSS for committee approval will be allocated a BOrganised reference number.

However no system is available at the moment to capture spend against contract, There is work ongoing as part of the Data Forum project to look at how a system can be implemented to capture spend against contract, no date has been agreed for this work to be concluded.

CPSS will work with the PECOS team to identify meantime whether it is possible for a contract reference box could be included for raising PO's, which could lead to improvement in ability to track contract spend via PECOS.

**Implementation Date**

December 2020

**Responsible Officer**

Strategic Procurement Manager (Category Management);  
Strategic Procurement Manager (Commissioning & Contracts)

**Grading**

Significant within audited area

- 2.2.4 The requirement to seek further approval where it is anticipated the existing approval will be exceeded was reiterated to Services following the 2019 audit of this area (AC1914) and reminders were issued to relevant officers, including reference to the requirements in the annual budget letter from the Chief Officer – Finance.
- 2.2.5 If there is a change of plan, or if the plans originally provided to Committee for approval have not progressed within the timescales envisaged, new plans need to go back to Committee, or Officers will be acting outwith their delegated authority.
- 2.2.6 The reporting process is reliant on Officers recording their own information, and volunteering this to Committee, which typically only occurs when revised procurement intentions are published. This may be some time after expiry of Committee approval, or after plans have already been revised and acted on (or a decision taken not to act) by Officers. Continued expenditure in the interim will not have been subject to the requisite consideration and approval.

**Recommendation**

Services should ensure Committee approvals are obtained and adhered to, and further approval sought and obtained prior to continuing purchasing.

**Service Response / Action**

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans are being developed for review by the Strategic Commissioning Committee in November 2020 – where new approvals will be sought. CPSS will support Services’ efforts to collate information, and will be monitoring progress with implementing plans once agreed.

CPSS provide training to delegated procurers which includes contract management.

**Implementation Date**

November 2020

**Responsible Officer**

All Chief Officers, Service Managers and other Officers with delegated responsibility for the commission of goods, services and works as appropriate

**Grading**

Significant within audited area

- 2.2.7 Some Services have historically requested dispensations from the requirement to obtain further Committee approval for works within wider capital programmes. Whilst this demonstrates Committee approval for the level of spend, the approval does not cover the requirement set out in the Procurement Regulations to prepare business cases for approval by the Director and the Head of Commercial and Procurement Services prior to undertaking procurement of individual contracts within the Committee approved level of spend. Business cases have not been produced in some cases. (3.3)

**Recommendation**

Services should ensure business cases are prepared for all spend in line with the Procurement Regulations, including where Committee approval is not required.

**Service Response / Action**

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans and business cases are being developed for review by the Strategic Commissioning Committee in November 2020. CPSS will support Services' efforts to collate information, and will be monitoring progress with implementing plans once agreed.

**Implementation Date**

November 2020

**Responsible Officer**

All Chief Officers, Service Managers and other Officers with delegated responsibility for the commission of goods, services and works as appropriate

**Grading**

Significant within audited area

**2.3 Maintaining Records**

- 2.3.1 The Council maintains supporting records in a contracts register system, which is also used to generate the published version required to comply with Scottish Procurement Regulations. All contracts in excess of the Council's procurement thresholds should be recorded on the system, along with details of the value; start, end and potential extension dates; how they were procured; the approvals obtained to do so; and officers involved in the process. Copies of contracts and associated paperwork (e.g. business cases, approvals, tender documentation, rates, award letters and so on) should also be held on the system.
- 2.3.2 Maintenance of the contracts register has been delegated to procuring Services – which should be adding information in line with the Council's procurement guidance, with support from the Commercial and Procurement Shared Service only where necessary.
- 2.3.3 Some contracts have not been recorded on the system at all (3.22, 3.26, 3.27), others have not been accurately recorded (3.31) and there were no contracts in the sample reviewed where all of the required information and evidence is on the system. The absence of records and incomplete / inaccurate records was highlighted in the 2019 audit of this area (AC1914) and reminders were issued to relevant officers.

**Recommendation**

The contracts register should be complete and up to date, including evidence of authorisations and the procurement process.

**Service Response / Action**

Agreed. C&PSS plans to establish a short life working group in respect of reviewing the Contract Register (BOrganised) which will incorporate a review on how contract awards are registered along with a review of associated guidance and potential refresh of training programme.

**Implementation Date**

December 2020

**Responsible Officer**

Strategic Procurement Manager (Category

**Grading**

Major at a Corporate Level



Management); Strategic  
Procurement Manager  
(Commissioning &  
Contracts)

- 2.3.4 The system also includes details of 'framework agreements' which have been adopted by the Council. These set out the terms and conditions which will apply to subsequent contracts entered into with counterparties who have bid and / or signed up to them. They are not in themselves contracts – no commitment is entered into on the Council's part to purchase any value of supplies or services from any one or more of the counterparties within the period covered by the framework. Call-off contracts need to be entered into with individual suppliers in a framework before orders can be placed and paid for.
- 2.3.5 It is a requirement of procurement legislation that call-off contracts be treated, and registered, as any other contract – i.e. each separate contract should have a separate listing and value in the contracts register. This was not the case in several instances reviewed – some of which included up to 24 separate counterparties, with no indication of which the Council had entered into contracts with and to what extent. (3.5, 3.9, 3.10, 3.21, 3.35). The need to record call-off contracts separately was highlighted in the 2019 audit of this area (AC1914) and reminders were issued to relevant officers.
- 2.3.6 Depending on the framework, call off contracts may be directly awarded or subject to mini-competition. There is no evidence to show the selection process that the Council has undertaken which resulted in orders of the value indicated being placed with the selected supplier. (3.5, 3.22, 3.35)

**Recommendation**

Call off contracts should be recorded, with supporting evidence of the selection process and anticipated spend, for each supplier the Council plans to obtain goods / services from.

**Service Response / Action**

Agreed. C&PSS plans to establish a short life working group in respect of reviewing the Contract Register (BOrganised) which will incorporate a review on how contract awards are registered along with a review of associated guidance and potential refresh of training programme. This review will include determining how framework call offs will be reported and recorded.

**Implementation Date**

December 2020

**Responsible Officer**

Strategic Procurement  
Manager (Category  
Management)/Strategic  
Procurement Manager  
(Commissioning &  
Contracts)

**Grading**

Major at a Corporate Level

- 2.3.7 Additional non-contract services are being purchased from 'contracted' suppliers. There is a risk that these suppliers are used as a default for supplies that are associated with but not covered by the original contract and procurement. For example, procurement of equipment does not automatically mean parts and maintenance must be obtained from the same supplier. These elements would need to be included in the procurement plan and evaluated holistically as part of competitive bids. Where ancillary goods and services are not covered by the original contract, further procurement action should take place to ensure that they are being obtained from the best value source. The contracts register system does not typically include sufficient information to assist buyers in determining whether this is the case (3.18, 3.26).

**Recommendation**

The scope of contracts should be documented for purchasers to make it clear that goods or services outside of that scope must be subject to further procurement activity.

**Service Response / Action**

Agreed. C&PSS is working with ICT in Aberdeen City on launch of a new website which will be available for each of our Council clients and will contain up to date guidance / information.

**Implementation Date**

December 2020

**Responsible Officer**

Strategic Procurement Manager (Category Management) / Strategic Procurement Manager (Commissioning & Contracts)

**Grading**

Significant within audited area

- 2.3.8 In some circumstances there may be an appropriate justification for directly awarding a contract to one supplier without competition, however this carries a risk of legal challenge from potentially aggrieved competitors. This risk needs to be considered by the organisation at an appropriate level, prior to the award being made. Evidence of consideration of these risks is not always being retained. (3.1)

**Recommendation**

Direct award of contracts should be reviewed in conjunction with CPSS, and evidence retained of this review.

**Service Response / Action**

Agreed. A new regulation has been included in the 2020 refresh of the procurement regulations, CPSS are reviewing and will develop a process.

**Implementation Date**

October 2020

**Responsible Officer**

Legal Team Leader CPSS/Strategic Procurement Manager (Category Management)

**Grading**

Significant within audited area

## 2.4 Ordering Process

- 2.4.1 The Council operates a 'no purchase order, no payment' policy, however there are various agreed exceptions documented in the Financial Regulations – including systems and procedures that offer alternative controls, and covering specific instances where it would not be practicable to raise an order in advance. The majority of spend reviewed was either covered by an official purchase order, had been processed via an agreed alternative system, or was subject to an approved exception. However, this was not always the case. Instances of retrospective orders being raised and approved on receipt of an invoice (3.11), and of orders not being raised (3.12, 3.20, 3.24, 3.25, 3.27, 3.28, 3.29, 3.30, 3.34), where no exception is documented, were identified.
- 2.4.2 The requirement was reiterated to Services following the 2019 audit of this area (AC1914) and reminders were issued to relevant officers. The Accounts Payable team was asked by the Chief Officer – Finance to give due regard to invoices that do not have a purchase order, to consider the exemptions that have been defined and escalate non-compliance where appropriate. This may not have had the desired effect.

**Recommendation**

Purchase Orders should be raised in advance for all supplies and services unless there is a specific exemption confirmed with Finance in accordance with the Financial Regulations.

**Service Response / Action**

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

CPSS in conjunction with Finance will issue a communication to remind commissioning officers of the requirements of the No PO no payment policy.

**Implementation Date**

October 2020

**Responsible Officer**

All commissioning officers within each Cluster

**Grading**

Significant within audited area

**AUDITORS:** D Hughes  
C Harvey  
R Brand

## Appendix 1 – Detailed Findings

### 3. FINDINGS

#### 3.1 Advertising

- 3.1.1 Over £795,000 was spent with one supplier in the four years to October 2019. This exceeds Council, Scottish, and EU procurement thresholds.
- 3.1.2 The Council last held a recorded contract for these services in 2015/16, and no formal extension has been agreed or a replacement tendered and awarded.
- 3.1.3 The Council is required to publish statutory notices in local newspapers, and will also publish advertisements for other activities – e.g. events and recruitment. The Service considers that existing negotiated discounts may not be achieved through a tender process, and as there is a requirement for local advertising, compliant options may be more limited. However, CPSS has indicated there is an available framework which should be considered.
- 3.1.4 There is no evidence of approval from Committee or Chief Officer in respect of this recurring spend, and no evidence of the Service having sought the Head of Commercial and Procurement Services' approval of a direct award without competition.
- 3.1.5 Purchase Orders are being raised for all advertising spend.

#### 3.2 Roofing and Scaffolding

- 3.2.1 Over £1.5 million was spent with one supplier in the four years to October 2019. This exceeds Council, Scottish, and EU procurement thresholds.
- 3.2.2 The Council last registered a contract for these services in 2015/16, and no formal extension has been agreed or a replacement tendered and awarded.
- 3.2.3 There was approval for expenditure from the Communities, Housing & Infrastructure Committee in 2016 for up to £1.4 million, and thereafter the Strategic Commissioning Committee in 2018 for up to £270,000, but the latter approval expired in May 2019 – beyond which point the Committee had agreed the Service could spend up to £1.6 million over four years following a full tender exercise to be undertaken.
- 3.2.4 The Service re-considered its planned approach in March 2019 as it then considered a direct award to the existing supplier without competition would offer best value. As this was a proposal to breach EU law it was not presented for Committee approval. A tender process was not commenced.
- 3.2.5 A separate tender for roofing repairs 2019-21 was advertised via Public Contracts Scotland in January 2019, including a 'lot' for scaffolding. The Service considered that this removed its need to tender separately for its scaffolding requirements. At the end of February 2020 there is no indication on Public Contracts Scotland, or on the Council's contracts register, that a contract or contracts have been awarded in respect of the roofing repairs tender – though the Service has stated that a single contractor framework is in place.
- 3.2.6 The Service continued to spend in excess of £150,000 with the existing supplier between the end of May 2019 (when the Committee approval to do so expired) and October 2019.
- 3.2.7 £4.6 million has been spent on roofing repairs with a single contractor over the last four years. The roofing repairs contract notice indicates an estimated spend of £600,000 over

two years 2019-21. Between April and October 2019, the spend on roofing with one contractor was in excess of £600,000 and over £350,000 on scaffolding. The Service has indicated that the roofing repairs contract includes only specific scaffolding work: it obtains competitive quotes for ad-hoc scaffolding and roofing works, usually through quick-quotes exercises. The Service refers to these as 'tenders' but they are not full competitive tendering exercises: whilst a similar process is followed, using a part of the Public Contracts Scotland website, the pool of potential suppliers is limited by using this option. This will not demonstrate compliance with the requirements of the Council's, Scottish Government's and EU requirements for aggregation of spend.

3.2.8 Purchase Orders for scaffolding are placed, and invoices paid, via the building maintenance management system.

### **3.3 Lifts and Lift Maintenance**

3.3.1 Over £100,000 per annum is spent maintaining lifts in the Council's Housing estate. Expenditure on replacement lifts varies but has averaged over £1 million per annum over the last three years.

3.3.2 A short term contract (up to 3 months) was entered into with a single supplier for lift maintenance in 2014, to supplement internal services which had experienced recruitment difficulties. No formal long-term contract or extension has been entered into, and the same supplier is still used, with inflation based uplifts in hourly rates applied since. Spend of up to £300,000 per annum was approved by the Communities, Housing and Infrastructure Committee in 2016, up to 2020. The Service drafted a procurement business case in 2018, anticipating spend of £50,000 per annum for four years, but has not yet progressed with a planned tender exercise, or sought approval for future annual expenditure.

3.3.3 Purchase Orders for maintenance are placed, and invoices paid, via the building maintenance management system.

3.3.4 Programmes to replace lifts are set out at summary budget level in the Housing Capital Plan. Approval was obtained from Council in March 2019 to:

2.8 Approve as estimated expenditure in terms of Procurement Regulation 4.1.1, in order for work to commence on the Ongoing Capital Programme, the sums shown against each heading of the Housing Capital Expenditure budget for the financial year 2019/20 set out in Appendix 1 (pages 17 to 19) to this report without the need for separate Committee approval of each;

2.9 Delegates authority to the Director of Resources, following consultation with the Head of Commercial and Procurement Services, to undertake or instruct appropriate procedures in accordance with the ACC Procurement Regulations to procure the works referred to in Appendix 1 (pages 17 to 19) for the capital programme for the financial year 2019/20 and award contracts relating thereto;

3.3.5 This removed the requirement for the Service to obtain further approval from Committee for tendering of individual contracts within the total budgeted amount for "Lift Replacement Multi Storey / Major Blocks: Replacement of lifts where they are beyond economical repair. This can be full replacement or replacement of specific parts of the lift." The capital budget for this was £1.82 million for 2019/20.

3.3.6 No procurement business cases were available to document the planned approach to procuring lift replacements. The Service has stated that it considers there is no requirement for business cases for the standard programmes under Housing Capital as they are approved by Council as a whole at budget setting. Business cases will be done for one-off works such as new build but not the works repeated annually such as the lift programme. However, the Council approval did not provide for the Service to proceed

with procurement of individual contracts without a procurement business case – which the Director of Resources and Head of Commercial and Procurement Services would have had to receive and consider in order to “undertake the appropriate procedures in accordance with the ACC Procurement Regulations”.

3.3.7 The same supplier has been awarded annual lift replacement contracts for (at least) the last three years. Contract notices and awards have been posted on Public Contracts Scotland. Although these have been recorded on the contracts register, no supporting paperwork has been uploaded to the system. Each is below the EU procurement threshold for Works contracts. However, as the requirement is continuing, as set out in the Housing Capital Plan, for more than a single year, it is not clear why the Service has not aggregated its requirements over several years – which would exceed the EU threshold. There is a risk that this may be seen as an attempt to avoid the requirement to follow EU procurement rules, presenting a risk of legal challenge.

3.3.8 In common with other capital contracts, payments are self-billed on the basis of the value of work completed, rather than via Purchase Order. This is an agreed alternative control process.

### **3.4 Early Learning and Childcare Providers**

3.4.1 The Service has set out plans to spend up to £37.8 million with various providers, from ring fenced funding, to support the roll out of the 1140 hours programme. In 2019 individual business cases were set out for each contracted provider, and due to the individual values, these were approved under Officer delegated powers. A business case was presented to Strategic Commissioning Committee in January 2020 covering aggregate spend across all providers up to 2024.

3.4.2 Payments are made by payment voucher, based on applications for individual children rather than via Purchase Order. This is an agreed alternative control process.

### **3.5 Personal Protective Equipment**

3.5.1 Services have spent over £200,000 over the past four years with one supplier for PPE. The supplier is included within a Scotland Excel Framework agreement call-off on the Council’s contracts register, however it is listed with no separate value amongst 20 other suppliers, with a cumulative estimated value of £1.4 million between 2017 and 2020. It is a requirement of procurement legislation that call off contracts be treated, and registered, as any other contract – i.e. each separate contract should have a separate listing and value in the contracts register. Within the framework, call off contracts can be directly awarded or subject to mini-competition. There is no evidence to show the selection process that the Council has undertaken which resulted in orders of the value indicated being placed with the selected supplier.

3.5.2 It was not possible to find Committee approval of the planned £1.4 million spend over three years from 2017.

3.5.3 Purchase Orders are being raised for all spend with the selected supplier.

### **3.6 Painting and Decorating**

3.6.1 Over £200,000 has been spent with one supplier in each of the last two financial years for redecoration in void Housing units. This aids in improving turnover of vacant units. The Service has been obtaining quotes and raising purchase orders via the building maintenance management system for individual jobs averaging £2,500 each. There are no contracts in place for the overall service. Collectively the expenditure exceeds Council, Scottish and EU procurement thresholds before which a competitive tender exercise

should be undertaken. These services have not been included in procurement plans presented to Committee.

