

Public Document Pack



To: Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Allard, Bonsell, Bouse, Fairfull, Graham, Henrickson, McLellan, McRae, Massey, Radley and Mrs Stewart.

Town House,
ABERDEEN, 15 November 2023

AUDIT, RISK AND SCRUTINY COMMITTEE

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Council Chamber - Town House** on **THURSDAY, 23 NOVEMBER 2023 at 2.00 pm.** **This is a hybrid meeting and Members may also attend remotely.**

The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

JENNI LAWSON
INTERIM CHIEF OFFICER – GOVERNANCE (LEGAL)

B U S I N E S S

NOTIFICATION OF URGENT BUSINESS

1.1. There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

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

DECLARATIONS OF INTEREST OR TRANSPARENCY STATEMENTS

3.1. Members are requested to intimate any declarations of interest or transparency statements

DEPUTATIONS

- 4.1. There are no requests at this time

MINUTE OF PREVIOUS MEETING

- 5.1. Minute of Previous Meeting of 14 September 2023 (Pages 5 - 10)

COMMITTEE PLANNER

- 6.1. Committee Business Planner (Pages 11 - 16)

NOTICES OF MOTION

- 7.1. There are none at this time

REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES

- 8.1. There are no referrals at this time

COMMITTEE BUSINESS

Risk Management

- 9.1. ALEO Assurance Hub Update - COM/23/356 (Pages 17 - 40)

Legal Obligations

- 9.2. Use of Investigatory Powers - Quarter 4 Report - COM/23/355 (Pages 41 - 50)

Scrutiny

- 9.3. Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions - CUS/23/357 (Pages 51 - 58)

Annual Reports and Accounts

- 9.4. Annual Accounts 2023-24 Key Dates - RES/23/375 (Pages 59 - 66)
- 9.5. Annual Effectiveness Report - COM/23/358 (Pages 67 - 82)

Internal Audit

- 9.6. External Quality Assessment - IA/23/010 (Pages 83 - 104)
- 9.7. Internal Audit Progress Report - IA/23/009 (Pages 105 - 122)
- 9.8. Corporate Asset Management - AC2313 (Pages 123 - 148)
- 9.9. Pupil Equity Fund - AC2403 (Pages 149 - 168)
- 9.10. Care Management System - AC2405 (Pages 169 - 182)
- 9.11. Data Protection - AC2406 (Pages 183 - 198)

EXEMPT/CONFIDENTIAL BUSINESS

- 10.1. There are no items of exempt business at this time

Integrated Impact Assessments related to reports on this agenda can be viewed [here](#)

To access the Service Updates for this Committee please click [here](#)

Website Address: aberdeencity.gov.uk

Should you require any further information about this agenda, please contact Karen Finch, tel 01224 053945 or email kfinch@aberdeencity.gov.uk

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AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 14 September 2023. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Allard, Bonsell, Bouse, Fairfull, Farquhar (as substitute for Councillor Massey), Graham, Henrickson (as substitute for Councillor McRae), Hutchison (as substitute for Councillor van Sweeden), McLellan, Radley and Mrs Stewart.

The agenda and reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

DECLARATIONS OF INTEREST OR TRANSPARENCY STATEMENTS

1. There were no declarations of interest or transparency statements.

MINUTE OF PREVIOUS MEETING OF 27 JUNE 2023

2. The Committee had before it the minute of their previous meeting of 27 June 2023.

The Committee resolved:-

to approve the minute as a correct record.

MINUTE OF SPECIAL MEETING OF 15 AUGUST 2023

3. The Committee had before it the minute of the special meeting of 15 August 2023.

The Committee resolved:-

to approve the minute as a correct record.

COMMITTEE BUSINESS PLANNER

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

The Director for Resources advised that the internal audit in relation to Asset Management had not been completed this cycle due additional work relating to the RAAC incident and that it would be complete in time for the next meeting.

AUDIT, RISK AND SCRUTINY COMMITTEE

14 September 2023

The Committee resolved:-

- (i) to note the information provided in relation to the Asset Management Audit and that this would be submitted to the Committee at its meeting in November 2023; and
- (ii) to otherwise note the content of the Committee Business Planner.

INFORMATION GOVERNANCE MANAGEMENT ANNUAL STATEMENT 2022-2023 - CUS/23/293

5. The Committee had before it a report by the Director of Commissioning which presented the annual report in relation to the Council's Information Governance Performance, which included information about the changes implemented through the Council's information assurance improvement plan.

The report recommended:-

that the Committee note the information provided about the Council's information governance performance at sections 3.1 to 3.5 and in the Information Governance Report at Appendix 1.

In response to a question relating the origin of the high number of external cyber incident attempts and how the Council were dealing with them, the Director of Customer Services advised that the majority of the attempts were phishing via email and that the Council had various tools and security protocols to tackle the situation.

In response to a question relating to training for staff to help them identify rogue emails, the Director of Customer Services advised that training was provided to staff with reminders available on the intranet.

In response to a question relating to whether there was a reason for the increase in Freedom of Information (FOI) requests and where the source of the requests had come from, the Chief Officer – Data Insights advised that there was an increasing trend for FOI requests and that he was trying to put in place mitigations so that requests could be responded to without using the legislation due to the information being available.

The Committee resolved:-

- (i) to note that the Chief Officer - Data Insights would circulate by email a response in relation to the origin of the Freedom of Information (FOI) requests;
- (ii) to note that the Chief Officer – Data Insights would provide an update in relation to the number of FOI requests that were received that could have been dealt with outwith FOI legislation; and
- (iii) to otherwise approve the recommendation contained in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE

14 September 2023

USE OF INVESTIGATORY POWERS REPORT - QUARTER 3 - GOV/23/292

6. The Committee had before it a report by the Director of Commissioning which was provided to ensure that Elected Members reviewed the Council's use of investigatory powers on a quarterly basis and had oversight that those powers were being used consistently in accordance with the Use of Investigatory Powers Policy.

The report recommended:-

That the Committee -

- (a) note the information provided in relation to the positive inspection from the Investigatory Powers Commissioner;
- (b) note the covert surveillance activity; and
- (c) note the update on Communications Data.

The Team Leader – Regulatory and Compliance advised that since the report had been submitted, the Council had received a Notice of Inspection from the Investigatory Powers Commissioner which concluded that the Council were operating appropriately within its powers.

The Committee resolved:-

to approve the recommendations contained in the report.

INTERNAL AUDIT PROGRESS REPORT - IA/23/008

7. With reference to article 7 of the minute of its previous meeting, the Committee had before it a report by the Chief Internal Auditor which provided an update on the progress against the approved Internal Audit plans, audit recommendations follow up and other relevant matters for the Committee to be aware of.

The report recommended:-

That the Committee -

- (a) note the progress of the Internal Audit Plan; and
- (b) note the progress that management had made with implementing recommendations agreed in Internal Audit reports.

In response to a question relating to the cyber essentials accreditation and whether this would be achieved, the Director of Customer Services advised that the team were aiming for October to have the evidence submitted. The Chief Internal Auditor advised that the Chief Officer – Digital and Technology was very proactive in this area.

The Committee resolved:-

to approve the recommendations contained in the report.

AUDIT, RISK AND SCRUTINY COMMITTEE

14 September 2023

ADULTS WITH INCAPACITY - AC2314

8. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Adults with Incapacity which was undertaken to ensure that there was evidence-based controls in place regarding funds managed on behalf of clients.

The report recommended:-

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

In response to a question relating to content of the management response and whether the Chief Internal Auditor was reassured that there was no financial loss to service users, the Chief Internal Auditor advised that he was reassured and that there had been no incidents identified during the audit.

In response to a question relating to whether a further audit would be more appropriate due to the severity of the findings than including in the annual audit report, the Chief Internal Auditor advised that a further audit would not usually be undertaken. He stated that as part of the follow up process with management, evidence would be requested to provide assurance that the recommendations had been implemented.

In response to a statement relating to the protocols in place for identifying service users with incapacity not being followed, the Chief Internal Auditor advised that management would implement changes to ensure that the processes are followed. The Chief Officer – Adults Social Work advised that guidance had been requested from the Department of Work and Pension (DWP) to clarify who could make the decision on where a service user had capacity.

In response to a question relating to whether the actions would be complete within the timescales, the Chief Officer – Adult Social Work advised that the actions were already being progressed with guidance being updated.

In response to a question relating to the short life working group and what the remit would cover, the Chief Officer – Adults Social Work advised that the working group would be focusing on the governance to ensure the processes were working and would have oversight on the sub groups established to work on each of the recommendations from the report.

In response to a question relating to whether the controls were to safeguard staff and service users, the Chief Officer – Adults Social Work advised that it was a balance of control and giving choice to the service user whilst ensuring the funds were controlled properly.

The Committee resolved:-

- (i) in response to a question relating to how the Committee would get assurance that the service was on track between now and June 2024, to note that the Chief

AUDIT, RISK AND SCRUTINY COMMITTEE

14 September 2023

- Internal Auditor would seek a progress update from Officers and report these in the progress report presented at each meeting; and
- (ii) to otherwise endorse the recommendations for improvement as contained in the internal audit report.

- **COUNCILLOR M. TAUQEER MALIK, Convener**

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	A	B	C	D	E	F	G	H	I
1	AUDIT, RISK & SCRUTINY COMMITTEE BUSINESS PLANNER								
	The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3	23 November 2023								
4	Use of Investigatory Powers Quarter 4 Report	to present the quarterly use of investigatory powers report	Agenda item 9.2	Jessica Anderson	Governance	Commissioning	5.2		
5	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.	Agenda Item 9.3	Lucy McKenzie	Customer Experience	Customer	6.4		
6	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.	Agenda Item 9.7	Jamie Dale	Governance	Commissioning	2.2		
7	External Quality Assessment of Internal Audit	to present the Committee with the results of the External Quality Assessment of Internal Audit.	Agenda item 9.6	Jamie Dale	Governance	Commissioning	2.2		
8	Corporate Asset Management	The objective of the audit is to ensure resources are allocated appropriately and efficiently following a suitable Asset Management Plan.	Agenda Item 9.8	Jamie Dale	Governance	Commissioning	2.2		
9	Pupil Equity Fund	The objective of this audit is to provide assurance that schools are spending in accordance with their plans, and these are developed as required, to close the poverty related attainment gap.	Agenda Item 9.9	Jamie Dale	Governance	Commissioning	2.2		
10	Care Management System	The objective of the review is to consider whether appropriate control is being exercised over the care management system, including contingency planning, and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.	Agenda Item 9.10	Jamie Dale	Governance	Commissioning	2.2		
11	Data Protection	The objective of this review is to ensure the Council has adequate arrangements in place, which are understood throughout the organisation, to protect the Council's information.	Agenda Item 9.11	Jamie Dale	Governance	Commissioning	2.2		

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12	External Audit Annual Report	To present the External Audit Annual Report		Anne MacDonald	Governance	Commissioning	3.1	D	Audit Scotland will report this to the February meeting to ensure that consultation timescales can be fully adhered to. Other pieces of audit work have taken longer than anticipated which has meant the reporting timetable has shifted slightly.
13	Annual Committee Effectiveness Report	To report on the annual effectiveness of the committee	Agenda Item 9.5	Karen Finch	Governance	Commissioning	GD 8.5		
	Annual Accounts 2023-24 - Key Dates	to provide Elected Members with high level information and key dates in relation to the 2023/24 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors	Agenda Item 9.4	Lesley Fullerton	Finance	Resources	4.1		
	ALEO Assurance Hub Update	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.	Agenda Item 9.1	Vikki Cuthbert	Governance	Commissioning	1.3		
16	01 February 2024								
17	Use of Investigatory Powers Annual Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
18	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
19	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
20	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
21	Internal Audit Plan 2024-2027	to present the Internal Audit Plan for 2024-2027		Jamioe Dale	Governance	Commissioning	2.1		