### **3.7 Electric Vehicle Charge Points**

3.7.1 The Council has received various elements of Scottish Government funding to install and maintain electric vehicle charge points. There are two elements: installation, and maintenance. The majority of spend with a single supplier (£280,000 over the last four years) has taken place with advance Committee approval. Contracts have been recorded on the contracts register covering this expenditure.

3.7.2 However, in one case approval for £77,000 spend on maintenance was obtained retrospectively, following consideration by the Head of Commercial and Procurement Services, due to late notification of funding availability limiting the opportunity to spend within the grant period. The reasons for directly awarding to a single supplier included timing and that the equipment maintenance should be provided by the original installer.

3.7.3 In another case there is no record of Committee approval, or retrospective notification following officer approval, for a separate £77,000 contract for installation of new charging equipment, again from the same supplier.

### **3.8 High Rise Buildings Fire Protection**

3.8.1 Contracts were directly awarded to two contractors for maintenance required in high-rise buildings as result of a post Grenfell disaster review. One was for £540,000 of preparatory works, and the other for £1.26 million for passive fire protection measure installation. The Service considered the works sufficiently urgent to seek approval from the Head of Commercial and Procurement Services for suspension of procurement regulations in the direct award of these contracts without prior Committee approval. The combined contracted expenditure was retrospectively reported to the next meeting of the Strategic Commissioning Committee.

3.8.2 Internal legal advice indicated that a 10 day standstill period should still be applied, despite the urgency, to comply with procurement legislation, and the contract award published appropriately. Although the Service complied with this, a standstill period is only appropriate where there are other bidders to inform of the contract award. The Service did not publish a VEAT notice to clarify its reasons and intentions for a direct award – providing no information or opportunity for the intention to be scrutinised. The contract award was published via Public Contracts Scotland the following month, but stated each contract was valued at £100,000. This was updated three months later with the correct contract values, although it still stated that there had been open competition with only a single bid. There is a risk that this could be seen as an attempt to avoid challenge from other potential bidders.

### **3.9 Children's Residential Care and Education**

3.9.1 Various providers are available to meet requirements for children's residential care and education, and secure care arrangements, under Scotland Excel framework agreements. Approval of the use of these frameworks was obtained from the Strategic Commissioning Committee in September 2018. Two providers, with various locations, with combined spend of over £2.4 million over four years, were selected for review by Internal Audit. Contracts are entered into through Individual Placement Agreements with the providers.

3.9.2 The majority of spend with these providers is processed through the care management system. This system provides an approved alternative to raising Purchase Orders.

### **3.10 Library Books**

- 3.10.1 Various suppliers are available to meet requirements for the supply and delivery of library books, educational textbooks and multimedia supplies, under a Scotland Excel framework agreement. The contracts register holds details of a call-off from this framework, but it includes 24 suppliers, and an estimated value of £2.14 million between February 2018 and January 2022. There are no records of this having been subject to recent Committee approval.
- 3.10.2 For the supplier selected by Internal Audit, expenditure has been over £790,000 in the last four years. There is no separate recorded contract for this element / supplier.
- 3.10.3 All spend with the selected supplier is processed through a libraries ordering system. This system provides an alternative to raising Purchase Orders.

### **3.11 Wide Area Network**

- 3.11.1 The contracts register indicates that the Scottish Wide Area Network (SWAN) Programme is designed to deliver a single public services network available for the use of any, and potentially all, public service organisations within Scotland; with aggregated demand delivering both cost and performance advantages. A contract value of £3.4 million is recorded, for services between 2015 and April 2020.
- 3.11.2 Use of this contract was approved by the Finance, Policy and Resources Committee in 2015, as it offered a better option than the Council re-tendering for network circuits. At that time spend of £2.75 million over three years was approved. Subsequently in 2017, the Committee approved further expenditure of £2 million for the expansion of the network, to be funded through the City Region Deal. Neither approval matches the recorded contract. Similarly, expenditure cannot be easily linked back to either the contract or the Committee approvals. There are no cross-references, and although there have been Purchase Orders with the supplier for some of the contracted services in previous years, and invoices indicate that it is 'SWAN circuit billing', spend of over £470,000 in 2019 has been approved by Officers retrospectively without a Purchase Order.

### **3.12 Income Management System**

- 3.12.1 The corporate income management system, including e-payments and cash receipting, was provided under a seven year £1.15 million contract, which was retrospectively notified to the Finance, Policy and Resources Committee in 2015, after Officers set aside Financial Regulations to award following expiry of a previous contract.
- 3.12.2 The contract, which was to run from 2015 to 2022 was replaced in 2019 with a new contract for five years at £675,000. It was not possible to find this on a Procurement Workplan or Business Case reported to Committee as required by the Procurement Regulations. Over £168,000 was spent in 2019, along with further sums of between £12,000 and £17,500 each for upgrades and additional functionality for the system, which will incur further annual fees.
- 3.12.3 Costs are generally aligned with the contract, though an element of the original approval is variable consultancy costs, and there is insufficient information recorded on invoices / payments, and in the contracts register to show which costs relate to the contract. There were no Purchase Orders raised for expenditure under this contract in 2019.

### **3.13 Bus Shelters**

- 3.13.1 Bus shelter replacement has been funded through external funding and Committee approved use of the Bus Lane Enforcement net surplus. In 2019 around £100,000 has been spent, with over £300,000 spent over the last four years with one supplier. Each purchase is supported with an appropriately completed Purchase Order.



3.13.2 In each instance the Service has sought exemption from the requirement to obtain quotations from the Commercial and Procurement Shared Service, to maintain continuity of supply in terms of design. Although continuity of funding from any specific source is not guaranteed, as this is effectively recurring spend there should be a contract in place, following the appropriate procurement route for spend of this type and value. There are no contracts on the Contracts Register for this type of supply.

### **3.14 Agency Staff**

3.14.1 Over £1.9 million has been spent with one supplier in the last four years. Refuse loaders and drivers are being ordered on a monthly basis via Purchase Orders (approximately £45,000 per month). Grounds and building maintenance staff are being obtained through another supplier, with which £2.6 million has been spent in the same period. This is substantially in excess of national and EU procurement thresholds. The suppliers used are not on a procurement framework, and there is no registered contract with them. No records of approval (except the Purchase Orders which have been signed by relevant officers) were available from the Service.

### **3.15 Skip Hire**

3.15.1 Over £1.4 million has been spent with one supplier for skip hire and associated waste disposal. This is substantially in excess of national and EU procurement thresholds. The Service advised that this was the subject of a previous tender in 2012, the contract for which has now expired. The contract is not on the register. A procurement business case was produced in January 2019, but tendering has not yet commenced. The procurement strategy is being re-evaluated.

3.15.2 Quotation exemption request forms, which should be for one-off requirements, are being prepared by the Service on a monthly basis in the interim. Purchase Orders are being raised for approximately £20,000 per month.

### **3.16 School and Social Work Transport**

3.16.1 Contracts are in place with multiple suppliers to meet school and social care transport requirements. At the time audited, there were 87 different contracts in place. There are two framework agreements in operation (one since 2016 and another since 2019), from which individual call-off contracts have been entered into. Each is registered separately and correctly on the contracts register.

3.16.2 Committee approval was obtained in advance (Finance, Policy & Resources, September 2017) for expenditure of up to £3.2 million on these services, with a requirement to advise the committee on an annual basis of expenditure made within that year, and cumulative expenditure against initial estimate. The Service planned to report in May 2020, however this has been delayed as Committees have been temporarily suspended during Covid-19 lockdown.

3.16.3 Although there are Purchase Orders being raised, these do not indicate the specific contract being used / paid for in each instance – each supplier receives one Order for school transport and another for social care transport, regardless of how many individual contracts are in place with that supplier. It is therefore not straightforward to match spend against contract, to ensure each is within the agreed value recorded on the contracts register.

### **3.17 Care Homes**

3.17.1 The Integration Joint Board approved expenditure of £30.5 million for 2019/20 under the National Care Home Contract. Although a breakdown of planned expenditure by supplier

is available, this is not broken down by contract, though suppliers may operate multiple Homes. CPSS has stated that this information is available separately. Purchase orders are not required for this type of supply: there are individual placement agreements recorded on the Service's care management system. However, as with purchase orders for other supplies and services these do not always reference the contract from which they were derived. CPSS has noted that work is ongoing to determine whether contracts can be monitored through the care payments system.

### **3.18 Gas Servicing and Installations**

- 3.18.1 Over £28 million has been paid to a contractor for gas servicing and installations. The servicing element had not been subject to competitive tender since 2013, and the contract expired in 2017. CPSS has stated that a business case was presented to Strategic Commissioning Committee on 28 May 2019 and approved on that date. The business case set out use of a Scotland Excel Framework for Gas Servicing 2017. A framework adoption report was subsequently prepared and signed by CPSS in November 2019. Following a capability and capacity enquiry carried out under the regional lot of the Scotland Excel framework in February 2020 it was identified that only one supplier (the incumbent) had the capacity / capability to carry out the requirements of Aberdeen City Council. A direct award (as permitted under the terms of the framework) was then undertaken and a contract award letter issued for a contract start date of 1 April 2020 for a period of 4 years.
- 3.18.2 Purchase Orders for servicing are placed, and invoices paid, via the building maintenance management system.
- 3.18.3 Additional payments have been made to the supplier for work outside of the 'contract'. Not all of these had an official Purchase Order, and the works are being directly awarded without competition. It is apparent that the contractor is being seen as the main provider of these services, despite the absence of a contract and these services being separate to the services which had been included in previous contracts. There is an additional risk if value for money of these ancillary services has never been tested.
- 3.18.4 Capital contracts have also been entered into with the contractor for gas heating replacement schemes. The contracts register indicates that these have been either competitively tendered or subject to a quick quote process. These contracts are paid for using payment vouchers, which are an agreed exception to the requirement to raise a Purchase Order. However, contract referencing varies between both contracts and payments, reducing the ability to discern the total cost of each contract from the financial system.

### **3.19 Flooring**

- 3.19.1 Just under £2 million has been spent on flooring with a single contractor in the last four years. A business case provided to the Strategic Commissioning Committee in September 2018 set out that the previous contract had expired in 2016, and the existing contractor had maintained its rates, but that best value would be demonstrated through competitive tender with a view to awarding a new contract by July 2019. The Committee approved expenditure of £400,000 per annum for four years based on this. The contracts register indicates that no new contract has been procured and entered into, and there is no contract or award notice on Public Contracts Scotland – which must be used for all procurement in excess of £50,000.
- 3.19.2 Purchase Orders are placed predominantly via the building maintenance management system.

### **3.20 Milk**

- 3.20.1 The Council spends over £260,000 per annum on milk and dairy products, with a single supplier selected from a Scotland Excel framework. The contracts register shows two call-offs, one for £1.2 million over four years (2018-2022) across multiple suppliers, another for the incumbent supplier for £223,000 over four years. This shows two errors in updating the register – the first should be recorded as a framework, not a call-off; and the second should be recorded as (at least) £223,000 per annum over four years (£892,000). The notice published on Public Contracts Scotland also incorrectly shows the award of a contract for four years with a value of £223,000.
- 3.20.2 There is no record of advance committee or other delegated approval of this expenditure.
- 3.20.3 Within the period reviewed, 45% of expenditure did not have an official Purchase Order.

### **3.21 Temporary Homeless Accommodation**

- 3.21.1 Over £320,000 has been paid to a single supplier for temporary homeless accommodation in guest houses. The Council last tendered for this supply in 2018, at an estimated value of £2 million over 4 years. There is an entry for this on the contracts register, showing that the contract value is £1.65 million, but the counterparties have been redacted, and no call-off contracts with individual suppliers have been registered. The counterparties are however listed in a contract award notice on Public Contracts Scotland, which is open to the public. The reason for redacting information in a secure access controlled internal system is not clear. This will make it more difficult to select and identify appropriate suppliers, and ensure spend is appropriate.
- 3.21.2 There is no record of advance committee or other delegated approval of this expenditure.
- 3.21.3 Purchase Orders are being raised for all spend with the selected supplier.

### **3.22 Street Lighting Materials**

- 3.22.1 The council has spent over £500,000 on street lighting materials from a single supplier in the last four years. Approval was obtained from the Strategic Commissioning Committee in September 2018 for business cases including up to £1.3 million of expenditure on street lighting lanterns and columns in phases over two years. Reference was made to a Framework and a mini-competition within it to award a contract. Whilst the supplier is on a Scotland Excel Framework, this is not included in the Council's contracts register, and there is no evidence of a call-off contract having been awarded by the Council on Public Contracts Scotland. The last registered contract for these supplies expired in 2017.
- 3.22.2 Purchase orders are being raised through the maintenance management system.

### **3.23 Drain Clearing**

- 3.23.1 The Council has spent over £600,000 on drain clearance with one supplier in the last four years. Following competitive tender, contracts were awarded to this and one further supplier in June 2016 for two years, and this is recorded on both the Council's contracts register, and Public Contracts Scotland. The Service extended the contract through agreement with the supplier to July 2019. Although the option to extend up to a maximum of two years was included in the tender documentation (to the end of July 2020), there is no evidence on the contracts register of this option having been taken up. CPSS has indicated that a further direct award to extend the contract may be required due to the impact on the Service's ability to tender due to Covid19.
- 3.23.2 Purchase orders are being raised through the maintenance management system.

### **3.24 Design Consultancy Services**

- 3.24.1 Following Finance, Policy and Resources Committee approval in June 2016 the Council entered into a £1.2 million contract for design consultancy in relation to a major regeneration project. A further £0.28 million was approved in June 2017. There is evidence of the contract having been advertised and awarded appropriately. However, actual costs have been in excess of £1.9 million and there is no evidence of an extension having been approved.
- 3.24.2 Purchase orders are not being raised, and there are no payment vouchers being used in their place. Payments are being made on the basis of invoices received, which whilst referencing a contract do not detail the work agreed and completed to date.

### **3.25 Learning Disability Support**

- 3.25.1 Support including housing and personal care services, care at home and supported living (amongst other services) are provided by various social care providers, one of which was selected for review as part of this audit. In August 2017, the IJB approved procurement of contracts for these services for £13.78 million per annum.
- 3.25.2 Contracts are in place with the selected provider for around £2 million per annum. Whilst the majority of spend (just under £3 million per annum) with this provider appears to relate to the contracted services, there is limited assurance that this is always the case, because transactions are not all clearly linked to a specific contract reference.
- 3.25.3 Most individual transactions are linked to a supported individual's care management system reference (the use of which is an agreed alternative in lieu of a purchase order), however larger recurring payments (under contract) are approved retrospectively following receipt of an invoice.

### **3.26 Electrical Contractors**

- 3.26.1 The Council has spent over £5.6 million with an electrical contractor in the last four years. A significant proportion of this relates to capital contracts for specific works – e.g. rewiring council dwellings or stair lighting. There is variation in how and whether these contracts are referenced in both the payments system and the contracts register.
- 3.26.2 In the period examined (April to October 2019), approximately one third of payments (£350,000) originated in the building maintenance management system. There is no contract registered for these recurring requirements for non-capital electrical work. At this level of requirement, EU compliant tender processes should be completed. Public Contracts Scotland shows that contracts were awarded under an Electrical Maintenance Term Framework in August 2017, for 2 years, plus an option to extend for a further 2 years. This is not reflected on the contracts register.
- 3.26.3 Another electrical contractor, also awarded contracts under the same Term Framework in 2017, has no record on the contracts register. Over £3.5 million has been spent with this contractor in the last four years.

### **3.27 Restoration Work (Gallery)**

- 3.27.1 £220,000 has been spent with a supplier for timber veneer restoration work. There is no contract registered, and no record of a public tender or award for this work. Whilst there is no requirement for works under £250,000 to be reported to Committee or tendered, there is still a need to demonstrate best value in their procurement and selection. No evidence of a selection process was available. Payments are being made on the basis of invoices received, and not via purchase order, payment voucher or self-bill.

### **3.28 Multi-storey Building Cleaning**

- 3.28.1 £1.6 million was spent over four years with one supplier for building cleaning services. Committee approval was last obtained in 2013, with a contract in place since 2015. The contract registered ran from 2015 to 2018, and there is no record of it having been formally extended. The contract was ended in July 2019 when the activity was in-sourced.
- 3.28.2 Purchase orders were not being raised for the core element of the contract, or for ad-hoc additional work.

### **3.29 Teacher Training Courses**

- 3.29.1 Various schools have collectively spent over £190,000 with one supplier for teacher training, largely through Pupil Equity Funds. At this level of expenditure, EU and national procurement thresholds have been exceeded. There is no entry on the contracts register to demonstrate that appropriate procurement has been carried out in respect of these services.
- 3.29.2 Three of sixteen orders in 2019 had no purchase order.

### **3.30 Debt Collection**

- 3.30.1 Over £2.8 million has been spent on debt collection via one supplier in the last four years. A contract was awarded in 2018 for four years at an estimated cost of £4.5 million, following approval from the Finance, Policy and Resources Committee in December 2017. The contract is on the contracts register, and was appropriately tendered, however the award notice on Public Contracts Scotland indicates a lower value of £1.75 million.
- 3.30.2 Expenditure is within the £4.5 million estimate, but there are no purchase orders being raised – payments are made on the basis of invoices raised by the supplier. Whilst it would be difficult to estimate the value in advance, as it depends on variable action to pursue debts, this is not a documented exception to the requirement in the Financial Regulations.

### **3.31 Traffic Signal Maintenance**

- 3.31.1 Over £1 million has been spent over two years on traffic signal maintenance, provided by a single supplier. The contracts register indicates that a contract has been in place for £300,000 since 2014. A duplicate entry for 2014-2029 has been added, again for £300,000. Public Contracts Scotland shows that the Council tendered and awarded a contract to the same supplier jointly with neighbouring authorities for a £3.5 million contract in 2019, over a ten year period. There is no indication of the value attributed to Aberdeen City. The last Committee approval of spend on this service was obtained in advance of the 2014 contract being awarded. There is no record of Committee approval for the procurement exercise in 2019.
- 3.31.2 Purchase orders are being raised through the maintenance management system.

### **3.32 Remedial Works on High Rise Buildings**

- 3.32.1 A specialist contractor is regularly used for specialist construction work at height, selected through quick-quotes exercises. These are not full competitive tendering exercises: whilst a similar process is followed, using a part of the Public Contracts Scotland website, the pool of potential suppliers is limited by using this option.
- 3.32.2 Over £10 million of work has been awarded to this contractor in the last four years, across more than one supplier number and several contracts. One contract with this supplier,

procured using the quick quotes process during 2019, is recorded on the contracts register with a value of £294,000. The Council's Procurement Regulations require a full tendering exercise, and advance reporting to Committee, for works over £250,000. There were no records on the contracts register system to demonstrate that this had taken place.

### **3.33 Vehicles**

- 3.33.1 A vehicle replacement programme was agreed by the Strategic Commissioning Committee in September 2018 at an estimated cost of £4 million. Over £4.3 million has been spent on vehicle replacements with the selected supplier since 2018, and costs continue to be incurred on servicing and parts associated with those vehicles, which was to be included within the £4 million budget. The Council's Procurement Regulations require Chief Officers to report back to Committee where costs exceed the lesser of £100,000 or 50% of the contract value. This has not been reported back to the Committee.
- 3.33.2 The contracts register indicates that the supplier was selected through mini-competition within a framework agreement. Whilst use of a framework avoids the need to re-tender for the requirements, the award of call-off contracts still needs to be published and recorded on the contracts register. There is no record of a contract award being registered on Public Contracts Scotland for vehicles.
- 3.33.3 Purchase orders have been raised for all expenditure.

### **3.34 Hydrogen Bus Maintenance**

- 3.34.1 The Council pays a maintenance fee for parts and labour for hydrogen bus maintenance, paying over £650,000 in the last four years. There is no evidence of advance Committee approval for this spend, and no tender or contract award notice on the Council's contracts register or the Public Contracts Scotland website, to demonstrate that it was appropriately procured. Invoices are paid on receipt – there are no purchase orders.

### **3.35 Plumbing Materials**

- 3.35.1 The council utilises suppliers from a Scotland Excel framework for plumbing and heating supplies. The framework in use expired in November 2019, and in February 2020 the Service was still considering options for adopting a subsequent framework.
- 3.35.2 The Service spent over £3.4 million with one selected supplier from the framework in the last four years. Call-off contracts should be registered to a specific supplier, and the award of such contracts should be published on Public Contracts Scotland. The Service considers that it has the option to utilise any of the framework providers to source its requirements, however this would only be the case if a call-off contract were in place with each supplier. Whilst a call-off contract is registered, it is with 9 different suppliers at a total cost of £6 million, and there is no record of contracts with the individual suppliers on the register. There is also no record of a contract award notice from the Council to this supplier.

## Appendix 2 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the organisation.
<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.

This page is intentionally left blank





## **Internal Audit Report**

### **Commissioning**

### **Information Governance**

**Issued to:**

Andy MacDonald, Director of Customer Services

Martin Murchie, Chief Officer – Business Intelligence and Performance Management

Fraser Bell, Chief Officer – Governance

Jonathan Belford, Chief Officer – Finance

Caroline Anderson, Information and Data Manager

External Audit

## **EXECUTIVE SUMMARY**

The Council's Corporate Information Policy defines the Council's information as all information and data created, received, maintained or used by or on behalf of the Council, in any format and of any age.

The Council's Corporate Risk Register includes risk Corp-005 which is defined as "Information governance protocols and processes do not provide the appropriate framework to facilitate optimum information management in support of decision making and resource allocation based on a Business Intelligence culture".

The objective of this audit was to provide assurance that the controls in place for mitigating the risks identified in the Corporate Risk Register (Corp005) are adequate and operating as expected. In general, this was found to be the case.

Comprehensive and clear policies, procedures and mandatory training are in place. In addition, the Corporate risk and related controls are being assessed monthly by the Information Governance Group, chaired by the Council's Senior Information Risk Owner, and by Corporate Management Team, and reviewed annually by Committee. Information Governance controls were comprehensive and control assessments were, in general, supported.

# 1. INTRODUCTION

- 1.1 The Council's Corporate Information Policy defines the Council's information as all information and data created, received, maintained or used by or on behalf of the Council, in any format and of any age. The policy recognises the crucial role that the proper use and governance of Council information and data plays in:
- delivering outcomes for the people, place and economy of Aberdeen;
  - respecting privacy and fostering trust;
  - demonstrating accountability through openness and ensuring compliance with Data Protection, Freedom of Information, Environmental Information, Re-Use of Public Sector Information and Public Records law;
  - enabling and supporting staff in the proper use and governance of Council information and data;
  - building the Council's corporate memory and the memory of the people and place of Aberdeen.
- 1.2 The Council's Corporate Risk Register includes risk Corp-005 which is defined as "Information governance protocols and processes do not provide the appropriate framework to facilitate optimum information management in support of decision making and resource allocation based on a Business Intelligence culture".
- 1.3 The objective of this audit was to provide assurance that the controls in place for mitigating the risks identified in the Corporate Risk Register (Corp005) are adequate and operating as expected.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Martin Murchie, Chief Officer – Business Intelligence and Performance Management and Caroline Anderson, Information and Data Manager.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Written Policies and Procedures**

- 2.1.1 Comprehensive written policies and procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff. This is important in the event of an experienced employee being absent or leaving, and they have increased importance where new systems or procedures are being introduced.
- 2.1.2 Policies in place covering the Council's information governance arrangements, include: the Corporate Information Policy, which details the policy on the use and governance of the Council's information and data; the Corporate Protective Monitoring Policy, which details the means of collecting, analysing and reporting on threats to the Council's information and data; the Corporate ICT Access Control Policy, which details the expected controls and employee behaviour, to avoid unauthorised access to Council information and data; and the Corporate ICT Acceptable Use Policy, which defines employee responsibilities when using Council ICT equipment, networks and systems.
- 2.1.3 Procedures available in relation to information governance include: the Managing Information Handbook (Council's minimum standard for managing information including legislative requirements), Freedom of Information and Environmental Information Procedures; Bond Governance Insider Protocol to ensure compliance with the Market Abuse Regulations as a result of the Council's bond issue on the London Stock Exchange; the Information Asset Owner Handbook, covering requirements for senior business managers in relation to the information assets they are responsible and accountable for; the Corporate Records Retention and Disposal Schedule; and the Corporate Information Security Incident Reporting Procedure (information security incident and near miss reporting requirements).
- 2.1.4 Policies and procedures were available on the Zone and were comprehensive, clear and current.

### **2.2 Training**

- 2.2.1 It is mandatory for all employees to complete the on-line interactive learning (OIL) based course "Information Governance" on an annual basis. The course is comprehensive, covering the Council's information governance policy and procedural requirements, and the related legislation. The Service has advised that completion of the course by employees is monitored by Chief Officers and Corporate Management Team (CMT) Stewardship on a monthly basis using the People Performance dashboard, which includes exception reporting of staff who have not completed Information Governance training as required. The "edited" People Performance dashboard was first reported to CMT Stewardship on 28 November 2019.
- 2.2.2 Data is extracted from the payroll system and online learning system by People and Organisation (P&O) on a monthly basis and sent to Business Intelligence and Performance Management (BI&PM) to be uploaded into the PowerBI based People Performance dashboard. The dashboard displays the number of staff who have not completed the mandatory Information Governance training by Cluster and by month, excluding staff that are on sick leave or maternity leave and those who have commenced employment with the Council in the last month.
- 2.2.3 The "unedited" dashboards available to Chief Officers are specific to each Chief Officer's Cluster and enable details to be reviewed of staff who have not completed the training as

required for follow up purposes. An instruction on the use of the dashboard was issued to Chief Officers on 14 June 2019 by email. This explained the process for exporting details of staff who have not completed mandatory training for the purposes of disseminating details of non-compliance to third tier managers. Whilst the instruction is clear, the process of dissemination of information by Chief Officers requires manual intervention. BI&PM advised that it is possible to report to third tier managers directly via the dashboard. Granting third tier managers access to the dashboard for the staff they manage would facilitate the follow up process for non-compliance by staff.

2.2.4 BI&PM requires 350 PowerBI licenses in order to roll out the People Performance dashboard to third tier officers. A business case for a revised Microsoft Enterprise Agreement (MEA) covering the period 1 April 2020 to 31 March 2023 was approved by the Strategic Commissioning Committee on 30 January 2020; D&T advised this covered the PowerBI license requirements for rolling out the dashboard to third tier managers.

2.2.5 Whilst the People Performance dashboard is a useful means of identifying staff who have not completed mandatory training the position available via the dashboard as at 20 January 2020 was historic (30 November 2019) since this was the last data provided by P&O. BI&PM advised that the intention is to provide “real time” data via the dashboard when a new online learning platform is brought into use.

2.2.6 The Employee Data Forum is responsible for managing and driving a coordinated approach to improvements required to the governance, architecture, performance reporting and improvement arrangements for employee related information and data assets. The group is co-chaired by the Chief Officer – Business Intelligence and Performance Management and the Chief Officer – People and Organisation. People Performance was an agenda item on the January 2020 meeting of the Employee Data Forum and it was agreed that Business Intelligence and Performance Management would collaborate with Digital and Technology to automate updates of employee data, including exception reporting in relation to Information Governance training completion. The Chief Officer – BI&PM has advised progress will be monitored by the Employee Data Forum.

2.2.7 The Data Protection page of the Zone includes a link to the available OIL based Information Governance course and training slides covering: changes to data protection law (as a result of the General Data Protection Regulation); Information Asset Owner responsibilities; and privacy notices. The Data Protection page also indicates face to face data protection training can be delivered on request by contacting the Council’s Data Protection Officer.

2.2.8 Information Governance advised that a briefing is also provided at monthly Corporate Employee Induction sessions, to ensure all new staff are aware of the relevant policies and procedures and the Information Governance OIL course.

### **2.3 Information Governance Controls**

2.3.1 The Corporate Risk Register risk Corp 005 Information Governance identifies a number of relevant potential impacts of information management failing to support decision making and resource allocation, including: unlawful disclosure of sensitive information; individuals placed at risk of harm; service disruption; financial penalties; and prosecution. To mitigate these, Corp 005 identifies the following controls:

- Clear policies, systems and processes in place for ensuring appropriate management, governance and use of information;
- Mandatory information governance training for all staff with regular exception reporting;

- Clear roles and responsibilities assigned and embedded for all staff for managing & governing information assets across the Council;
- Information Governance Board led by SIRO provides robust corporate oversight of information assurance arrangements;
- Effective monitoring and reporting of corporate and information asset level information governance arrangements is in place;
- Data Forums;
- Data Protection Officer directly influences information governance;
- Effective Governance in place around Bring Your Own Device Arrangements;
- Enabling functionality of digital / technology systems are fully assessed and compliant.

2.3.2 All of the above controls have been assessed by management, in November 2019, as fully effective with the exception of the final control relating to digital / technology systems which has been assessed as partially effective. Internal Audit reviewed these controls to determine if the fully effective control assessments were correct and action was being taken in a timely manner to implement the partially effective control.

*Policies, procedures and training (including roles and responsibilities)*

As covered in section 2.1 and 2.2 above, policies and procedures are comprehensive and clear covering roles and responsibilities in relation to information use and governance (the Managing Information Handbook and the Information Asset Owner Handbook) and mandatory information governance training is in place for all staff.

*Information Governance Board led by SIRO / monitoring and reporting arrangements*

2.3.3 The Information Governance Group's (IGG) terms of reference state that the group's purpose is "to drive the corporate, information-governance agenda, setting standards, monitoring compliance and maintaining ethical practice, holding to account the organisational roles and responsibilities that provide CMT with the assurance that effective control mechanisms are in place within the organisation to manage and mitigate the Council's information risks".

2.3.4 According to the Corporate Information Policy, the Senior Information Risk Owner (SIRO), is accountable to the Chief Executive for the management of the information risks across the Council. The SIRO (Chief Officer – Governance) chairs the Information Governance Group and other core members include: the Chief Officer – Business Intelligence and Performance Management; the Chief Officer Digital and Technology; the Information and Data Manager; and the Data Protection Officer.

2.3.5 A sample of IGG minutes from between May and November 2019 was reviewed by Internal Audit. The group is meeting monthly to discuss relevant information governance matters, including to agree the most recent Corporate risk Corp 005 position reported by the Information and Data Manager. Other items discussed by the IGG included: the information governance assurance cycle; the information governance quarterly report; data breaches and incidents; and cyber security risks and controls (corporate risk 006).

2.3.6 The purpose of the information governance assurance cycle is to provide assurance to the SIRO that the Council's information asset owners have appropriate controls and measures in place at an information asset level across the organisation. A key part of the cycle is the identification of where action is required to bring assurance to an appropriate level and to manage and monitor the completion of any such actions, i.e. via the information governance group or, where applicable, CMT.

2.3.7 The Corporate Information Policy defines Information Asset Owners as senior business

managers responsible and accountable for the specific, defined information assets within their remit, in accordance with the Council's Information Asset Owner Handbook (the Handbook). The Handbook defines an Information Asset as an identifiable collection of data stored in any manner, at any location, which is recognised as having value to the Council for the purposes of performing its business functions and activities. All collections of information containing personal information must be managed as Information Assets.

2.3.8 Information Asset Owners are required to provide assurance to the SIRO on the use, management and governance of their information assets, to enable the SIRO to report to the Chief Executive. A checklist is available in the Information Asset Owner Handbook which details expected actions by the Information Asset Owner in order to provide this assurance, including:

- the Information Asset Register is up to date;
- Privacy Impact Assessments have been completed where required in relation to data protection;
- contractual arrangements are in place with third parties involved in processing, hosting or supporting the Information Asset;
- it is known who has access to information and why;
- appropriate disaster recovery and business continuity arrangements are in place;
- the Information Asset Owner is satisfied with the technical and physical measures in place to secure and protect the Information Asset; and
- risks in relation to Information Assets are actively managed with risk registers updated as appropriate.

2.3.9 Information Asset Owners are required by the Handbook to register and keep up to date entries relating to their information assets in the Council's Information Asset Register. This is the main means by which assurance over information assets is obtained.

2.3.10 Information Governance and Digital and Technology (D&T) are collaborating to develop a database which is more focused on the flow of data. This will include all relevant details for each Information Asset, including the means by which data is captured; the relevant privacy notice to notify the public of data being captured; the system used to store and process the data; adequacy of technical and physical measures to secure Information Assets; and the reasons, means and legal basis for processing.

2.3.11 A recommendation was agreed as part of Internal Audit report AC1912 "Data Security in a Cloud Based Environment", for the Service to liaise with D&T to establish a revised Information Asset Register that reflects all Council systems, describing the nature of the data held in Council systems and the adequacy of technical and physical measures to secure that data. The Service has advised that the Information Asset Register will be updated to include the adequacy of technical and physical measures to secure data by February 2020.

2.3.12 The fully effective status of Corporate Risk 005 control "Effective monitoring and reporting of corporate and information asset level information governance arrangements is in place" did not reflect the fact the Information Asset Register is being developed as described in paragraph 2.3.11. Business Intelligence and Performance Management has since updated the control assessment to "partially effective" and established an Assurance Action to update the Information Asset Register as agreed in Internal Audit report AC1912. BI&PM advised that the updated position is due to be reported to CMT Stewardship on 20 February 2020 with progress to date of 50% and a completion date of 28 February 2020.

### Data Forums

- 2.3.13 The Council's Business Intelligence & Performance Management Cluster has established six Data Forums to drive development and improvement of the Council's data capabilities and governance arrangements. These are arranged by data entity rather than by organisational structure to enable relevant stakeholders to contribute to the data projects and related improvements. These data forums are as follows:
- Employee Data
  - Children & Young People Data
  - Governance Data
  - Asset Data
  - Finance & Procurement Data
- 2.3.14 The Data Forums are required to provide the Information Governance Group with the assurance that effective control mechanisms are in place within the organisation to manage and mitigate the Council's corporate information risks. The core members include: the Chief Officer(s) relevant to the Data Entity; the Chief Officer – Business Intelligence and Performance Management; the Information and Data Manager; the Data Protection Officer; and the relevant Information Asset Owner(s). The Chief Officer – Business Intelligence and Performance Management, the Information and Data Manager, and the Data Protection Officer are members of the Information Governance Group, meaning relevant issues can be reported to the IGG and CMT as required.
- 2.3.15 It was reported to the November 2019 Information Governance Group that actions arising from the annual assurance cycle will be consolidated into action plans to be managed and monitored through the relevant Data Forum. Pro-forma action plans have been prepared and owners have been assigned to Data Forum Action Plans which cover: local procedures; retention and disposal; privacy notices; data protection impact assessments; information sharing and incidents and breaches.

### Data Protection Impact Assessments

- 2.3.16 As well as via the Data Forums and annual assurance cycle, the Information Governance Group identifies new and emerging Information Governance risks via Data Protection Impact Assessments. The Information Asset Owner Handbook requires a Data Protection Impact assessment to be completed where information assets contain personal data and there is to be a change in the way the information is collected, stored, used, managed or processed. Instances were identified in June 2019 in Internal Audit report AC1912 "Data Security in a Cloud Based Environment" where DPIAs were not completed as required. Recommendations were agreed to address this.

### Data Protection Officer

The Data Protection Officer influences information governance in a number of ways. As stated above in paragraphs 2.3.4 and 2.3.13, the DPO is a member of the Information Governance Group and the Data Forums. In addition, the DPO monitors data breaches for the purposes of reporting to the Information Commissioner's Office and Information Governance Group. The Data Protection Officer is also required to review all Data Protection Impact Assessments prior to approval by the relevant Information Asset Owner / Chief Officer (as appropriate).