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22	Internal Audit Charter	to present the Internal Audit Charter for 2024-25		Jamie Dale	Governance	Commissioning	2.1		
23	Best Value Audit - Thematic Report	To present the findings of the thematic work on Leadership of the development of new strategic priorities.		Anne MacDonald	Governance	Commissioning	3.1		
24	ALEO Assurance Hub Workplan and Terms of Reference	To present the ALEO Assurance Hub Workplan for 2023 including the dates for reporting.		Vikki Cuthbert	Governance	Commissioning	1.3		
25	Business Continuity Annual Report	To present the annual review of the Council's Business Continuity arrangements.		Ronnie McKean	Governance	Commissioning	1.2		
26	Corporate Risk Register, Assurance Maps and Inspections Planner	To present the Corporate Risk Register and Assurance Maps.		Ronnie McKean	Governance	Commissioning	1.1		
27	Risk Appetite Statement - Annual Review	The purpose of this report is to present the Council's updated Risk Appetite Statement.		Ronnie McKean	Governance	Commissioning	1.1		
28	25 April 2024								
29	Use of Investigatory Powers Quarter 1 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
30	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
31	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
32	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		

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33	Unaudited Annual Accounts 2023-24	To present the unaudited annual accounts for 23-24 and the Charities Accounts for 23-24	Date to be confirmed	Lesley Fullerton	Finance	Resources	4.1		
34	27 June 2024								
35	Use of Investigatory Powers Quarter 2 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
36	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
37	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
38	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
39	Internal Audit Annual Report 2023-24	To present the Internal Audit Annual Report for 2023-2024		Jamie Dale	Governance	Commissioning	2.1		
40	Audited Annual Accounts 2023-24	To present the audited Accounts for 2023-24 and the Charities Accounts 23-24	Date to be confirmed						
41	ALEO Assurance Hub Update	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Commissioning	1.3		
42	26 September 2024								
43	Use of Investigatory Powers Quarter 3 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		

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44	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
45	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
46	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
47	Informarmation Governance Management Annual Report 2023-24	to present the annual report for the Council's Information Governance		Martin Murchie	Data Insights	Customer Services	1.4		
48	28 November 2024								
49	Use of Investigatory Powers Quarter 4 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
50	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
51	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
52	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
53	Annual Committee Effectiveness Report	To report on the annual effectiveness of the committee		Karen Finch	Governance	Commissioning	GD 8.5		

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1	AUDIT, RISK & SCRUTINY COMMITTEE BUSINESS PLANNER								
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54	ALEO Assurance Hub Update	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Commissioning	1.3		
55	Annual Accounts 2024-25 - Key Dates	to provide Elected Members with high level information and key dates in relation to the 2024/25 Annual Accounts including linkages to the plans and timetables of the Council's External Auditors		Lesley Fullerton	Finance	Resources	4.1		
56	Service Updates								
	Reconciliation of Granite - Union Terrace Gardens	ARSC 30 June 2022 - Item 3 (v) to add two Service Updates to the business planner, those being: Reconciliation of Granite, Union Terrace Gardens and Review of Items Recorded as 'Missing' From Art Gallery & Museums Collections	A Service Update has been issued to members.	John Wilson	Capital	Resources			

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	ALEO Assurance Hub Update
REPORT NUMBER	COM/23/356
DIRECTOR	Gale Beattie
CHIEF OFFICER	Vikki Cuthbert
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	Remit 1.3

1. PURPOSE OF REPORT

- 1.1 To provide assurance on the governance arrangements, risk management, and financial management of Arm's Length External Organisations (ALEOs) as detailed within the ALEO Assurance Hub's terms of reference.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the level of assurance provided by each ALEO on governance arrangements, risk management and financial management respectively and the risk ratings applied by the ALEO Assurance Hub, as detailed in appendices B-H; and
- 2.2 Notes that the ALEO Assurance Hub will discuss any outstanding issues specified in the appendices with ALEO representatives, with a view to maintaining low/very low risk ratings and improving any medium risk ratings to low/very low.

3. CURRENT SITUATION

- 3.1 The report provides an overview of the ALEO Assurance Hub's most recent cycle of scrutiny following the Committee's endorsement of an oversight approach which balances the Council's need for assurance with an ALEO's right to govern itself as an independent entity.
- 3.2 The Hub continues to adopt a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of ALEO risk to the Council. The reporting is based on the degree of assurance provided on each ALEO's governance arrangements, risk management and financial management. The ALEO Assurance Hub provide high level, strategic oversight of ALEOs but does not undertake quality checks on the operation of ALEOs.

- 3.3 The Hub met in October and identified the following key assurance areas, in accordance with the workplan previously reported to the Committee. Specific follow-ups were sought from each ALEO in furtherance of gaps in assurance from the previous cycle, and these are referenced specifically in the appendices.

Governance Arrangements

1. Assurance of on-going review of all governance documentation and policies.

Risk & Resilience Management

1. A copy of the current risk register and confirmation of when this was last reviewed by the Board and any outputs agreed.
2. Updates on progress with implementing the Protect duty (“Martyn’s Law”) and preparations for OC6/Rota Load Disconnections prior to Winter (planned power outages enforced by the National Grid to allow the supply across the country to be managed according to the greatest areas of need).

Financial Management

1. Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.
 2. Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.
 3. Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.
- 3.4 The Assurance Standards and Risk Ratings are set out at Appendix A. The Hub’s overall assessment of each ALEO, based on the information returned, has been attached within the summary report at Appendix B. Appendices C-H provide a summary of requests to and responses from, each ALEO, along with a breakdown of risk ratings. These have been agreed with the ALEOs.
- 3.5 As reported in June 2023, medium risk ratings reflect the current commercial and economic challenges including continued recovery from the pandemic, energy market volatility and inflationary pressures/cost of living. These factors are affecting each ALEO to varying degrees however, the Hub is satisfied that financial stewardship arrangements continue to be robust and present as low risk to the Council as possible.