### Bring Your Own Device Arrangements

- 2.3.17 A Bring Your Own Device policy was reported to the Operational Delivery Committee in September 2019. This covered the use of employee owned Information Technology devices to access Council information, data, systems, and any other ICT resources. The



Committee approved the policy with a request that a Service Update be issued to Members after 12 months on how successful the policy has been with take up rates and details of any possible cost savings. The policy is clear and details Chief Executive, Director, line manager, Digital and Technology, and user responsibilities.

Functionality of digital / technology systems

- 2.3.18 The control “Enabling functionality of digital / technology systems are fully assessed and compliant” was reported to the November 2019 Information Governance as partially effective. A related assurance action was included in the November corporate risk register as required with an update from the relevant responsible officer. The related action is to assess the extent of digital records requiring long term preservation and create a digital repository to address the issue of long term storage.
- 2.3.19 The progress was reported as 20% with an original due date of 31 March 2019 and an amended due date of 31 December 2020. Data is being gathered on the number of Council digital records; an options appraisal is underway regarding a suitable digital repository; and guidance is being drafted on the fundamentals of digital preservation. The delay is due to the work involved being underestimated.

**2.4 Performance Reporting**

- 2.4.1 The Information Governance Group provides a quarterly report to the Information Governance Group on Information Governance Management and an annual report to CMT and the Audit, Risk and Scrutiny Committee. These reports cover a range of information governance statistics, including numbers of: data protection requests; data protection breaches; freedom of information and environmental information requests; cyber incidents; and physical incidents, e.g. loss of ID badges.
- 2.4.2 The 2019/20 quarter 1 performance report was reported to Information Governance Group on 6 August 2019 and the annual report for July 2018 to June 2019 was reported to CMT on 29 August 2019 and noted by the Audit, Risk and Scrutiny Committee on 25 September 2019.
- 2.4.3 Whilst these Information Governance reports are otherwise comprehensive and clear, it was noted that the Audit, Risk and Scrutiny Committee is no longer receiving an update on Information Governance training completion statistics for Council employees as part of the Information Governance report. The Service has advised that Information Governance training completion rates will now be reported to Staff Governance Committee.
- 2.4.4 The Corporate Risk Register, including Corporate Risk 005 Information Governance, is reported to Corporate Management Team monthly following review by the Information Governance Group; Internal Audit confirmed this was taking place as expected. The Audit, Risk and Scrutiny Committee received an annual report on the Corporate Risk Register and Corporate Assurance Map in September 2019. This also covered Corporate Risk 005 Information Governance, including the assessment of Information Governance controls.

**AUDITORS:** D Hughes  
A Johnston  
C Simpson

This page is intentionally left blank



## **Internal Audit Report**

### **Operations**

### **SEEMiS**

**Issued to:**

Rob Polkinghorne, Chief Operating Officer  
Graeme Simpson, Chief Officer – Integrated Children's and Family Services  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
Eleanor Shepherd, Chief Education Officer  
External Audit

## EXECUTIVE SUMMARY

SEEMiS provides the management information needs of all Aberdeen City Council schools as well as a wide range of central administrative and quality improvement functions. It is used for the maintenance of personal and academic (including SQA) records for pupils; personal information and work records for staff; and attendance records for pupils and staff.

The objective of this audit was to provide assurance that appropriate control is being exercised over the system in view of the perceived criticality of the system and the significant volume of sensitive personal data held.

Whilst access to and removal from the system for non-school staff is controlled via an online portal, at a school level this is managed by school system administrators and the majority of access is set up based on verbal requests by the school's senior management team. Education has agreed to introduce a documented approval process for providing system access at a school level. It was also noted that a number of former employee "work records" within the system remained current and that certain employees had access to records of schools where they no longer worked. The Service has agreed to address this by: disabling accounts where required; updating procedures in relation to removing access; and scheduling regular reviews of user access.

As at November 2019, 362 current system users had not completed the mandatory Information Governance training, which covers data protection requirements under the General Data Protection Regulation (GDPR). As SEEMiS holds personal information about both pupils and staff, the Service has agreed to instruct staff to complete the Information Governance training and will consider establishing a requirement to complete this training before access is granted to the system.

A Data Sharing Agreement is in place with the SQA, however the agreement is historic and predates the introduction of the data protection requirements under the GDPR. The Service has agreed to complete a Data Protection Impact Assessment for SEEMiS to identify all personal data sharing with third parties, the related risks and to ensure data sharing agreements in place cover routine sharing of personal data with third parties.

In accordance with data protection legislation, any arrangement that the Council has which involves a third party processing personal data on its behalf must be set out in writing in a Data Processing Agreement (DPA). Whilst a signed DPA was in place for SEEMiS, it was noted that two secondary schools have purchased a separate school management software package which is being used by them for tracking and monitoring purposes instead of SEEMiS. The Service has agreed to complete a data protection impact assessment (DPIA) on the use of the system and depending on the outcome, either cease its use or establish a DPA with the supplier.

## **1. INTRODUCTION**

- 1.1 Strathclyde Educational Establishments Management Information System (SEEMiS) is used by all Scottish Councils to support electronic education administration within Council headquarters and schools.
- 1.2 SEEMiS is a Limited Liability Partnership (LLP) made up of all Scottish Local Authorities, including Aberdeen City Council. There is a Board of Management, containing both Council Officers and Elected Members, which acts on behalf of the member authorities. In 2014, SEEMiS introduced geographical Customer Account Managers as a point of contact for Local Authorities. There are also a number of user groups where representatives from each area discuss current issues.
- 1.3 SEEMiS provides the management information needs of all Aberdeen City Council schools as well as a wide range of central administrative and quality improvement functions. It is used for the maintenance of personal and academic (including SQA) records for pupils; personal information and work records for staff; and attendance records for pupils and staff.
- 1.4 The objective of this audit was to provide assurance that appropriate control is being exercised over the system in view of the perceived criticality of the system and the significant volume of sensitive personal data held.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Eleanor Sheppard, Chief Education Officer, Shona Milne, Quality Improvement Manager, and Charlie Love, Quality Improvement Officer.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Written Procedures**

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 Online system guidance notes are provided by SEEMiS on their website which can be accessed by anyone with a SEEMiS username. There are also Council specific "how to" guides available on the Council's intranet. In addition, schools are able to contact the Council's Management Information System (MIS) Support team, regarding any queries / issues and if required this can be escalated onwards to the software supplier's help desk. In the school year August 2018 to July 2019, over 3,000 calls were received by the MIS Support Team of which 396 calls were passed onwards to the software supplier.
- 2.1.3 The Council does not have any corporate procedures relating to what level of access should be provided to which staff role. This has been delegated to a school level as the staff roles at each school can vary considerably. The MIS Support team has prepared Corporate profile access templates on the system to assist schools but in the majority of cases schools will amend them as appropriate.

### **2.2 User Access**

- 2.2.1 SEEMiS is used to manage pupil personal data along with their progress through the curriculum. It also manages school staff personal details to allow group emails and text messaging to be issued to all staff, as well as enabling teaching staff to be allocated to the classes they will be teaching. This requires all staff to be set up as a staffing record on the system, which automatically allocates them a username and password, even though they may never require to access the system, e.g. janitors, children's escorts, etc. Once the staffing record has been completed, which covers personal details, a work record will be created detailing the position they are filling at the school, e.g. Head Teacher (HT) Principal Teacher (PT), Teacher, support staff. As some staff may fill more than one role within the school, they may have more than one work record, e.g. PT and Teacher, or Teacher (Geography) and Teacher (History).
- 2.2.2 Once the staff record has been created, a profile will be assigned which dictates the screens and reports within SEEMiS that the member of staff will be able to access. Further access rights will be allocated detailing no access, view access, or edit access of pupil records and a role responsibility setting, which will dictate whether they can access pastoral notes (guidance teacher notes) or reasons for absence
- 2.2.3 Access to the system should be commensurate with an employee's position, with users given a profile to either view or edit data to various levels. School specific user access is administered by administration staff within each school, with the MIS Support team at Marischal College responsible for administering all other users.
- 2.2.4 SEEMiS access and removal requests are processed through the MIS online service portal accessed through the Council's intranet. These are currently used for non-school based staff or those requiring access to the Tracking and Monitoring module (described in paragraph 2.2.5). However, at a school level this is managed by school system administrators and the majority of access is set up based on verbal requests by the school's senior management team. This means there is no documented approval process to support the level of access being granted to staff within schools.

**Recommendation**

Education should introduce a documented approval process for providing access at a school level.

**Service Response / Action**

Agreed. The Service will develop a documented process for the creation and management of SEEMiS accounts.

**Implementation Date**

April 2020

**Responsible Officer**

Quality Improvement  
Officer

**Grading**

Significant within audited  
area.

- 2.2.5 Teachers are able to access the Tracking and Monitoring module of SEEMiS from home using their personal computers. This is mainly used to allow pupil reports to be written at home. Access is via the SEEMiS website using the same username and password as used on a Council computer. Home access has to be specifically set up for the user and a memorable word is required as a secondary password before access will be granted to the system.
- 2.2.6 A major system upgrade is scheduled for the system which will mean staff can access all the main modules from personal ICT devices, not just Council provided devices. Local authorities are expected to be able to retain the option of only allowing access on Council ICT devices. Should the Council opt for access from personal ICT devices the importance of effective access control by schools, to avoid unauthorised access to the system and the personal data it holds, will increase.
- 2.2.7 The list of SEEMiS users in November 2019 was reviewed against a list of leavers extracted from the payroll system. This matching process found 58 leavers within 23 schools who still had current "work records" within SEEMiS (user names) of which 30 had their accounts locked (accounts will be locked after 100 days of inactivity or 3 incorrect password attempts). The breakdown of these leavers by year with current work records was as follows: 2015 - 1, 2017 - 3, 2018 - 38 and 2019 - 16. When a member of staff leaves an establishment, an end date should be recorded against their work record on SEEMiS which removes their ability to access the system.

**Recommendation**

a) SEEMiS accounts for former school employees should be disabled.

b) Schools should be informed that an end date should be recorded in SEEMiS against any staff member leaving a school in a timely manner.

**Service Response / Action**

a) Agreed. The Service will review current accounts and instruct schools to remove work records for staff no longer in post.

b) Agreed. The setting of an end date will be addressed in updated procedures for schools.

**Implementation Date**

April 2020

**Responsible Officer**

Quality Improvement  
Officer

**Grading**

Significant within audited  
area.

- 2.2.8 Users should only be able to access information for the school to which they are assigned. There are cases, however, where staff require access to more than one school. Ten SEEMiS users with access to more than one school were reviewed for reasonableness.

Five were visiting specialist teachers covering an area of schools and three held part time positions at more than one school. The remaining two teachers still had access to SEEMiS for schools within which they were no longer employed.

- 2.2.9 The MIS Support team is not notified when staff who have access to the system leave the Council, therefore they aim to conduct an annual review of all non-school based staff with SEEMiS access and remove those who no longer require it. The last review was undertaken in August 2019.
- 2.2.10 A review of the current user profiles found 111 differently named profiles which were spread across 109 job roles (per the payroll system). Unfortunately, SEEMiS reporting cannot provide the detail of which screens and fields each of these profiles has access to, nor does it show the access rights to the pupil records, and responsibility settings for some of the modules.
- 2.2.11 Based on the findings in paragraph 2.2.7, describing SEEMiS accounts remaining current for former school employees, it would appear that an annual user audit of school staff access to SEEMiS, is not undertaken. All schools are required to undertake an annual ScotXed census return in September. An annual audit would assist in identifying any former employee SEEMiS accounts which were not disabled and if done at the ScotXed return time should not cause additional work for staff. It would also be an opportunity to review profiles allocated to staff to ensure they are commensurate with their role and duties within the school.

<b><u>Recommendation</u></b>		
The Service should consider introducing a regular review of all SEEMiS users and their access levels.		
<b><u>Service Response / Action</u></b>		
Agreed. An updated process will be established to manage access requests and provide assurance that staff no longer employed are removed from the system.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2020	Quality Improvement Officer	Significant within audited area.

### 2.3 Password Security

- 2.3.1 Access to SEEMiS is granted via a username and password. The system's password guidance requires that passwords be a minimum of eight characters, should incorporate a combination of lower and upper case characters, and numbers. Symbols are considered optional to increase complexity. The guidance also currently requires that passwords should be changed at least every ninety days and the same password cannot be re-used within five successive changes.
- 2.3.2 The SEEMiS password requirements are in accordance with the Council's ICT Access Control Policy and accompanying Password Standard.
- 2.3.3 User accounts lock after three incorrect password attempts, at which point users must contact the school's system administrator to have their password reset and account unlocked. System administrators are able to run a report within their establishment, should it be required, which shows all users and information on when they last logged in, last failed login, how many failed logins they've had, and whether the account is locked.



## 2.4 Data Protection

- 2.4.1 All Council employees are required to comply with the Council's Corporate Information Policy and Managing Information Handbook, which covers staff responsibilities in relation to data protection. Mandatory Information Governance training became available on the Council's online interactive learning (OIL) platform in July 2018. A report provided by People and Organisation showed that, as at 30 November 2019, there were 391 permanent staff and 544 relief staff within Integrated Children's and Family Services who had not completed this mandatory training.
- 2.4.2 A comparison of current SEEMiS users with the list of those staff who had not completed the training as at 30 November 2019, identified 362 current users who had not completed the training. As SEEMiS holds personal information about both pupils and staff, if staff have not completed the required Information Governance training, there is an increased risk staff processing personal data will be unaware of their responsibilities under data protection legislation.

### **Recommendation**

The Service should ensure that all staff who have access to SEEMiS complete the Information Governance training

### **Service Response / Action**

Agreed. The Service will instruct those still to complete the Information Governance training to do so. The requirement to complete this training will be considered as part of the new access procedure.

### **Implementation Date**

June 2020

### **Responsible Officer**

Quality Improvement Officer

### **Grading**

Significant within audited area.

- 2.4.3 Under Data Protection legislation, the Council is required to ensure that all personal data processed is adequate, relevant and limited to the purposes for which it is processed. When reviewing the information required to set up a user account, it was noted that staff personal data, including date of birth, marital status, and National Insurance number is collected. The MIS Support team has advised that this information is based on the mandatory information required by the system and whilst the system will accept "unknown" in the marital status field, the others require to be completed. These details are not required to set up user accounts in other Council systems which hold personal data (e.g. Benefits or Housing rents).

### **Recommendation**

The Service should discuss the user account requirements (specifically National Insurance and Marital Status) with SEEMiS to ascertain the reason why this personal data is collected and if appropriate request a system revision to remove the mandatory requirement for this data.

### **Service Response / Action**

This information is currently mandatory within SEEMiS as the product has an HR function within some local authorities. This request for a system revision has been passed to SEEMiS via our account manager for consideration in the design of the new SEEMiS Schools product which is scheduled for release in January 2021.

### **Implementation Date**

Implemented

### **Responsible Officer**

Quality Improvement Officer

### **Grading**

Significant within audited area.

- 2.4.4 In accordance with the Council's Managing Information Handbook and in order to comply with data protection legislation, any arrangement that the Council has which involves a third party processing personal data on its behalf, such as the arrangement with SEEMiS, must be set out in writing in a Data Processing Agreement (DPA), either as part of the contract with the supplier or as a standalone agreement. The DPA should be drafted with the support of Governance following completion of a Data Protection Impact Assessment and should be signed off by a Proper Officer in Governance on behalf of the Council's Monitoring Officer. In addition, the DPA should record: the subject matter and duration of the processing; nature and purpose of the processing; type of personal information and categories of data subject; obligations and rights of the Council as controller and processor (SEEMiS); and security arrangements in respect of the processing.
- 2.4.5 A Service Agreement between the Council and SEEMiS was signed in September 2016 covering data protection and confidentiality along with a Service Agreement variation covering GDPR requirements signed in December 2018. The original contract and variation were signed by Proper Officer from Governance and addressed the DPA requirements detailed in paragraph 2.4.4.
- 2.4.6 Two secondary schools have purchased a separate school management software package which is being used by them for tracking and monitoring purposes instead of SEEMiS. The software supplier is processing personal data on behalf of these schools. When the schools were contacted, they were unable to provide a signed DPA with the supplier.

**Recommendation**

- a) A Data Protection Impact Assessment should be completed for the use of the alternative management information system.
- b) A Data Processing Agreement should be established with the supplier.

**Service Response / Action**

- a) Agreed. A DPIA is already being progressed for the OnTheButton system and is awaiting further information from the supplier.
- b) Following the completion of the DPIA the use of the OnTheButton system will be reviewed and a Data Processing Agreement will be put in place if use of the system is to continue.

**Implementation Date**

April 2020

**Responsible Officer**

Quality Improvement Officer

**Grading**

Significant within audited area.

- 2.4.7 SEEMiS transfers personal data which the Council controls to: the SQA; the Scottish Government; Skills Development Scotland; and the Council's online course and revision provider. In addition, a number of staff from the NHS, Police Scotland and the Council's pupil mentoring provider have access to personal data on SEEMiS.
- 2.4.8 Where the Council is carrying out routine internal or external personal data sharing on a regular basis or where the Council reasonably expects to carry out personal data sharing on an ad-hoc basis with a third party, an Information Sharing Agreement should normally be put in place with the third party, to ensure good governance around the arrangement. Alternatively, a Memorandum of Understanding may be put in place to set out an agreed information sharing approach at a higher level.
- 2.4.9 All new information sharing arrangements should be assessed under the Council's Data Protection Impact Assessment (DPIA) process. This will normally require a DPIA, to

enable issues and risks to be identified in relation to compliance with data protection legislation and to identify areas which should be addressed through the Information Sharing Agreement. All Information Sharing Agreements must be signed off by the proper officer in Governance prior to being added to the Council's Information Sharing Protocol register and then being published on the Data Protection page of the Zone. At the time of the audit a DPIA had yet to be completed for SEEMiS.

- 2.4.10 Data sharing agreements are in place with organisations who have access to SEEMiS data. However, Education advised the agreement with the SQA is historic and was unavailable for review at the time of the audit. By completing a DPIA, this will highlight all the organisations who currently access information held on SEEMiS and enable the Cluster to ensure the required data sharing agreements are in place.

<b><u>Recommendation</u></b>		
a) The Service should assess whether a Data Protection Impact Assessment is required for SEEMiS, in conjunction with the Data Protection Officer.		
b) The Service should ensure data sharing agreements are in place which cover current routine sharing of personal data with third parties.		
<b><u>Service Response / Action</u></b>		
a) Agreed.		
b) Required Data Sharing Agreements will be developed where not in place.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2020	Quality Improvement Officer	Significant within audited area.

## 2.5 Contingency Planning and Disaster Recovery

- 2.5.1 Any query in relation to the use of SEEMiS is initially referred to the MIS Support helpdesk, and if it cannot be resolved it is then referred to SEEMiS for further assistance. Digital and Technology staff would only become involved if there is a local problem accessing SEEMiS, such as in relation to internet connectivity.
- 2.5.2 Data is currently backed up on a daily basis in two data centres: one at the South Lanarkshire Council Data Centre in Hamilton, the other at the Scottish Government Data Centre in Edinburgh. SEEMiS has included their Business Continuity Plan within the Service Agreement they have with Councils.
- 2.5.3 SEEMiS advised that they perform disaster recovery testing with consideration of the benefits (in terms of assurance gained) and the related risk of disruption to operational services, undertaking such testing based on operational need. Education confirmed that they are advised of such site level disaster recovery testing when it is carried out e.g. the disaster recovery testing invoked in October 2018 when the supplier migrated to a new data centre. The system supplier acknowledges that the decision not to undertake regular, scheduled site level disaster recovery testing does lead to a level of residual risk, albeit this is considered low.
- 2.5.4 The system supplier also advised that they obtain further assurance on disaster recovery arrangements as part of monthly patching of servers and by monitoring system back-up success.
- 2.5.5 Should SEEMiS become unavailable during school opening hours this impacts on schools' ability to carry out pupil registration, which allows schools to track pupils and instigate

processes when any pupil fails to be registered as expected. If a system outage occurs at the beginning of the school day, teachers will be issued paper registers on which to carry out the process, and these will be passed to administration staff for checking and to follow up on unaccounted for pupils. Access to contact details is provided through the paper census forms that are completed by parents at the beginning of each school year. The same documents provide any serious medical conditions that might affect a pupil.

**AUDITORS:** D Hughes  
A Johnston  
G Flood

## 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.

This page is intentionally left blank



## **Internal Audit Report**

### **Governance**

### **Transformation**

**Issued to:**

Angela Scott, Chief Executive  
Steven Whyte, Director of Resources  
Andy MacDonald, Director of Customer  
Rob Polkinghorne, Chief Operating Officer  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
David Leslie, Strategic Infrastructure Plan Programme Manager  
External Audit

## EXECUTIVE SUMMARY

In 2017 Aberdeen City Council proposed a new Target Operating Model in order to help manage an increased demand for services in the current environment of increasingly restricted budgets. The associated transformation blueprint, to be implemented over 5 years, included delivery of the Target Operating Model by 31 March 2021, a Digital Strategy by 31 December 2020, and £125 million of savings by 31 March 2023. The initial phase of this Transformation process was to move to a new interim structure with a managed reduction in posts. This phase was completed, and a new Scheme of Governance was approved in support of the new structure.

The objective of this audit was to provide assurance that the Council is continuing to make progress to ensure the success of its transformational aspirations, through a follow-up review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, new Scheme of Governance, etc). Assurance was obtained, and the Council is reporting progress and reflecting the planned changes from transformation in its Council Delivery Plan, Commissioning Model, Budget and Medium Term Financial Strategy.

Clear governance arrangements are in place including management reporting of progress, supported by underlying detail held in a bespoke in-house developed system. However, some of the detail has not been consistently recorded. The Corporate Management Team (CMT) is satisfied with the level of assurance obtained through the governance routes already in place, however the Programme Management Office (PMO) will be asked to review current system reporting to ascertain if the system can be further enhanced. Greater assurance can be evidenced / supported at a detailed level, with clear system reporting of completed projects and milestones.

Financial return on investment was a key part of the transformation proposals, including the £125 million of savings, and investment of £15 million in specific projects. Progress with this has not been separately reported to Committee. The Service has noted that Transformation has become business as usual: return on investment for transformation is therefore reflected in the budget setting process, as part of service redesign, and monitored through the Council's quarterly financial reporting reported to the City Growth and Resources Committee. Internal Audit considers that in the absence of separate tracking there is less assurance that specific activities resulted in the planned financial outcomes. However, the focus on preparing and delivering against a balanced budget is acknowledged. The budget set in March 2020 provided substantial detail on savings to be delivered through service redesign, and these are being tracked.



# 1. INTRODUCTION

- 1.1 In 2017 Aberdeen City Council proposed a new Target Operating Model in order to help manage an increased demand for services in the current environment of increasingly restricted budgets. The associated transformation blueprint sought to deliver over five year, the Target Operating Model by 31 March 2021, the Digital Strategy by 31 December 2020, and £125 million of savings by 31 March 2023. The initial phase of this Transformation process was to move to a new interim structure with a managed reduction in posts. This phase has now completed, and a new Scheme of Governance was approved in support of the new structure.
- 1.2 The objective of this audit was to provide assurance that the Council is continuing to make progress to ensure the success of its transformational aspirations, through a follow-up review of the Council's progress in achieving its transformational aspirations (Target Operating Model project management, goals / milestones, progress, new Scheme of Governance, etc).
- 1.3 The review focused on how phases 2 to 4 of the Transformation process are progressing. This involved determining what programmes are currently underway, whether they are predicted to complete within proposed timeframes, and that budgeted savings have been realised or are forecast. Additionally, the reporting process was examined to determine that progress and any delays with projects individually and collectively are reported to appropriate Officers, Boards and Committees in a timely manner to provide assurance and apply any remedial action as necessary. Consideration has also been given to whether the initially envisaged savings associated with Phase 1 have been realised following its completion.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Fraser Bell, Chief Officer – Governance, David Leslie, Strategic Infrastructure Plan Programme Manager, and Jonathan Belford, Chief Officer – Finance.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Phase 1**

- 2.1.1 Phase 1 of the transformation process is complete. This included moving existing staff onto a new interim structure and the appointment of Chief Officers to manage the new structure. In April 2018 all staff were transferred to the new interim structure. Additionally, the Strategic Transformation Committee agreed in February 2018 to reduce workforce numbers by 370, including 140 vacancies, with a view to making savings of £10.3 million.
- 2.1.2 In the final report to Strategic Transformation Committee in November 2018 the Service was able to report that savings of £9.873 million had been realised by moving to the new transitional structure. This saving has been deducted from budgets to reflect the agreed changes. The difference (£427,000) from the original planned saving of £10.3 million has been addressed through subsequent budget setting processes.
- 2.1.3 Following approval of the new Scheme of Governance in March 2019 the Council disbanded the Strategic Transformation Committee. There was no further requirement for separate Committee decision making as parameters had been set including no compulsory redundancies or changes to terms and conditions. It had been recognised that transformation had become business as usual and could be distributed across other relevant Committees.

### **2.2 Governance and Reporting Arrangements**

- 2.2.1 Phases 2 to 4 in the transition to the new Target Operating Model focus on seven organisational capabilities:
- 1) Managing demand through prevention and early intervention
  - 2) Being flexible and adaptable
  - 3) Ensuring accountability, transparency and openness
  - 4) Becoming intelligence led
  - 5) Encouraging inclusiveness, engagement and collaboration
  - 6) Achieving consolidation and consistency
  - 7) Focusing on outcomes that make a difference
- 2.2.2 In order to ensure that each of the seven organisational capabilities are realised, a programme of works comprised of individual projects have been set up for each capability, plus an additional Digital programme.
- 2.2.3 Managing the delivery of the programmes are eight Programme Groups whose remit is to ensure completion of the individual projects on time and to the expected quality. Each Programme Group is chaired by a Senior Responsible Officer. Programme Groups meet on a monthly basis to discuss the progress of projects over which they have responsibility and to ensure that milestones which have been set within each project are being achieved.
- 2.2.4 The Programme Groups were accountable to the Transformation Management Group (TMG) which was made up of the Chief Executive, Directors and the appropriate Chief Officers. A dedicated session for Transformation takes place each month to consider progress. TMG has recently been renamed Corporate Management Team (CMT) Transformation which creates consistency with three other meetings of CMT; CMT Stewardship, CMT Strategy and CMT Finance.
- 2.2.5 The remit of CMT Transformation includes to monitor return on investment, financial and non-financial, in respect of the Transformation programmes. CMT Transformation was supported in its financial monitoring responsibilities via a sub group which was formed –

CMT (Finance), to monitor the progress of approved transformation savings within the annual budget and consider proposals for transformation savings for future year budgets.

- 2.2.6 £15 million of resources had been set aside for investment in transformation, through a dedicated Fund. The majority of this had been earmarked for specific projects in the Digital Strategy by the end of 2018, but the extent of its use and whether payback periods (each project had to return savings equivalent to the amount invested within 5 years) were on track in respect of each project it had been used towards have not been reported separately to a Committee since the Strategic Transformation Committee ended in 2018.
- 2.2.7 The Service has noted that spend incurred from this fund was approved following consultation with the City Growth and Resources Convener, and the associated programme was overseen by the Digital Board. The original business case for the investment of £15 million used industry benchmarks to quantify the likely return on such an investment – it was unable to attribute these savings to discrete parts of the digital strategy. As a result, the return on investment for this investment has not been tracked at an individual project level but instead has been tracked at a macro level of the Budget. The financial savings programmed from these investments underpinned the activities which have generated savings – delivery of which is reflected in the Council's Budget, and Quarterly Financial Monitoring Reports presented regularly to the City Growth and Resources Committee.
- 2.2.8 £125 million of savings were to be achieved through Transformation over 5 years (by 2023). The Service is confident that this is on track to be delivered, however this is not separately recorded and it is not a static target: Although savings were originally planned for delivery in particular years the scenario changes annually depending on the latest set of planning and financial assumptions. The Budget and Medium Term Financial Plan are updated annually and include revised assumptions on the level of savings which may be achieved through the programmes and other activities/ budget options. The budget set in March 2020 provided substantial detail on savings to be delivered through service redesign.
- 2.2.9 A process for reporting performance across a range of factors using scorecards has been set out clearly in the Council Delivery Plan for 2020/21, which also set out a high level overview of the Programme being delivered. These include aspects relating to customers, colleagues, processes, finances and controls. Reporting on a wider 'return on investment' – focusing on outcomes rather than financial inputs / outputs, is being developed as part of the performance management framework.

**Recommendation**

Financial return on investment in respect of Transformation Programmes should be reported consistently at the appropriate levels.

**Service Response / Action**

Not agreed. Financial return on investment for transformation is reflected in the budget setting process, for example as part of service redesign, and monitored through the Council's quarterly financial reporting.

**Internal Audit Comment**

Service response noted. In the absence of separate tracking there is less assurance that specific activities resulted in the planned financial outcomes. However, the focus on preparing and delivering against a balanced budget is acknowledged.

**Grading**

Significant within audited area

2.2.10 A significant element of the Target Operating Model presented to Council in 2017 was to implement a Commissioning based approach for the Council's operations, which was to ensure that all services commissioned, whether inhouse or external, could identify their contribution to the outcomes set out in the Local Outcome Improvement Plan. In addition, it was anticipated that the approach would then enable a set of service standards to be developed which would reflect the available resources from the budget process. The Council has developed its strategic commissioning approach and has set out its service standards and commissioning intentions, and key measures for them, in the Council Delivery Plan 2020-21. These are linked to the Local Outcome Improvement Plan and reinforced through the Council's Budget and associated work on service redesign. Key performance indicators are being reported to Committees as part of the performance management framework discussed above.

## **2.3 Project Progress**

2.3.1 The Council has developed a project management application and reporting tool (the App) to plan and monitor phases 2 to 4. This allows for real-time reporting of progress overall and within individual projects. The App, and the capability of the teams creating and using it, have continued to develop as part of the rollout of the Council's digital workstreams. Reports can be produced for each Programme Group showing an overview of progress for projects for which they have responsibility. The current reporting setup includes regular meetings, with Senior Officers being kept abreast of current progress with all projects.

2.3.2 The system used needs to be robust to provide assurance over progress and success in the delivery of the programme, therefore Internal Audit reviewed the App and its content to ensure it provided suitable supporting evidence of progress. The Service confirmed that access to the App and individual projects is restricted to those working on the project, that all amendments / updates are recorded, and it is possible to reinstate saved versions if required.

2.3.3 The Service highlighted that as the Transformation programme has progressed, more synergies have been found across a number of projects across the capabilities and as a result some projects and milestones have been amalgamated. Projects may also be abandoned where it becomes clear that their original objective is no longer compatible with current goals or where other amended projects may have fulfilled the original objectives. Any decisions to abandon or amalgamate projects are taken by CMT Transformation to ensure effective programme and project change control.

2.3.4 Details of progress to date on all projects and milestones was requested from the Service and the statistics below reflect progress as of 29 January 2020. At this point there were 101 Projects, comprising of 558 milestones.

2.3.5 All 22 projects associated with phase 2 of the Transformation Programme have been marked as completed. However, the App indicated that one of the supporting milestones had not been marked as been completed. Whilst this is not material in itself, it reduces assurance that only fully concluded projects are being reported as complete. The Service has however confirmed that projects are only closed where assurance has been provided to CMT Transformation that the required outcomes are being delivered, and CMT Transformation has stated that progress is subject to regular and robust challenge.

2.3.6 Phases 3 and 4 commenced simultaneously in reflection that many of the projects had moved into business as usual, and being halfway through the Programme provided an opportunity to take stock and consolidate as appropriate. Subsequent to audit fieldwork concluding, phase 3 is being considered for closure, with proposals being put forward for changes and additional projects for the final phase.

- 2.3.7 Of the 79 Projects associated with these phases the system indicated 33 were still to be completed. Further analysis showed that of a total of 558 milestones associated with all phases of the Transformation Project that 353 had been completed, 135 were due to complete on time, 1 was due to complete within 30 days and 69 were overdue. The Service was confident that the overall Transformation Project would complete on time despite some 12% of milestones being overdue, and has provided assurance that this is being monitored regularly at various levels, and projects prioritised as appropriate within existing resources. CMT Transformation continues to monitor delivery to ensure the required outcomes are realised.
- 2.3.8 In order to review the system and supporting processes, six of the 101 projects were randomly selected and reviewed in detail to ensure clear and consistent records are being maintained of progress and of actions being taken in response to any identified issues. These comprised 79 milestones.
- 2.3.9 Where milestones have not been met, this can be highlighted within the App. The accuracy of reporting depends on the data being updated fully and promptly. During discussion with the Service it was noted that there are times where actions have not been updated on the system when they have in fact been completed. This leads to a situation where the system highlights that milestones have not been reached when they have. The Service is considering automation of emails to responsible Managers in advance of milestones falling due, to ensure that the system is updated confirming actions taken. This could assist in ensuring the system is updated in a timely fashion and the information subsequently presented to CMT Transformation is up to date.
- 2.3.10 It was noted when looking at the milestones data within the dashboard that milestone status indicators in some instances were noted as being 'future' when the date had passed. The Service has agreed to seek to determine why this is the case.
- 2.3.11 Two projects' milestones had not been updated, but the due date had passed. Another milestone had been marked as complete in advance of the action required to complete it having taken place. To evidence progress it is important that the data is maintained accurately and up to date.
- 2.3.12 A running narrative of overall project progression is provided in 'project update' screens and this encapsulates all elements of a project. However, the detail provided was not consistent between projects, and did not always clearly state the actions taken to reach and close individual milestones. There are separate screens for each milestone within a project, which Internal Audit anticipated would hold supporting detail showing how those milestones had been met, and what was being done in the event of any issues arising. However, this was not always the case. Some of the key information on progress is covered in the accompanying narrative, but this has not been consistently recorded.
- 2.3.13 In the event that an action has not been completed on time, system records do not regularly and consistently record why this has been the case, or provide details of what is being done to mitigate delays, in order to give due consideration to any effect this may have on overall future project completion.
- 2.3.14 The date that the milestone was completed is also not recorded on the system. There is therefore no record of any past delays to completion which may affect future milestones, and a risk these may not be highlighted until subsequent milestones are not met. There is also no specific record on the system of agreement to close, delay or change projects and milestones. Where there is a need for significant changes these should be escalated appropriately, and there is evidence of this taking place. Recording this on the system would give more assurance that these are always being reported as required.

2.3.15 The system does not have the facility to report on exceptions – i.e. delays and overspends, when and why they have occurred, and what is being done to mitigate them. Therefore, although the system is able to provide an overview indication of programme and project progress, there is insufficient detail for it to provide assurance on its own. Assurance is instead provided through meetings between Senior Responsible Officers and their Teams, and escalation of risks and issues to Project Boards, and CMT Transformation. Whilst this provides a clear route for reporting overall progress and achievements, without consistent supporting records there is a risk that it may not be highlighted if individual elements of projects have not progressed as planned.

**Recommendation**

The clarity and consistency of supporting records should be reviewed to ensure the system can demonstrate that projects and milestones are being completed as planned, with exceptions and mitigating actions highlighted.