4. FINANCIAL IMPLICATIONS

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

4.2 The role of the Hub is to ensure that ALEOs provide assurance that risks, including financial ones are identified and managed. One of the Hub's primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

5. LEGAL IMPLICATIONS

5.1 Legal officers within Commercial and Procurement Services have reviewed ALEO Service Level Agreements which aim, amongst other things, to facilitate the ALEO Assurance Framework. These have been modified to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.

5.2 The ALEO Assurance Hub will help identify any projects and/or initiatives that could influence investment decisions of Bond holders or the Council's credit rating and ensure that the appropriate governance is put in place. This adds a further layer of assurance to the Council's existing Bond governance arrangements.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Ability of ALEOs to support the Council in meeting its strategic outcomes.	The Assurance Hub process mitigates against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers. Council's remit includes oversight of ALEO business plans and performance, which would support	M	Yes

		achievement of the target risk score in this category.		
Compliance	<p>ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.</p> <p>Non-compliance against GDPR, Health and Safety and other statutory responsibilities.</p>	<p>Commercial and Procurement Services has reviewed ALEO service level agreements to ensure they remain robust and fit for purpose.</p> <p>The Strategic Commissioning Committee has oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements.</p> <p>The Hub will continue its oversight of ALEOs' approach to embedding strong governance, including audits, policies, procedures and systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk of governance failure.</p> <p>The Legal Regulatory and Compliance Team provide support and advice to the Hub on the steps ALEOs are taking on GDPR compliance in order for the Hub to provide assurance to Committee on ALEOs' management of this risk.</p>	L	Yes
Operational	Failure of ALEOs to	Monitored by Strategic	L	Yes

	deliver services according to agreed Service Level Agreements	Commissioning Committee which has oversight of ALEO strategic business plans.		
Financial	Financial failure of ALEOs impacting on the Council and its credit rating.	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor. One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs. City Growth and Resources Committee monitors financial performance and viability, including business planning.	L	Yes
Reputational	Impact of performance or financial risk on reputation of ACC.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes
Environment / Climate	Service delivery or operations impacting negatively on City net zero targets.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes

8. OUTCOMES

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

9. IMPACT ASSESSMENTS

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

10. BACKGROUND PAPERS

None

11. APPENDICES

- 11.1 **Appendix A** – Assurance Standards and Risk Ratings
Appendix B – Summary of ALEO Risk Ratings
Appendix C – Aberdeen Heat and Power
Appendix D – Aberdeen Performing Arts
Appendix E – Aberdeen Sports Village
Appendix F – Bon Accord Care
Appendix G – bp Aberdeen Hydrogen Energy Limited
Appendix H – Sport Aberdeen

12. REPORT AUTHOR CONTACT DETAILS

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Appendix A

Assurance Standard	Risk Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

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Appendix B

	Overall Risk Rating															
	Dec-19		Oct-20		May-21		Sept-21		June-22		Dec-22		June-23		Nov-23	
Aberdeen Heat and Power	Very Low/	Low	Low/	Medium	Very Low/	Low	Very Low/	Low	Low/	Medium	Medium		Low/	Medium	Low	
Aberdeen Performing Arts	Low/	Medium	High		Medium		Medium		Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium
Aberdeen Sport Village	Very Low/	Low	Low/	Medium	Very Low/	Low	Very Low/	Low	Low/	Medium	Low/	Medium	Low/	Medium	Very Low/	Low
Bon Accord Care	Very Low/	Low	Low/	Medium	Low/	Medium	Very Low/	Low	Very Low/	Low	Low		Low		Medium/	High
Sport Aberdeen	Very Low/	Low	Medium		Very Low/	Low	Very Low/	Low	Low/	Medium	Low/	Medium	Low/	Medium	Low/	Medium
bp Aberdeen Hydrogen Energy	N/A		N/A		N/A		N/A		N/A		Low/	Medium	Low/	Medium	Low/	Medium

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Appendix C - Aberdeen Heat and Power

Area of Assurance	Assurance Request	ALEO Response and Hub Commentary	Hub Risk Rating
Governance	<p>Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area.</p> <p>Specifically:</p> <p>Please provide a follow up on annual Board Member reviews and any planned training requirements.</p> <p>Please provide confirmation of the scheduling of reviews of governance documentation including policies.</p> <p>Please confirm any impact of Teckal compliance. A short written summary is sufficient.</p>	<p>The Hub noted that a review of governance and associated documentation had been scheduled as an internal audit to be carried out by the Board. This was focusing on financial procedures in the first instance. The Hub also noted that a specialist HR consultant had been appointed to update HR documentation. The Hub agreed to request an update on this work in terms of timescales and progress.</p> <p>With regard to Board Member training requirements and the impact of Teckal compliance, the Hub noted that no information had been provided and agreed to request this by way of follow-up in the next cycle.</p>	Low
Risk Management	<p>Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.</p> <p>Specifically:</p> <p>Please provide copy of your risk register including confirmation of when this was last reviewed by the Board and any outputs.</p>	<p>The Hub reviewed the risk register provided which contains the organisation's risks categorised in accordance with the risk policy. AH&P conduct a detailed review of the risk register on a 6 monthly basis and this includes each of the board subgroups. Evidence of review and updates to each risk recorded within the review column along with the review date.</p> <p>Review of the risk register continues to provide the Hub with assurance that AH&P have an effective risk management framework in place.</p>	Low
	<p>Assurance that appropriate business continuity arrangements are in place, including testing and exercising arrangements or schedules which recognise the evolving risk environment for the Place; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism)</p> <p>Specifically:</p> <p>Please provide updates on progress with implementing Protect duty and preparations for OC6/RLD prior to Winter.</p> <p>Update on BCP activations, testing of plans, since the last cycle.</p>	<p>The Hub was advised that BCP's were updated to reflect OC6 and RLD (planned and unplanned power outages) the update includes the actions required by contracting staff in the event of business interruption. RLD/OC6 will be added as an agenda item to the regular meetings held between operation and maintenance contractors.</p> <p>No plan activations or testing of plans was reported for the current reporting cycle.</p> <p>AH&P confirmed that two members of staff attended CONTEST training last year and options are currently being explored to test AH&P existing strategy and plans in this area along with contracted staff. The Hub will follow up progress in this area in the next reporting cycle.</p>	Low