**Service Response / Action**

CMT Transformation is satisfied with the level of assurance obtained through the governance routes already in place, however PMO will be asked to review current system reporting to ascertain if the system can be further enhanced

**Internal Audit Comment**

Greater assurance can be evidenced / supported at a detailed level, with clear system reporting of completed projects and milestones.

**Implementation Date**

October 2020

**Responsible Officer**

Strategic Infrastructure  
Plan Programme Manager

**Grading**

Significant within audited  
area

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

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the organisation.
<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.

This page is intentionally left blank





## **Internal Audit Report**

### **Resources**

## **Gas Servicing Contract**

**Issued to:**

Steven Whyte, Director of Resources  
Stephen Booth, Chief Officer – Corporate Landlord  
Ronald Ferguson, Gas and Cyclical Maintenance Manager  
External Audit

## EXECUTIVE SUMMARY

The Council, as a landlord, has a legal duty under the Gas Safety (Installation and Use) Regulations 1998 and the Gas Safety (Installation and Use) (Amendment) Regulations 2018 to ensure that gas fittings and flues in its residential leased properties are maintained in a safe condition, meaning the gas fittings are required to be serviced and checked at least annually.

As of January 2020, the Council had 16,630 properties with gas appliances. A contractor is used to carry out the annual gas safety check in these properties within 12 months of the previous check.

The objective of this audit was to provide assurance that contractual and operational issues were being complied with.

A single contractor is used to carry out annual gas safety checks across the City. Procurement approval was last obtained from the Strategic Commissioning Committee in June 2018, for an estimated cost of £7.5 million over two years, to directly award an extension to the existing contract, in contravention of EU and Scottish procurement regulations which require periodic competitive tendering at this level of expenditure. Planned procurement activity had commenced in 2017 but was abandoned due to short timescales impacting on the ability to obtain and implement a new contract cost-effectively, because the contract had not been tendered sufficiently in advance. Assurances were provided that this would represent Best Value due to discounts offered on previous rates, and that appropriate procurement exercises would take place in advance of the extension expiring. The Service also acknowledged the risks inherent in a direct award, as it would be open to challenge from suppliers who had no opportunity to bid for the work. This risk was considered low at the time due to short-term mobilisation costs outweighing any perceived benefit for a two-year contract.

However, there is no record of a tender opportunity having been published to allow for a new contract to be awarded prior to expiry of the Committee's approval in April 2020. Failure to subject contracts to appropriate competition can be an indicator of potential fraud, and means that costs will not have been reviewed and market tested to ensure Best Value is being achieved. Procurement needs to be planned and progressed timeously for contracts which are significant in terms of cost and service delivery. The Service will review the issues with the Commercial and Procurement Shared Service.

In general, operational activity is being planned and recorded appropriately. However, efficiencies, and actions to address minor issues with accuracy of records, have been recommended to the Service, which has agreed to review and implement alternative and further measures where identified as appropriate.

Charges are raised where there are repeated failed attempts to gain access to property for the purpose of gas safety checks. The basis for those charges (set in 2010) needs to be reviewed to ensure it remains appropriate, and is being applied in accordance with agreed policy. Some delays were also noted in invoices being issued. The Service has agreed to review the current processes and costs.

# 1. INTRODUCTION

- 1.1 The Council, as a landlord, has a legal duty under the Gas Safety (Installation and Use) Regulations 1998 and the Gas Safety (Installation and Use) (Amendment) Regulations 2018 to ensure that gas fittings and flues in its residential leased properties are maintained in a safe condition, meaning the gas fittings are required to be serviced and checked at least annually.
- 1.2 As of January 2020, the Council had 16,630 properties with gas appliances. A contractor is used to carry out the annual gas safety check in these properties within 12 months of the previous check. Procurement approval was last obtained from the Strategic Commissioning Committee in June 2018 for an estimated cost of £7.5 million over two years.
- 1.3 The objective of this audit was to provide assurance that contractual and operational issues were being complied with.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Stephen Booth, Chief Officer – Corporate Landlord and Ronald Ferguson, Gas & Cyclical Maintenance Manager.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Legislation

- 2.1.1 The Gas Safety (Installation and Use) Regulations 1998 and the Gas Safety (Installation and Use) (Amendment) Regulations 2018 specifically deal with the installation, maintenance and use of gas appliances, fittings and flues, in domestic and certain commercial premises. They place duties on landlords to ensure that gas appliances, fittings and flues provided for tenants' use are safe. These duties to protect tenants' safety are in addition to the more general duties that landlords have under the Health and Safety at Work etc Act 1974 and the Management of Health and Safety at Work Regulations 1999.
- 2.1.2 The Council's duties as a landlord under the Regulations are to ensure gas fittings and flues are maintained in a safe condition, meaning the gas fittings are required to be serviced within a period of 12 months from the previous service; an annual safety check must be carried out on each gas appliance / flue, and within 12 months of installation; maintenance and safety checks must be carried out by a Gas Safe registered engineer; a record of each safety check must be kept for at least 2 years and a copy of the most recent safety check record must be issued to existing tenants within 28 days of the check being completed, or to any new tenant before they move in.
- 2.1.3 Revisions to the regulations were introduced in 2018 to provide the option for gas safety checks to be completed between 10-12 months of the last check, whilst retaining a 12-month anniversary date deadline for renewal – similar to arrangements for MOT's on motor vehicles. This was intended to reduce the administrative and cost burden for landlords, who had been scheduling renewals at 10 rather than 12 month intervals in order to ensure compliance – meaning they regularly took place more often than once every 12 months.
- 2.1.4 The Service is continuing to schedule renewals at 10 rather than 12 months, to ensure compliance, and deadlines are set 12 months from the last certificate date, rather than the anniversary date allowed in the 2018 regulations. This appears to have been effective in ensuring compliance (see 2.4.5 below), and does not result in additional costs due to the fixed price contract (see 2.3 below) currently in place. However, the contract cost will be based on an assumed level of activity, which includes more frequent visits than required under the regulations.

#### **Recommendation**

The Service should review arrangements to ensure visits are not scheduled more often than required.

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

Agreed. The Service will:

1. Review the current procedure for scheduling gas safety checks
2. Confirm what current contract/tender requires and evaluate costs associated with this
3. Evaluate the new MOT style gas safety checks Model

#### **Implementation Date**

1. October 2020
2. October 2020
3. November 2020

#### **Responsible Officer**

Gas & Cyclical  
Maintenance Manager  
(Ronald Ferguson)

#### **Grading**

Significant within audited  
area

## 2.2 Policy and Procedure

- 2.2.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving. Written procedures are in place, and there is a Gas Safety Policy currently being reviewed and updated by the Health & Safety Team. A recommendation is made here to track progress.

### **Recommendation**

The Service should ensure that the Gas Safety Policy is fully reviewed and updated.

### **Service Response / Action**

Agreed. The Service will confirm the current status of Gas Safety Policy review currently being processed by the Corporate Health and Safety Team.

### **Implementation Date**

October 2020

### **Responsible Officer**

Gas & Cyclical  
Maintenance Manager

### **Grading**

Important within audited  
area

- 2.2.2 In April 2010 the Service proposed to the Housing & Environment Committee that an administrative fee should be charged to tenants where there had been repeated failed access attempts for the annual gas service safety check. The proposal was for a £120 charge, after three failed visits. The Committee modified this proposal following a motion from councillors, and agreed to implement a £120 charge after two failed visits, which were to be at least 6 weeks apart. The agreed policy has not been applied, and further changes have been made, without Committee approval.
- 2.2.3 The Service's current written procedures instead reflect the original proposal – which is to charge a fee after three failed visits. There is no written guidance on the required time between visits. Scheduling them at 6-week intervals could also place compliance with Regulatory requirements at risk, given that visits are scheduled at around 10 months, two six-week delays could extend the time to effect a safety check to more than 12 months.
- 2.2.4 In 2019, in order to make best use of resources, the Service decided to cap gas meters at the point of a third failed access attempt, rather than writing to tenants and undertaking a separate visit to cap them after this attempt, and has applied this in practice. Capping is required to ensure that potentially faulty appliances cannot remain connected and present a risk. This is not reflected in written procedures, or a Committee approved policy.
- 2.2.5 The fee has also not been reviewed (e.g. for inflation) since 2010, and there are no records to support its calculation. The current gas servicing contract does not have a cost per visit. Whilst written procedures are an operational matter, charging policy is generally reserved to Committee. Advice should be sought from Governance, appropriate approvals sought, and procedures updated to reflect.

### **Recommendation**

The Service should review the charging policy position and requirements with Governance, and ensure appropriate reporting and procedures are in place.

### **Service Response / Action**

Agreed. The Service will:

1. Check and confirm what Housing and Environment Committee approved regarding the arranged access process in April 2010

2. Confirm what current written procedures are in place for the arranged access process
3. Review current procedure to cap gas meter at third visit when attending for a gas safety check
4. Review make up of current costings associated with the £120 charge for tenants in relation to the arranged access process
5. Evaluate if a cost per visit, per property, can be calculated for gas safety check visits

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
October 2020	Gas & Cyclical Maintenance Manager	Significant within audited area

- 2.2.6 Two of four cases reviewed by Internal Audit where there had been no access, had been capped for over three months, and there were no records of further contact with the tenant. Whilst capped, gas appliances (e.g. central heating and cooking appliances) cannot be used. The Service does not have a process in place that monitors how long a meter has been capped for, and whether attempts thereafter have been made to contact the tenant to ensure that they are still resident in the property.

<b><u>Recommendation</u></b> The Service should consider monitoring and taking appropriate action in response to meters capped for extended periods.		
<b><u>Service Response / Action</u></b> Agreed. The Service will evaluate the value of having a process in place for monitoring which meters are capped, how long capped for and contacting tenants to see if they are still in the property.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
October 2020	Gas & Cyclical Maintenance Manager	Significant within audited area

## 2.3 Contract

- 2.3.1 A single contractor is used to carry out annual gas safety checks across the City. Procurement approval was last obtained from the Strategic Commissioning Committee in June 2018 for an estimated cost of £7.5 million over two years, to directly award an extension to the existing contract, in contravention of EU and Scottish procurement regulations which require periodic competitive tendering at this level of expenditure. Planned procurement activity had commenced in 2017/18 (following previous Committee approval in September 2017) but was abandoned due to short timescales impacting on the ability to obtain and implement a new contract cost-effectively, because the contract had not been tendered sufficiently in advance. Assurances were provided that this would represent Best Value due to discounts offered on previous rates, and that appropriate procurement exercises would take place in advance of the extension expiring. The Service also acknowledged the risks inherent in a direct award, as it would be open to challenge from suppliers who had no opportunity to bid for the work. This risk was considered low at the time due to short-term mobilisation costs outweighing any perceived benefit for a two-year contract.
- 2.3.2 However, there is no record of a tender opportunity having been published to allow for a new contract to be awarded prior to expiry of the Committee's approval in April 2020. The Service will therefore have to return to Committee for approval to further extend the existing contract, for the same reasons the extension was approved in 2018. As this extends the already extended contract, the risks of challenge will have increased. Failure to subject contracts to appropriate competition can be an indicator of potential fraud, and

means that costs will not have been reviewed and market tested to ensure Best Value is being achieved. Procurement needs to be planned and progressed timeously for contracts which are significant in terms of cost and service delivery.

<b><u>Recommendation</u></b>		
The Service should ensure procurement plans are in place, are progressed to conclusion, and assurance is provided to Committee.		
<b><u>Service Response / Action</u></b>		
Agreed. The Service will review in conjunction with the Commercial and Procurement Shared Service.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
October 2020	Gas & Cyclical Maintenance Manager	Major at a Corporate Level

- 2.3.3 The fixed contract price covers delivery of all of the Council's requirements – which will vary from year to year. Performance and cost data, to demonstrate the value for money and level of service being achieved, was not available from the Service.

<b><u>Recommendation</u></b>		
The Service should ensure performance and cost data is obtained and subject to regular review.		
<b><u>Service Response / Action</u></b>		
Agreed. The Service will look at KPI's for the current contract.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
December 2020	Gas & Cyclical Maintenance Manager	Significant within audited area

## 2.4 Gas Servicing

- 2.4.1 The gas maintenance contractor arranges visits with tenants two months in advance to ensure compliance with the Gas Safety Regulations. They upload the Gas Safety Certificates onto the Compliance Document Management System, to which the Council's Gas Cyclical Maintenance Team have view access. Any certificates which are non-compliant are highlighted on the system, and dealt with by the Service on an individual basis, with further investigation and appropriate action taken as necessary. The Service keeps various in-house spreadsheets based on the information provided from the contractor.
- 2.4.2 Where the tenant declines an appointment, or otherwise fails to provide access on three occasions, the contractor notifies the Service. As the landlord, they have authority to gain entry utilising clauses within the Scottish Secure Tenancy Agreement and Health & Safety legislation.
- 2.4.3 To test the completeness of services and records in 2019/20, 16 properties were selected at random from the gas maintenance contractor's Landlord Gas Safety Regulation (LGSR) Certificate spreadsheet. In addition, properties were selected from Service spreadsheets including 6 new gas appliance installations, 4 void properties, 4 properties where there was failed access, and 4 properties showing non-compliant certificates.
- 2.4.4 Each of these cases was reviewed to ensure: that inspections and services were carried out and evidenced; that the tenant was made aware of the outcome of the gas safety inspection where appropriate; the gas maintenance contractor's database was updated

correctly with the completed service or installation date; that all services had been completed and carried out prior to expiry of the previous Certificate and that all Service and contractor spreadsheets where appropriate were correctly updated. Where there had been failed access, assurance was sought that details and notes had been added to the contractor's system and where appropriate that the customer was pursued for any recharge by the Service.

- 2.4.5 The Service submits Annual Returns to the Scottish Housing Regulator in respect of gas safety compliance. For 2018/19 this stated that the Service was compliant in 100% of properties. All 34 properties checked by Internal Audit had valid Gas Safety Certificates, completed in line with the required timescales.
- 2.4.6 Although the current process is operating adequately, providing assurance that the Council is meeting the statutory requirements, there were a few minor issues identified:
- 2.4.7 Regulation 36 of the 1998 Regulations states that any safety defect identified and any action taken should be recorded. From the current and previous Gas Safety Certificates for the 34 properties reviewed the defects section was left blank in 43 of 68 instances. Whilst still compliant, clearly recording that this was not applicable would provide clearer assurance.
- 2.4.8 There was one instance where the previous certificate date was incorrectly noted on the contractor's LGSR data spreadsheet. Furthermore, an incorrect date was noted on the same spreadsheet for the new certificate. It was established the contractor had recorded and transposed the dates between two different properties. This has now been rectified. If this had not been corrected, future compliance could have been affected.
- 2.4.9 In another case a new installation Gas Safety Certificate was completed by the contractor to the effect that two appliances were tested and passed, but the question "number of appliances tested" noted that there was only one.
- 2.4.10 There were 5 instances where new boiler installation Gas Safety Certificates and or benchmarking paperwork was noted for the tenant's signature as "gained access via key". However, in all instances the properties had tenants resident. Whilst keys may have been left / access provided and the tenant not available to sign on conclusion, that has not been stated, and there is a risk that tenant signatures are not being requested prior to engineers leaving the site. This presents risks of fraud (work not signed for may not have been completed) and of the tenant not having been familiarised with safe use of new equipment.
- 2.4.11 Minor omissions, including dates and times in four cases reviewed, were also evident in Gas Service Arranged Access proforma completion – used where access had to be forced / accommodated by the Service rather than a tenant.
- 2.4.12 To have clear assurance over safety and job completion, paperwork should be fully, accurately and adequately completed, and queried where it is not.

**Recommendation**

The Service should ensure paperwork is fully, accurately and adequately completed, and challenged where necessary.

**Service Response / Action**

Agreed. The Service will:

1. Confirm Industry stance on completion of LGSR certificate defects section when no defects are found
2. Review how Contractor records gas safety visits, number of appliances tested on LGSR certificate, and procedures for obtaining tenant signatures at end of works, on



relevant paperwork, and remind the Contractor of the requirement to record this data appropriately.

3. Review how minor omissions on all relevant paperwork internally and externally can be checked.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
October 2020	Gas & Cyclical Maintenance Manager	Significant within audited area

- 2.4.13 The billing team advised on 7 February 2020 that charges for repeated failed access to property since 4 November 2019 had not yet been raised. To the end of January 2020 this included 91 properties, amounting to £10,920
- 2.4.14 From 4 cases reviewed one was sent to billing on 21 October 2019 but had not yet been invoiced. Whilst another had been sent to billing on 1 April 2019, the tenant had not been traced in order to raise an invoice. In a third case the billing team advised an invoice had not been raised following cancellation on the advice of the gas maintenance contractor, but confirmation had not been provided by the Cyclical Maintenance Team before doing so.
- 2.4.15 The Council needs to maximise income, in order to fund services – and in the case of the Housing Revenue Account to maintain rents at an affordable level. Charges therefore need to be raised, and where appropriate recovery action commenced, timeously.

**Recommendation**

The Service should ensure that processes are in place to ensure that all charges are invoiced promptly.

**Service Response / Action**

Agreed. The Service will review the current process for recharging tenants for arranged access works using the Invoicing Section at Building Services.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
December 2020	Gas & Cyclical Maintenance Manager	Significant within audited area

**AUDITORS:** D Hughes  
C Harvey  
J Galloway

## 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 organisation.
<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.



## **Internal Audit Report**

# **Social Care Commissioned Services Contract Monitoring**

**Issued to:**

Rob Polkinghorne, Chief Operating Officer

Sandra MacLeod, Chief Officer - Aberdeen City Health & Social Care Partnership

Craig Innes, Chief Officer - Commercial & Procurement Shared Services

Jean Stewart-Coxon - Strategic Procurement Manager, Commercial & Procurement Shared Services  
External Audit

## **EXECUTIVE SUMMARY**

Aberdeen City Health & Social Care Partnership (the HSCP) procures care services from a variety of contracted Suppliers in order to meet the assessed needs of persons requiring support and assistance. The contracts register indicates contracts are in place for £86 million of social care services in 2020/21.