Finance	Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.	The Hub noted that extensive budget monitoring and budget analysis papers continue to be submitted to and reviewed by the AH&P Board. This includes additional analysis in respect of Debtors, Creditors and the Balance Sheet. The Hub risk rating within this category has been reduced back to Low as Budget monitoring papers indicate that stability in energy costs have reduced the potential financial risk.	Low
	Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.	The Hub confirmed that a Business Plan is in place and Budget monitoring reports reflect that Business Plan. AH&P have confirmed that purchase contracts for the supply of energy are now in place, and this will allow any contracts being agreed for the onward supply of heat to be in line with costs. AH&P are also aware of the need to rebuild reserves to meet potential unanticipated costs and these also form part of the Board Agenda papers. The Hub risk rating within this category has been reduced back to Low as the energy purchase contracts are now in place.	Low
	Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.	The Hub confirmed that audited copies of the 2022-23 annual accounts have been submitted to Companies House within the deadline of 31 December 2023. The auditors' report identified no matters of concern and concluded that the organisation's use of the Going Concern basis of accounting was appropriate.	Low

Appendix D - Aberdeen Performing Arts

Area of Assurance	Assurance Request	ALEO Response and Hub Commentary	Hub Risk Rating
<p>Governance</p>	<p>Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area.</p> <p>Specifically:</p> <p>Please provide an update on CEO post and Board training plan to identify and address any skills gaps.</p> <p>Please provide confirmation of scheduling of reviews of governance documentation including policies.</p>	<p>The Hub noted that Sharon Burgess had started in post as APA's new Chief Executive Officer on 1 June 2023 and had embedded well into the organisation. Board recruitment is still in progress with support from a local executive search organisation. It was anticipated that a new Chair elect and at least two board members would be formally joining the board at the AGM at the end of November. Consequently the current Chair would complete 1:1s by the end of the year, including new board members, to identify gaps and allow a board training plan to be put in place for 2024. The Hub agreed to request an update on progress with regard to board recruitment and training plan for the June 2024 meeting.</p> <p>With regard to governance documentation, the Hub was advised that APA held a policy review tracker which outlined scheduled dates for review of the relevant documentation including company policies. Furthermore, APA's compliance register holds key dates for governance and compliance matters. The Hub noted that APA was in the process of implementing Asana, which would allow them to track policy/document reviews automatically and more efficiently. The Hub agreed to request a copy of the tracker and compliance register by way of follow-up.</p>	<p>Very Low</p>
<p>Risk Management</p>	<p>Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.</p>	<p>APA confirmed that the audit on the statutory accounts was completed in September 2023 and that no audit recommendations were made in this area.</p> <p>APA's Health and Safety Champions have been working to close out recommendations resulting from the Health and Safety audit. A Payment Card Industry Data security Standard (PCI DSS) audit will be undertaken early in 2024, this audit is in line with the internal audit priorities agreed by the Finance, Audit and Property sub-committee.</p> <p>APA provided a copy of the current risk register which was reviewed by the Finance, Audit and Property sub-committee in May 2023, the risk register will be reviewed in November at the Board Meetings.</p> <p>The risk register format remains unchanged since the last review by the Hub, the risks identified are scored, grouped by category and the mitigation actions and activities are allocated to an owner.</p>	<p>Very Low</p>

Finance

Assurance that appropriate business continuity arrangements are in place, including testing and exercising arrangements or schedules which recognise the evolving risk environment for the Place; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism).

APA confirmed that they are in the process of preparing for the implementation of Martyn's Law. Existing Protect Duty procedures have been reviewed by the Health and Safety lead, Head of Customer Engagement and Customer Experience Manager in addition to liaison with Police Scotland in order to review the existing security plan and supporting procedures.

APA confirmed that staff will be reminded of the procedures established in Winter 2022 covering OC6/RLD to raise awareness and to ensure that any planned or unplanned power outages are managed effectively.

The Hub were advised that whilst no testing of BCP's have been conducted since the last reporting cycle, plans have been tested on a "live" basis via activations in order to respond to external events including show cancellations and weather events.

Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.

The Hub noted that Budget monitoring and updated cashflow reports continue as agenda items at each Board Meeting. The review of budgets and finance are supported by the organisations Finance, Audit and Property Sub Committee. The organisation continues to review customer behaviour and spending patterns to support Cash Flow and budget monitoring. There is a clear distinction between available funds and advance booking monies within Cash Flow and budget forecasts. Current year monitoring information and Board papers confirm that APA continue to operate within a challenging financial environment. As in previous years, the success or otherwise of the Xmas Panto is liable to factor heavily with respect to the final financial results for 2023-24

Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.

A business plan is currently in place, which was provisionally approved at the Board meeting in May 2023 with the proviso that this would be reviewed by the new Chief Executive. APA have intimated that the final plan will in place for approval by the board in February 2024, at which time it will also be reviewed by the ALEO Hub. As the updated Business Plan will be a key document which will also inform the basis for funding bids to external organisations going forward the ALEO Hub recognises that it needs to be as current as possible. There is evidence of scrutiny of cost and funding pressures plus potential mitigating actions within the papers being presented to the Board. The Hub will review the Business Plan in the next cycle of meetings.

Very Low

Medium

Medium

Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.

The Hub noted that audited annual accounts in respect of financial year 2022-23 are not yet available. These are expected to be signed off by the Board in November 2023 and submitted to Companies House and OSCR within the due deadlines. The audited accounts will be reported upon within a future Hub report once they have been lodged with Companies House and OSCR.