The objective of this audit was to provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate. Contract monitoring is undertaken by Commercial & Procurement Shared Services (the Service).

The contract monitoring procedures were examined as part of a National Care Home Contract (NCHC) Internal Audit (report AC1920) in January 2019, in which recommendations were made, and have been subsequently reported to Committee as having been actioned. Whilst the procedures, associated template documents, and changes made as a result of the previous audit, are appropriate, it has been identified following review of individual contract monitoring reports as part of the current audit that further clarification with regards to some areas, could improve the procedures and their application. This includes scheduling to ensure all monitoring activity takes place at required frequencies, and ensuring records are complete and variations reviewed, adequately explained and challenged where appropriate.

The Service has noted that it was always the intention to carry out a review of the revised procedures after a full year of operation, to consider whether they had achieved the desired outcome, and where improvements might be made. It has not been possible to do this due to the Covid19 situation, which has meant that routine monitoring has been temporarily suspended, and all resources within the team are fully engaged in dealing with supplier sustainability issues and reconciliation of service provision, contract variations, and additional cost claims. All of the points raised in the audit will be considered as part of the review, completion of which is planned by the end of the financial year, depending on available resources pending transition to a 'new normal' post Covid19.

An instance was identified of a supplier being used where a signed contract was not in place. Whilst there may be implications for service provision, services should not be procured from suppliers for which there is no signed contract in place. The absence of a signed contract is an indicator that procurement may not have followed the correct route. If contract terms have not been agreed, there is a greater risk to service delivery, service users, and to the level of assurance the Service can obtain through contract monitoring – as it may be more difficult to enforce the contract. The HSCP is aware of this risk and the Service will continue to reinforce this point.

## **1. INTRODUCTION**

- 1.1 Aberdeen City Health & Social Care Partnership (the HSCP) procures care services from a variety of contracted Suppliers in order to meet the assessed needs of persons requiring support and assistance. The contracts register indicates contracts are in place for £86 million of social care services in 2020/21.
- 1.2 The objective of this audit was to provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Craig Innes, Chief Officer - Commercial & Procurement Shared Service and Jean Stewart-Coxon, Strategic Procurement Manager - Commercial & Procurement Shared Service.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 Written Procedures**

2.1.1 The contract monitoring procedures were examined as part of a National Care Home Contract (NCHC) Internal Audit (report AC1920) in January 2019, in which recommendations were made, and have been subsequently reported to Committee as having been actioned. Whilst the procedures, associated template documents, and changes made as a result of the previous audit, are appropriate, it has been identified following review of individual contract monitoring reports as part of the current audit that further clarification with regards to some areas, could improve the procedures and their application. These are set out in the sections below.

### **2.2 Overall Monitoring**

2.2.1 The Service has a complete list of all contracts which should be subject to regular contract monitoring. This currently includes 183 contracts, valued at £86 million per annum. The procedures require contracts to be risk assessed and assigned a monitoring level. Once assigned a level, contracts should be monitored annually commensurate with that level. Reports are prepared to document the monitoring undertaken, and any actions required of or recommended to the supplier as a result.

2.2.2 Risk assessments are based on two criteria of equal importance: financial risk and service user risk. Contracts with an annual value of £600,000 or over are considered high financial risk, and below this, low risk. Service user risk is considered based on vulnerability and level of support required. Suppliers providing high levels of support to individuals who may be unable to self-advocate are classed as high risk while suppliers providing low levels of support or information and advice only to individuals who are otherwise able to self-advocate are deemed low risk.

2.2.3 Following assessment, monitoring levels are assigned:

- a) Level 1 – where it has been assessed there is both a high financial and service user risk. There should be active provider engagement with contracts of this type, recorded in the provider engagement section of the monitoring report.
- b) Level 2 – high financial risk but low service provision risk OR low financial risk but high service provision risk. Monitoring is likely to consist of desktop analysis of information with provider engagement where considered appropriate.
- c) Level 3 – low financial risk and low service provision risk. Monitoring is based on template returns, containing key performance information, obtained from the supplier.

2.2.4 All contracts on the list had been risk assessed and assigned a monitoring level.

2.2.5 The procedures, effective as of 1 April 2019, state that all contracts should be subject to an annual monitoring review. Internal Audit had planned to obtain assurance that this was the case by examining records held by the Service at the financial year-end (31 March 2020). However, on 17 March 2020 the Chief Officer - Commercial & Procurement Shared Service suspended all contract monitoring reviews to allow for resources to be directed to more urgent activities due to the Covid-19 pandemic.

2.2.6 Information provided to Internal Audit on 13 February 2020 indicated that only 34 of the 183 suppliers had been subject to contract monitoring at the time. The Service had stated an intention to ensure that a substantial number of contracts would be monitored before the financial year-end but acknowledged that this was unlikely to be the full number. There

is no indication in the list that monitoring is being scheduled in advance. While suppliers are subject to ongoing scrutiny in respect of visits from the Care Inspectorate (where registered and required) and Care Managers are in touch with them on a regular basis, without timely monitoring there is a risk of not identifying any underlying financial or service issues.

<b><u>Recommendation</u></b>		
The Service should ensure that Suppliers are subject to annual monitoring in line with guidance.		
<b><u>Service Response / Action</u></b>		
Agreed. When routine contract monitoring activity resumes (post Covid19) a review of the revised contract monitoring procedures will be undertaken to consider where improvements can be made		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	Strategic Procurement Manager (Social Care)	Significant within audited area

### 2.3 Individual Monitoring

2.3.1 A random sample of six suppliers for which the list of contracts subject to monitoring indicated reports had been completed was selected to ensure these contained the information stipulated in the Service’s written procedures. Where follow up action was required in relation to any non-compliant aspect, assurance was sought that the Service had followed up with the supplier to ensure that appropriate actions had been undertaken.

2.3.2 Whilst the majority of the required information was present there were five instances where elements required by the procedures and template had been omitted or not fully completed. This included details of whether quarterly reports had been returned timeously, or at all from suppliers, overall contract values, and whether or not there were any issues with invoicing and payments. All information should be included in order to demonstrate that all aspects have been given adequate consideration, and any issues escalated appropriately.

<b><u>Recommendation</u></b>		
The Service should ensure all information is included in monitoring reports as per the written procedures.		
<b><u>Service Response / Action</u></b>		
Agreed. This will be covered in the planned review.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	Strategic Procurement Manager (Social Care)	Important within audited area

2.3.3 Section 2 of the standard monitoring report should contain information which is provided to the Service by suppliers on a quarterly basis. The detail required is largely explained in this section of the template, and the Service was able to provide a further spreadsheet showing the information which should be included. Most of this is clear, although one section marked ‘other’ is meant to include information in respect of Fire Safety Risk Assessments, Business Continuity Plans, Community Benefits and Insurance. Information relating to these four categories was not present in most cases.

2.3.4 The Service explained that Fire Safety Risk Assessments should only be filled out for Suppliers providing residential services; Business Continuity Plans should only be sought

for Suppliers deemed as providing 'critical services' (which is not defined); evidence of completion of Community Benefits should only be sought where this is included in the contract (currently there are no contracts with this stipulation); and Insurance is only required to be submitted when specifically requested (the requirements are not defined). It would provide greater clarity if these explanations were incorporated into the written guidance, along with a link to the spreadsheet showing required information in section 2 of the monitoring template.

2.3.5 In the quarterly returns, in the fields which report details of training undertaken, some Suppliers were entering percentages of staff that had undertaken training in the current year, while others were entering percentages of staff that had undertaken training that quarter. It would be beneficial for the Service to provide clarity for providers to ensure consistent reporting.

<b><u>Recommendation</u></b>		
The Service should clarify the required content and format of data in written procedures and associated paperwork.		
<b><u>Service Response / Action</u></b>		
We have no evidence that the reporting requirement is unclear, however, will agree to include this point in the planned review.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	Strategic Procurement Manager (Social Care)	Important within audited area

2.3.6 In one instance no monitoring report had been produced, though the database noted that the supplier had been graded as compliant. This was queried with the Service which confirmed that the supplier had not yet signed the contract as they were unhappy with elements of it. The Officer assigned the contract had thought that all contracts being entered on to the system had to have a grading allocated and had chosen 'compliant' in the absence of contradictory information. The Service has confirmed that this will be rectified and it will review records to ensure there are no further similar cases.

<b><u>Recommendation</u></b>		
The Service should ensure that contracts are not awarded grades where a monitoring review has not been carried out.		
<b><u>Service Response / Action</u></b>		
Agreed. Contract managers have been reminded of this.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Strategic Procurement Manager (Social Care)	Important within audited area

2.3.7 Whilst there may be implications for service provision, services should not be procured from suppliers for which there is no signed contract in place. Whilst there are exceptions from the application of some procurement regulations for certain social care contracts, there is still a requirement to procure them appropriately. The absence of a signed contract is an indicator that procurement may not have followed the correct route. Terms should be set out in a service specification set out by the HSCP, with support from the Service, before seeking potential sources of supply. If the terms have not been agreed, there is a greater risk to service delivery, service users, and to the level of assurance the Service can obtain through contract monitoring – as it may be more difficult to enforce the contract.



**Recommendation**

The Service should ensure the HSCP is aware of the risks of continuing to purchase services from suppliers with whom there is no valid contract in place.

**Service Response / Action**

Agreed. The HSCP is aware of this risk and we will continue to reinforce this point through discussion with the Lead Commissioner and Lead Social Worker.

**Implementation Date**

Implemented

**Responsible Officer**

Strategic Procurement  
Manager (Social Care)

**Grading**

Significant within audited  
area

- 2.3.8 Grades of either ‘compliant’, ‘areas of non-compliance’ or ‘non-compliant’ should be based on a combination of service observations, information from internal sources such as Care Managers and external sources such as the Care Inspectorate.
- 2.3.9 Triggers for a ‘non-compliant’ grading include where there is evidence of risk to a client’s safety or wellbeing, serious financial risk, where the Care Inspectorate either awards or gives indication of intention to award grades of less than 3 (adequate) across assessed areas, frequent negative feedback from more than one source, serious concerns raised in relation to adult / child protection issues, and serious or multiple upheld complaints. The Service has a non-compliance process to follow to ensure these are addressed consistently.
- 2.3.10 One monitoring report awarded an overall grade of ‘areas of non-compliance’. It noted several concerns raised by Care Managers in respect of care provision in the previous six months, a current large-scale investigation as part of the Adult Support and Protection process and a separate Police investigation. Five weeks after the report was produced the Care Inspectorate assessed the supplier and awarded grades of 2 (weak) across all assessed areas. While the Service was quick to respond thereafter in producing a ‘non-compliant’ report, and followed the associated process, it is unclear why this had not been the case when the first report was produced. The Service has stated that there is no scientific way to determine when a situation escalates to the next level of concern. There are significant wide ranging implications for having contracts in formal non-compliance. The preferred option is always to support the provider to improve.
- 2.3.11 Another monitoring report which was marked as ‘compliant’ noted that ‘real time logins’ for staff were only at 35%. This means that staff are not logging in while onsite providing care for clients, rather in the majority of cases times were being entered retrospectively. The Service noted in the summary that this means the supplier cannot adequately evidence they are providing care services when they are supposed to be. Statistics were also obtained which appear to show not all staff had completed required training. The supplier noted that all staff were in the process of applying for Scottish Social Services Council (SSSC) registration, however it was not followed up on whether or not all staff obtained this. The Service commented in the report that a recent report by the Care Inspectorate had awarded a grade of 5 (very good) in a recent inspection, however the Service’s findings, which indicated areas of non-compliance, were not reflected in the monitoring report grading.

**Recommendation**

The Service should ensure that it can demonstrate that gradings awarded are reflective of the supporting information.

**Service Response / Action**

Agreed. This will be covered in the planned review.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	Strategic Procurement Manager (Social Care)	Significant within audited area

- 2.3.12 In the case of the Supplier discussed above at 2.3.10, the non-compliance process was initiated, meetings were held with the Supplier, and new placements were suspended pending agreed improvements. The Service confirmed that following discussion and evidence of improved service provision that the non-compliance process was ended. While this is not unreasonable, it is in contradiction to the Service's procedures which state that the suspension of placements with a Supplier should not be lifted until the Care Inspectorate has awarded grades of 3 (adequate) or above across all grades. The Care Inspectorate had not re-assessed the Supplier prior to the suspension being lifted.

<b><u>Recommendation</u></b>		
The Service should ensure any flexibility in the application of the non-compliance procedure is included in the written guidance, recorded and applied consistently.		
<b><u>Service Response / Action</u></b>		
Agreed. This will be covered in the planned review.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2021	Strategic Procurement Manager (Social Care)	Significant within audited area

- 2.3.13 Financial monitoring is included as part of the overall monitoring assessment. The Service obtains and reviews accounts and credit reports for suppliers.

- 2.3.14 Concern over a relatively low credit rating was highlighted with one supplier, which stated that accounts were to be submitted to Companies House the following month and this was anticipated to improve their credit rating. The Service duly followed up on this by obtaining a copy of the accounts when they were submitted and thereafter performed a further credit check showing that the supplier's rating had improved, albeit minimally. The Service stated that the accounts had been discussed with the Supplier's Accountant and assurance had been taken from this. While this may have provided further insight into the accounts, financial advice should be taken from the Council's Finance team, as the supplier's Accountant will only represent the supplier's interests.

- 2.3.15 In one case a credit check was carried out on a parent company, rather than the subsidiary with which the contract was in place. Whilst the presence of a parent company provides some assurance, in the absence of written guarantees there is limited assurance that it would step in in the event of financial difficulties, placing services at risk. The Service's procedures do indicate this, but there was no evidence it had been applied.

<b><u>Recommendation</u></b>		
The Service should ensure that any financial concerns are discussed with the Council's Finance team.		
<b><u>Service Response / Action</u></b>		
Agreed. Contract Managers have been reminded of this.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
Implemented	Strategic Procurement Manager (Social Care)	Significant within audited area

## 2.4 Contingency Planning

- 2.4.1 Suppliers who are classed as providing services deemed as critical are asked to confirm via completion of a questionnaire that they have emergency response and business continuity plans in place. This includes a nominated main contact, and confirmation that plans are in place covering instances of or disruption to fuel shortages, staff, supply chains, telecommunications, records and corruption of digital equipment. Further confirmation is sought from suppliers of residential services in respect of evacuation procedures, alternative accommodation, failure of kitchen / laundry equipment and loss of power and heating. Confirmation is also sought that the plans are subject to testing, and that the Service would be notified in the event they are enacted.
- 2.4.2 The Service has stated that it does not have the resources to evaluate the plans and make recommendations where appropriate, and has limited contract management options in the event that plans are not in place. The failure or inability to check these areas presents a risk to the H&SCP. The Service has stated that the HSCP is aware of these risks, and that following the NCHC audit (see 2.1.1) a process was established by which the Partnership Manager with the lead for the Resilience workstream will call in contingency plans, on a sample basis, for analysis.
- 2.4.3 Two questionnaires were not available for review, having been archived on a previous contract management system. There were incomplete responses in each of the four questionnaires which were available, including one with an omitted section (which should have contained contact details, review and testing dates).
- 2.4.4 The need to inform key stakeholders where an emergency arises is key as this may potentially impact on a client's wellbeing. It may therefore be appropriate to ensure that this is a required element when contracts are renewed. While as discussed above it is not practical to review all plans to ensure that all declared elements are adequately covered, it should be possible to highlight the absence of complete responses to suppliers as part of routine contract monitoring.

### **Recommendation**

The Service should ensure emergency response and business continuity plan questionnaires are fully completed by suppliers.

### **Service Response / Action**

Agreed. This will be covered in the planned review.

### **Implementation Date**

March 2021

### **Responsible Officer**

Strategic Procurement  
Manager (Social Care)

### **Grading**

Significant within audited  
area

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

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the organisation.
<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.



## **Internal Audit Report**

### **Integrated Children's & Family Services**

### **Fostering, Adoption & Kinship Payments**

**Issued to:**

Rob Polkinghorne, Chief Operating Officer  
Graeme Simpson, Chief Officer, Integrated Children's and Family Services  
Jonathan Belford, Chief Officer, Finance  
Isabel McDonnell, Children's Service Manager  
Angela Maitland, Acting Children's Service Manager  
Lorna Stephen, Integrated Children's and Family Services Office Manager  
Trevor Gillespie, Team Manager, Performance Management  
External Audit

## **EXECUTIVE SUMMARY**

Care for children sometimes needs to be provided away from their home, when their family cannot provide suitable care. Foster Care, Adoption and Kinship Care are options to help provide a high standard of care and ensure positive outcomes for these children.

At the time this area was reviewed there were 91 active in-house Foster Carers, 105 Adoptive Parents and 207 Kinship arrangements financially supported by the Service. The Service also uses the services of external fostering agencies.

Payments to foster carers amounted to £1.9 million for internal placements and £9.3 million for external placements during 2019/20. There were payments of £0.48 million for adoption allowances, and £2.2 million for kinship care.

The objective of this audit was to provide assurance over Fostering, Adoption and Kinship Allowances paid. In general these are paid accurately, however minor recurring system generated errors were identified in a small number of cases, which are being corrected by the Service. A new system is being developed, for implementation in 2021, and this will be informed by Internal Audit's findings to improve efficiency and reduce the scope for error in the future. In the interim, administrative support has been put in place to ensure the accuracy of payments.

Procedures and documentation would benefit from updating and review to ensure requirements are clear and aligned with policy, and to better demonstrate that payments are accurately calculated based on evidence of relevant circumstances. The Service will map its processes and ensure they are fully documented, including a review of the Adoption Policy and associated allowances.

The Service is moving to electronic filing, which will improve the consistency of record keeping, and has agreed to improve records where variations from standard practice have been agreed.

# 1. INTRODUCTION

- 1.1 Care for children sometimes needs to be provided away from their home, when their family cannot provide suitable care. Foster Care, Adoption and Kinship Care are options to help provide a high standard of care and ensure positive outcomes for these children.
- 1.2 At the time this area was reviewed there were 91 active in-house Foster Carers, 105 Adoptive Parents and 207 Kinship arrangements financially supported by the Service. The Service also uses the services of external fostering agencies.
- 1.3 Payments to foster carers amounted to £1.9 million for internal placements and £9.3 million for external placements during 2019/20. There were payments of £0.48 million for adoption allowances, and £2.2 million for kinship care.
- 1.4 The objective of this audit was to provide assurance over Fostering, Adoption and Kinship Allowances paid.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Isabel McDonnell, Children's Service Manager, Angela Maitland, Acting Children's Service Manager and Lorna Stephen, Office Manager.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Procedures and Documentation

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff and are important in the event of an experienced employee being absent or leaving.
- 2.1.2 There are processes, including forms, for system data entry, and maintaining records, however these are not fully documented. Procedure notes do not detail the full process for either Fostering, Adoption or Kinship from beginning to end, including how to complete calculations for allowances.
- 2.1.3 The procedures which are in place would benefit from review and updating: the handbook for Foster Carers had not been reviewed since 2017, the Adoption Policy and associated paperwork (e.g. for annual reviews) was last updated in 2010 and a process on Kinship financial review is in draft.

#### **Recommendation**

The Service should ensure procedures, and associated documentation, are complete and up to date.

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

Agreed. Processes will be mapped and procedures and documentation will be reviewed and updated, clarified, or developed where required.

#### **Implementation Date**

April 2021

#### **Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

#### **Grading**

Significant within audited  
area

- 2.1.4 Forms and agreements do not all contain clear and consistent declarations from those in receipt of payments that the information they provide is complete and accurate, and that changes in circumstances will be communicated promptly. It may therefore be more difficult to challenge instances where it is later identified that there has been any inaccuracy or delay.

#### **Recommendation**

The Service should review forms and agreements to ensure the responsibilities of those in receipt of payments have been adequately understood.

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

Agreed. FCA agreement/Adoption allowance/Kinship forms will be made more explicit in terms of carers responsibility to declare changes. Legal Services input will be sought to achieve compliance.

#### **Implementation Date**

April 2021

#### **Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

#### **Grading**

Important within audited  
area

- 2.1.5 Records relating to each part of the Service are held electronically, however paper records are still generated and held by various teams and individual workers. Because of the



restrictions due to the Covid-19 lockdown it was not possible to determine whether records not held electronically had not been scanned, or if they had not been obtained or created. It is important that records are complete and accessible to demonstrate adherence to the process.

**Recommendation**

The Service should ensure it retains all records in relation to fostering, adoption and kinship agreements, placements, payments, calculations and eligibility.

**Service Response / Action**

Agreed. All files are now electronic. Update of the Carefirst system is planned and this will aim to ensure accuracy in terms of recording. QA system has now been undertaken to ensure that all Foster Carers have signed FCA's; Kinship Agreement forms are being drafted currently. There is a clear paper trail in terms of amendments to FC payments / captured in the Carepay system. Robust and written evidence will be maintained in terms of additional payments agreed and these will include reasons for payment and clear authorisation.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

2.1.6

The CareFirst system holds records of both Carers and Children in their care. Payments for Internal Fostering are prepared directly using data from this system interfaced with the payments system. This includes records of what should be paid, and what has been paid. Payments relating to External Fostering, Adoption Allowances and Kinship Care are not recorded on the system, and rely on separate records held in spreadsheet format. There is an increased risk of error, loss of data, and to data protection compliance, where there are separate duplicate records held outside of a controlled system.

**Recommendation**

The Service should review whether all payments can be controlled via the CareFirst system.

**Service Response / Action**

Agreed. The Service has considered this but the current Carefirst / Carepay system is limited and cannot be adapted at present. A new system is being devised, to which the service will contribute to ensure that the payments system is streamlined.

**Implementation Date**

August 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

**2.2 Foster Carer Payments**

2.2.1 A sample of ten foster carers (four external and six internal) was selected for review.

2.2.2 External placements are obtained through agencies under a Scotland Excel Fostering Care Framework. The specific details for each placement are set out in an Inter-Agency Personal Agreement (IPA) for each placement, which acts as the contract documentation in lieu of a Purchase Order.

- 2.2.3 An IPA was only available for one of the four placements reviewed. As these are a record of the placement and contract entered into, they need to be accessible to support the placement, and payments. The recommendation at 2.1.5 refers.
- 2.2.4 Two payments to each external provider were reviewed, and these matched the relevant invoices and had generally been processed correctly. However, in the absence of copies of the IPA it was not possible to confirm that the rates paid were appropriate and correct for three of the four placements. The rates paid in these cases did not directly match those recorded in the Framework. If variations have been agreed they need to be recorded to ensure they have been approved at an appropriate level.

**Recommendation**

The Service should ensure variations from published rates are approved at an appropriate level and agreement to do so is evidenced.

**Service Response / Action**

Agreed. The sample selected were not all placements who are on the Scotland Excel Framework, they have individual contracts and rate structure. However, we acknowledge any additionality needs to be evidenced clearly and agreed within IPA or individual agreements.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

- 2.2.5 The Council has entered into its own (Internal) Fostering Agreements directly with various Carers, which set out the level of care and capacity they have been assessed as being able to provide. Carers are paid in line with their level of skills and the services they provide.
- 2.2.6 Only one of six cases reviewed had a fully signed Fostering Agreement in the electronic file. One did not have any record of an Agreement being in place, and although the other four had Agreements on file they were not signed by the Carer, and two were not signed on behalf of the Council.
- 2.2.7 Carers are sent a letter confirming any changes to the detail of their Agreement (e.g. increases to the level of skills payment), however in one case this did not set out the level of skills demonstrated and agreed to be paid for. If information is not clearly documented there is a risk it might be disputed at a later date.
- 2.2.8 Whilst there may be other copies of agreements (see 2.1.5), if they have not been signed and retained on file it may be difficult for the Service to effectively hold Carers to account in the event of conditions, standards or expectations not being met. Similar findings were made in respect of Kinship agreements.

**Recommendation**

The Service should ensure all agreements are appropriately signed and held on file before payments are made and placements commenced.

**Service Response / Action**

Agreed. The Service will ensure that Foster Carer Agreements are completed following the Agency Decision Maker decision.

**Implementation Date**

**Responsible Officer**

**Grading**

April 2021	Acting Children's Service Manager (Angela Maitland)	Significant within audited area
------------	---	---------------------------------

2.2.9 It is encouraged that all foster carers take up membership with the Fostering Network which costs £46 per year. This provides legal protection, access to support, advice, information and training on fostering issues. A signed agreement from the Carer allows instalments to be deducted from Foster payments in June and November each year to pay for this. In three instances, payments were taken but there was no signed Fostering Network membership agreement in the electronic files. The recommendation at 2.1.5 refers.

2.2.10 Each foster family receives a skills payment based on their demonstrated level of ability (those qualified to look after children with additional needs, and able to look after additional children, are paid more), and each child attracts a weekly allowance based on their age:

Skills Level	Annual Payment (2019/20)
1	£8,525
2	£12,786
3	£17,051
4	£21,075
ARC level	£28,705

Age Bracket	Weekly Allowance (2019/20)
0-4	£135.41
5-10	£154.24
11-15	£192.02
16-18	£233.55

2.2.11 Additional allowances are paid for Birthdays (equivalent to 1 week's age-related payment), Christmas (1 week's payment) and Holidays (2 weeks payment). This equates to an additional 4 weeks of age-related payments (the total allowance reflects 56 weeks of payments, paid over 52 weeks).

2.2.12 Overpayments of allowances can arise regularly due to changes in placements and are normally followed up by making deductions from future payments. Where a child is temporarily placed with a different carer (to provide respite for the carer) a respite form is used to show an audit trail of events of where the child was placed. This is also used to reassess payments as required.

2.2.13 Internal Audit highlighted instances to the Service where incorrect payments had been made and not picked up and corrected through the normal process:

2.2.14 In one instance an age-related allowance was paid at the previous year's rates. The Service has stated that this was a systems error which will be investigated and adjusted once resolved. However, as it relates to a 'continuing care' case, the legislation states that "*Continuing care means the same accommodation and other assistance as was being provided for the person by the authority ... immediately before the person ceased to be looked after.*" It could therefore be interpreted that such payments should continue at the same level (as they have in this case), rather than being subject to annual rate increases applicable to fostering for current cases. However, the Service has confirmed they should not differ.

2.2.15 Three holiday allowances for holidays set up prior to April 2019 have been paid the 2018 rates in error. The Service after further analysis confirmed that 44 individual payments were affected totalling £456.06, which has now been adjusted for.

2.2.16 In another case a birthday allowance was paid at the wrong year's rate.

2.2.17 In each of these instances payments appear to have remained fixed at the rates set when the allowances were created, rather than applying the rates set at the time the allowance

was due to be paid. It is not clear that the Service has controls in place to avoid or correct this.

**Recommendation**

The Service should ensure that allowances are paid at the correct rate following changes to the published rates.

**Service Response / Action**

Agreed. System errors have occurred, and the limitations of the current system have been recognised – hence a new system is being developed. The Service will apply scrutiny to ensure accuracy of financial payments in the interim.

**Implementation Date**

September 2021

**Responsible Officer**

Acting Children’s Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

2.2.18 In another case a respite form showed dates for respite being 29 May until 5 June 2019 but notes on the form referred to one night respite instead of the eight days which were paid. The overpayment was correctly adjusted for at a later date but notes on CareFirst relating to this were not clear and did not refer to the correct dates.

2.2.19 Lastly there was an overpayment where it had been established by the Service that an allowance was ‘cancelled’ on CareFirst instead of being ‘ended’, causing an overpayment to be recorded on the system of over £17,000. The Service did not make these payments, but still made an overpayment, which it calculated as £518.19. Recovery arrangements were put in place to recover this from a number of weeks’ allowances. However, Internal Audit identified that the recovery was not stopped after the full amount had been recovered, resulting in an over-repayment of £604.75.

2.2.20 Incomplete or inaccurate data presents a risk of incorrect payments being made, or incorrect adjustments at a later date.

**Recommendation**

The Service should ensure payments and recoveries are adequately documented and input correctly to the system.

**Service Response / Action**

Agreed. There is now a dedicated AF Admin worker who has been tasked with this in recognition that there has been a gap in this – she is solely responsible (alongside TM) of ensuring that Carepay is accurate.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children’s Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

2.2.21 In one case a Foster Carer awaiting confirmation of de-registration from the Fostering Panel continued to be paid their Skills Allowance for five months, pending the Panel meeting to discuss it. The Service has evidence showing the Team Manager stating that the Service Manager approved continuation of the payment, though no record of the latter was available. Carers are normally only paid their Skills payment if they have 28 days or less without a child in placement, in line with policy and the written Fostering Agreement. The Service has since indicated that additional payments will be made (following separate

review of this carer's payments as discussed at 2.2.19 above), as payments were stopped two weeks earlier than the Team Manager had stated.

**Recommendation**

The Service should ensure terms agreed and payments made are aligned with policy.

**Service Response / Action**

Agreed. The policy requires to reflect that there are instances where arrangements require to be individualised by virtue of the nature of circumstances in relation to 2.2.19. This has been discussed with Legal Services.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

**2.3 Adoption Payments**

2.3.1 A sample of four adopters in receipt of an adoption allowance was selected for review. The need for an allowance is determined by the needs of the child, as considered by the Adoption Panel, and the amount is calculated through a form of means test. Payments are made quarterly thereafter.

2.3.2 The Panel minutes were not in the children's electronic files, therefore it could not be confirmed that the panel had agreed each child would attract an adoption allowance. The Service has indicated that at the time these were created the requirement was to maintain them in paper files. The recommendation at 2.1.5 refers.

2.3.3 The weekly Adoption Allowance that can be awarded is age related:

<b>Age Bracket</b>	<b>Weekly Allowance 2019/20</b>
0-4	£78.46
5-10	£97.39
11-15	£121.21
16-18	£156.94

2.3.4 The allowance is then adjusted based on consideration of the adoptive parents' financial circumstances, based on a list of eligible expenditure and allowances, measured against net income:

<b>Total Expenditure more than % of net income</b>	<b>The Adopter will receive</b>
85% of net income	100% of allowance
78%-84% of net income	75% of allowance
70%-77% of net income	50% of the allowance
70% of net income	0% of the allowance

2.3.5 Eligible expenditure includes rent / mortgage payments, council tax and water, and home insurance. Other routine expenditure is covered by an allowance of £300 per week for a couple, £210 for a single person, and £50 per dependant child. It is not clear on the form, or in the process followed, whether the £50 per week per child is meant to include the adoptees as well as children already within the family.

2.3.6 Net income includes regular income from earnings, pensions, investments and / or benefits – though certain specific benefits are disregarded. Assumed income from capital

is taken into account if it exceeds £10,000 per person at a rate of £1 for every £500 thereafter.

- 2.3.7 The form completed for calculation of the allowance, and used for annual reviews thereof, asks for details of expenditure and capital / savings from the Carer, however there is no evidence requested or retained to support these details. If the amounts have been incorrectly calculated, or misrepresented, it could affect the amount of allowance paid.
- 2.3.8 The Service normally obtains supporting details for income, in the form of benefit award letters, or five payslips (where available) taking an average to take account of variations between pay dates. This may still not always provide an accurate representation of income: in one case the year to date earnings shown on the payslips indicated that the applicant had earned more at earlier points in the tax year than the average derived from the most recent five weeks.
- 2.3.9 Net pay is used for the calculation, however in two of the cases examined 'net pay' was after voluntary deductions for savings schemes or similar. The Service has no process in place to identify and if appropriate make adjustments for this.
- 2.3.10 In another case no payslips were available, and a set of unaudited accounts were provided as evidence of wages paid from self-employment. The financial circumstances calculated from this evidence indicated a shortfall substantially in excess of the amount available through an adoption allowance. There are no details in the procedure to indicate what constitutes appropriate evidence, but in this case, it could have been more appropriate to request bank statements to confirm the statements were reasonable.
- 2.3.11 In one case the 'total deductions' on a set of payslips had been used by the Service instead of the 'net pay'. Over £5,000 of annual income had not been taken into account. If these had been correctly input to the calculation, the calculations would have indicated that the adopter would not have been eligible for payment of the allowance, as the ratio of expenditure to income would have reduced to 65%, reducing payment to 0%.
- 2.3.12 It is important that evidence provided is subject to appropriate scrutiny and challenge, to reduce the risk of error in the calculation of payments. The Service should also consider completing annual financial reviews after the end of the financial year, at which point annual values could be obtained and checked more easily and accurately from a P60 or an up to date benefit or Tax Credit award letter.

**Recommendation**

The Service should develop the process for calculating adoption allowance entitlement to ensure it has sufficient appropriate evidence to demonstrate adopters' financial circumstances at the point of adoption and subsequent annual reviews.

The Service should ensure payments are accurately calculated based on the evidence obtained.

**Service Response / Action**

Agreed. It is acknowledged that the current process is overly cumbersome. The Service plans to review the Adoption Policy including allowances and their calculation.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

- 2.3.13 The Service noted that the Team Manager, authorised by the appropriate Service Manager, can change a decision to pay an allowance when the means test threshold is not met or pay a greater rate or additional allowance than what the means test result calculates or that the Panel recommends. There is no formal record of such authorisations, which may be verbal and are not saved in the electronic files.
- 2.3.14 One of the cases selected for review had an alternative allowance agreed in this way. The associated documentation did not clearly reflect the agreement: There was an Adoption Allowance Review form completed for one child adopted, which the Service advised was recommended at Panel for an allowance to be paid, but the calculation sheet held on file with it pertained to a second adopted child – who did not attract an allowance. An award of 75% was granted initially for the first child. Following a letter of appeal by the Carer the Adoption Team Manager, authorised by the Children Services Manager, decided to pay 100% Adoption Allowance for both children. The circumstances are insufficiently documented to demonstrate that this was appropriate and approved at the right level.
- 2.3.15 In the absence of a clear and documented process, there is a risk that adopters will be treated inequitably and this will not be identified and corrected where appropriate.

**Recommendation**

The Service should ensure that all decisions to vary from Adoption Panel and calculated allowances are authorised and adequately documented.

**Service Response / Action**

Agreed.

**Implementation Date**

Implemented

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

**2.4 Kinship Payments**

- 2.4.1 Four kinship arrangements were selected for review. In two of the cases signed versions of Kinship agreements were not held in electronic files, as these pre-dated the requirement to do so. The recommendation at 2.2.8 refers.
- 2.4.2 Once Kinship is formally approved by the Agency Decision Maker a Kinship Financial Assessment should be completed to confirm that the Carer has all of the resources available to them to which they are entitled. Once complete, the Service will consider making payment of an allowance based on Fostering fees, after deducting child benefit and other relevant payments which can be obtained through other means.
- 2.4.3 There were no up to date financial documents on file in respect of the four cases selected for review, therefore the financial information and calculations could not be checked and confirmed. The recommendation at 2.1.5 refers. The Service has noted that the Kinship Team's priority was to ensure that all new kinship carers were issued with Financial agreements in line with their kinship allowance. The current team have not been able to do this with historical cases, however all kinship carers have now been reviewed and within the year should be issued with a Kinship Agreement with their kinship allowance recorded.

**AUDITORS:** D Hughes  
C Harvey  
J Galloway

## 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 organisation.
<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.





This page is intentionally left blank