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Appendix E - Aberdeen Sports Village

Area of Assurance	Assurance Request	ALEO Response and Hub Commentary	Hub Risk Rating
Governance	<p>Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area.</p> <p>Specifically, please provide:</p> <p>Update on progress with the recommendations of the Board review.</p> <p>Update on DPO action plan.</p> <p>Confirmation of scheduling of reviews of governance documentation including policies. Short written summary is sufficient.</p>	<p>The Hub noted the outcome of the ASV Board review which had been presented to the Board in April 2023. Five recommendations had been made which the Executive Team/Chair had been asked to progress over the next 12 months. These were (1) ASV policies; (2) Board Training; (3) Board and Board Member Appraisal; (4) Equality, Diversity and Inclusion; and (5) Other. The Hub noted that ASV's Chief Executive would report back on progress with all of the recommendations at the March 2024 Board meeting, and this would therefore come back to the Hub for June 2024.</p> <p>With regard to ASV policies, the Hub was assured by the detail contained within the relevant recommendation, e.g. that a library of policies was to be created with a clear calendar for when each policy should be reviewed by the executive team.</p> <p>With regard to the DPO action plan, the Hub noted that no update appeared to have been provided and agreed to request an update by way of follow-up.</p>	Very Low
Risk Management	<p>Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.</p> <p>Specifically, please provide:</p> <p>Evidence of risk appetite being taken into consideration during decision making.</p> <p>Progress with Quest improvement plan.</p> <p>Please provide copy of risk register including confirmation of when this was last reviewed by Board.</p> <p>Assurance that appropriate business continuity arrangements are in place, including testing and exercising arrangements or schedules which recognise the evolving risk environment for the Place; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism).</p> <p>Specifically, please provide:</p> <p>Updates on progress with implementing Protect duty and preparations for OC6/RLD prior to Winter.</p> <p>Update on BCP activations, testing of plans, since the last cycle.</p>	<p>ASV provided a copy of the risk register that was reviewed at the board meeting in October 2023. The risk register format remains unchanged with clear risk categorisation which provides an overview of ASV's current risk environment. The register also includes risk scoring and summary of controls/response in place or underway to mitigate the risk. New risks added to the register are also clearly identified.</p> <p>The Hub was provided with a copy of the Quest Improvement Action Planner. The plan sets out the activities identified which are grouped by a themes including (but not limited to); tackling inequalities, customer journey, operational management, compliance, programming for all, event management etc.</p> <p>Task leads have been allocated to each task along with a target completion date. In summary, the action plan evidences that progress is clearly underway in this area with completed tasks being identified. The Hub will follow up further progress in the next reporting cycle.</p> <p>ASV attended the Council's rest centre training event in October. The output from this event will be used to inform updates to existing BCP's to support the Council and the City with emergency planning and response.</p> <p>ASV have continued progress staff training and development in relation to Protect duties with 30 ASV staffing having completed e-learning courses on Action Counters Terrorism (ACT) in addition to the Director of service having completed Home Office e-learning courses on "Prevent Awareness" and "Prevent Referrals"</p> <p>ASV confirmed that OC6/RLD is incorporated into Critical Incident Management Plans.</p> <p>The Hub will follow up BCP testing and activations in the next reporting cycle.</p>	Very Low

Finance

Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.

Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.

Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.

The Hub noted that the ASV Board continue to be provided with detailed budget monitoring and forecasts, as well as updates on specific actions in relation to cost mitigation and Income Generation.

The Hub has confirmed that a 3 Year Business Plan has been signed off by the ASV Board and that the assumptions contained within the Business Plan are reasonable. ASV continue to operate within a challenging financial environment. It should be noted that ASV provide regular monitoring reports to the Board alongside specific reports on various financial aspects, providing updates on progress on cost mitigation as well as benchmarking in relation to prices, attendance and Income generation.

The Hub noted that ASV's financial year end is 31 July 2023. The annual accounts are scheduled to be signed off by the ASV Board in December 2023. The audited accounts will be reported upon within a future Hub report once they have been lodged with Companies House and OSCR. The Hub did note that updated information covering the final year end position were included within the recent Board papers for review by the Board, as part of the normal monitoring process.

Very Low
Medium
Low

Appendix F - Bon Accord Care

Area of Assurance	Assurance Request	ALEO Response and Hub Commentary	Hub Risk Rating
Governance	<p>Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area.</p> <p>Specifically, please provide:</p> <p>BAC Handbook - Data Protection</p> <p>Copy of updated Complaints and Compliments Procedure</p> <p>Confirmation of scheduling of reviews of governance documentation including policies. Short written summary is sufficient.</p>	<p>The Hub noted that the BAC Board had undertaken a review of its Corporate Governance and where changes had been required these had been implemented following approval by the Board. The latest version of the handbook had been provided and the Hub agreed that this provided a good level of assurance. The Hub further noted that as part of the annual assurance process, each of BAC's committees had reviewed their Terms of Reference within the last 12 months.</p> <p>The Hub agreed that the update regarding BAC's Policy Review Group provided a good level of assurance and noted its Terms of Reference. The Group met on a monthly basis and was responsible for reviewing and updating policy as and when required. The Hub noted that in accordance with BAC's Delegation of Authority Matrix, approval for policy changes were made by the Managing Director or Finance Director, however certain policies (e.g. Health and Safety and Risk Management) required full Board approval. The Hub had also been provided with the latest versions of the Data Protection Policy, Compliments and Complaints Policy and Risk Management Policy.</p>	Very Low
Risk Management	<p>Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.</p> <p>Please provide copy of risk register including confirmation of when this was last reviewed by Board including any outputs</p>	<p>BAC continues to develop the well-established risk management arrangements in place. The Corporate Risk Policy was updated and presented to the Board along with the Corporate Risk Register in August.</p> <p>Individual risk registers were also reviewed by the relevant BAC committees as follows:</p> <ul style="list-style-type: none"> - Clinical Risk Register - presented to our BAC Clinical Care and Professional Governance Committee on 4 August 2023 - People Risk Register - presented to our BAC People Governance Committee on 4 August 2023 - Financial Risk Register - presented to BAC Audit and Assurance Committee on 18 August 2023 <p>Copies of the risk registers were provided in addition to the covering report for the Corporate Risk Register review provided to the BAC board. The report provides an updated summary assessment of each risk in addition to noting new risks added to the register since it was last reviewed.</p>	Very Low

	<p>Assurance that appropriate business continuity arrangements are in place, including testing and exercising arrangements or schedules which recognise the evolving risk environment for the Place; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism).</p> <p>Updates on progress with implementing Protect duty and preparations for OC6/RLD prior to Winter.</p> <p>Update on BCP activations, testing of plans, since the last cycle.</p>	<p>BAC continue to develop and implement Protect Duty and this has been incorporated into the BAC eLearning course "Prevent strategy" which all staff are required to complete.</p> <p>A copy of the new Planned Power Outages Business Continuity Plan (BCP) was provided, this document provides staff with an overview of how, when and why the plan would be used. The risks identified have been included and grouped by thematic areas along with the controls and outcomes required. The plan has been rolled out to all BAC Managers and is supported by a guide and an information document.</p> <p>BAC confirmed that services have continued to undertake a review/test of their BCP's every six months. BAC will conduct a desktop exercise using the Corporate BCP in December and this will involve BAC staff and representatives from both ACC and the Health and Social Care Partnership.</p> <p>The Hub will follow up on the outputs from the desktop exercise in the next reporting cycle.</p>	Very Low
Finance	<p>Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub noted that detailed budget monitoring updates reports continue to be submitted to the BAC Board, Assurance Committee and individual Board members for review and comment. It was noted that target savings required to achieve a balanced budget are the subject of a specific agenda item at each Board meeting.</p>	Low
	<p>Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub has confirmed that BAC continue to work to the previously agreed budget and have also noted that BAC continue to review budget assumptions and are taking steps to mitigate additional costs in order to achieve a balanced budget for 2023-24, but the achievement of savings in the current financial environment without knowledge of the final pay award cost is challenging.</p> <p>The greatest challenge within the budget at this time is in respect of the final pay award for 2023-24. While BAC have made assumptions around the cost of the potential wage uplift, there are a significant number of lower graded staff employed by BAC. National wage negotiations are likely to give a greater annual uplift to such staff groupings in recognition that they are amongst the lower paid. BAC are working to mitigate any identified areas of increased costs or budget variance and have been reporting these to their Board regularly.</p> <p>Discussions continue in respect of the new Service Level Agreement with Aberdeen's Health and Social Care Partnership commencing financial year 2024-25 which will allow BAC to agree its service provision for each service and update its Medium Term Financial Plan accordingly. BAC has identified significant increasing demand for its services plus higher levels of complex cases as well as changes in acute versus community based care due to demand being placed on the NHS.</p> <p>The risk rating has been increased from Medium to Medium-High to reflect the challenge around savings targets to be achieved and the final cost of the pay award, yet to be confirmed.</p>	Medium - High
	<p>Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.</p>	<p>The 2023-24 annual accounts will be reported upon within a future Hub report when they have been lodged with Companies House. This will allow the Hub to confirm the auditors have raised no concerns and the accounts are lodged within the required timescales. Board papers indicate the Board has received updates on the 2022-23 year end position.</p>	Low

Appendix G - BP

Area of Assurance	Assurance Request	Hub commentary for report	Hub Risk Rating
Governance	<p>Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area.</p> <p>Specifically please provide:</p> <p>An update on ISO9001 accreditation</p>	<p>The Hub noted that there was no update with regard to ISO9001 accreditation until financial investment decision (FID) was made and the project was confirmed to progress. The Hub will follow up on the accreditation in the next reporting cycle.</p>	Low
Risk Management	<p>Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.</p> <p>Specifically please provide:</p>	<p>BP provided a copy of the current risk register which was last reviewed by the Board in September 2023. The risk register format remains unchanged since the last review and contains risk detail, ratings and mitigations.</p> <p>The risk register reflects the risks identified within the current operating environment and is reviewed on a quarterly basis.</p>	Very Low
	<p>Assurance that appropriate business continuity arrangements are in place, including testing and exercising arrangements or schedules which recognise the evolving risk environment for the Place; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism)</p> <p>Specifically please provide:</p> <p>Updates on progress with implementing Protect duty and preparations for OC6/RLD prior to Winter.</p> <p>Update on BCP activations, testing of plans, since the last cycle.</p>	<p>BP advised that BCP arrangements are still not applicable for this stage of the project and will be progressed to post financial investment decision stage when appropriate.</p> <p>The Hub will request an update in this area at the next reporting cycle.</p>	Medium

Finance	Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.	The Hub confirmed that regular monthly budget monitoring accounts are being issued to Board members and that there are no matters of concern arising within these reports. Board papers also indicate extensive discussions on particular aspects continue to be tabled as required.	Low
	Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.	The Hub confirmed that annual work programme contained within the Business Plan continue to be discussed at Board meetings.	Low
	Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.	The Hub confirmed that copies of the audited 2022-23 annual accounts have been submitted to Companies House within the deadline of 31 December 2023. The auditors' report identified no matters of concern and concluded that the organisation's use of the Going Concern basis of accounting was appropriate.	Low

Appendix H - Sport Aberdeen

Area of Assurance	Assurance Request	ALEO Response and Hub Commentary	Hub Risk Rating
Governance	<p>Assurance of on-going review of all governance documentation and policies. The assurance will be provided through a short written summary of planned and completed activities in this area.</p> <p>Specifically please provide updates on training day outcomes and Data Protection Policy.</p>	<p>The Hub noted the update with regard to training day outcomes. A board governance review day was scheduled for the last quarter of 2023/24 which was to coincide with the appointment of new trustees who were expected to take up appointment in November and December. The recruitment process for the vacant board director positions had been very positive with a strong response and the skills matrix and the trustee role description had been refreshed as part of the process. The Hub agreed that this provided a good level of assurance and looked forward to the next update in June 2024 with the outputs from the governance review day and following appointments having been made to the board.</p> <p>With regard to data protection, the Hub noted that Sport Aberdeen continued to take a robust approach to all aspects of data protection and an overarching review of the Data Protection Policy was undertaken on a three-year cycle, with the last review having been undertaken in May 2022. Regular updates are reported to the Board or the Corporate Governance Committee by the Data Protection Officer, with the most recent updates to be presented to the Corporate Governance Committee in November. Privacy notices continue to be monitored and updated on an ongoing basis and data protection impact assessments are completed where necessary. The Hub noted that recent examples of privacy notices and data protection impact assessments had been provided, as well as the Data Protection Policy itself.</p> <p>The Hub noted that Sport Aberdeen had a robust schedule for reviewing all governance documentation and policies which was overseen by the Director of Finance and Corporate Services. The latest version of the schedule had been provided and the Hub agreed that this</p>	Very Low
Risk Management	<p>Assurance that risks are being regularly reviewed in accordance with the organisation's agreed risk management policy, are kept under regular review with control actions monitored to completion, and are linked to the achievement of outcomes for the ALEO and the Council. This assurance will be provided through provision of risk registers and relevant supporting minutes/documentation.</p> <p>Please provide copy of risk register including confirmation of when this was last reviewed by Board and any outputs.</p>	<p>Sport Aberdeen provided a copy of the Strategic Risk Register which is reviewed every six months with the next review due by the Corporate Governance Committee in November along with the Risk Management Policy and the Risk Appetite Statement.</p> <p>The risk register format remains unchanged since the last review and retains focus on the "top 12" risks identified by the organisation.</p> <p>The Hub will follow up on the Risk Management Policy and Risk Appetite review in the next reporting cycle.</p>	Very Low

Finance

<p>Assurance that appropriate business continuity arrangements are in place, including testing and exercising arrangements or schedules which recognise the evolving risk environment for the Place; in particular that provision is made within plans and exercising to ensure resilience around critical service delivery; that each organisation has an awareness of the Council's responsibilities as a Cat 1 responder under the Civil Contingencies Act and has agreed mechanisms in place to support these; and that each organisation is fully conversant with the implications for their operations of the CONTEST Strategy (UK Govt strategy for counter-terrorism)</p> <p>Specifically please provide:</p> <p>Updates on progress with implementing Protect duty and preparations for OC6/RLD prior to Winter.</p> <p>Update on BCP activations, testing of plans, since the last cycle.</p>	<p>Sport Aberdeen have been preparing for the introduction of new legislation (Martyn's Law) in late 2023/early 2024. Planning and preparation is underway to:</p> <ul style="list-style-type: none"> - Update existing emergency action plans to reflect the final published guidance for venues which fall into 'Standard Tier' category. - Finalise additional risk assessments, staff training and security planning for the Linx Ice Arena (which will be subject to 'Enhanced Tier' rules for large scale ice hockey and skating events) once requirements are confirmed. - Key staff to undertake Action Counters Terrorism (ACT) training once requirements are fully confirmed. <p>A special briefing on the new legislation was attended by all members of the extended leadership team, this forum provided an opportunity for the team to discuss and consider the implications arising from the new legislation.</p> <p>Sport Aberdeen provided a copy of the Power Outages, RLD and OC6 action plan which was created late 2022 following the scenario planning exercise provided by the Council. The plan is scheduled to be reviewed by the operational management team and Business Continuity Team to identify and update as necessary.</p> <p>The extended leadership management team attended an ISO23001 training course on Business Continuity systems in order to support a refresh of BC planning system and information.</p> <p>SA advised that they activated Business Continuity arrangements on 19th October in response to Storm Babet, initially the activation covered HQ staff living out with the City before becoming a companywide activation as the incident developed.</p>	<p style="text-align: center;">Very Low</p>
<p>Assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.</p>	<p>Budget Monitoring Reports continue to form part of Board meeting agendas for review by Board members, including additional financial items where necessary. The organisation continues to operate within a challenging financial environment and seeks to mitigate or take action to reduce the financial risk to the organisation.</p>	<p style="text-align: center;">Low</p>
<p>Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.</p>	<p>The Hub noted that a one year Business Plan has been produced for 2023-24 which has been approved by the Board. The setting of a one year Business Plan rather than a 3 year rolling plan was agreed with Aberdeen City Council. Assumptions within the Business Plan have been reviewed and are in line with current activity levels.</p> <p>Sport Aberdeen advise that the challenge of one year budget settlements does impact on the ability to prepare a 3 year business plan.</p>	<p style="text-align: center;">Medium</p>
<p>Assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.</p>	<p>The Hub confirmed that the 2022-23 annual accounts were submitted to Companies House and OSCR by the required deadline. As Companies House has not yet uploaded a copy of the final audited accounts, these will be reviewed when that is complete as the Hub needs to review the final accounts and ensure the auditors have not raised any concerns. The Hub did note that the Board have been receiving updates on the year end position as part of the normal Board paper agenda.</p>	<p style="text-align: center;">Low</p>

ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Use of Investigatory Powers- Q4-2023
REPORT NUMBER	COM/23/355
DIRECTOR	Gale Beattie
CHIEF OFFICER	Jenni Lawson- Interim Chief Officer - Governance
REPORT AUTHOR	Jess Anderson, Team Leader- Regulatory and Compliance, Legal Services
TERMS OF REFERENCE	5.2

1. PURPOSE OF REPORT

- 1.1 To ensure that Elected Members review the Council’s use of investigatory powers on a quarterly basis and have oversight that those powers are being used consistently in accordance with the Use of Investigatory Powers Policy.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note covert surveillance activity and IPCO’s letter of 5th September attached to this report, and;
- 2.2 Note the update on Communications Data.

3. CURRENT SITUATION

- 3.1 The Council has powers under the Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA), and Investigatory Powers Act 2016 (IPA) to use different investigatory techniques. RIPSA provides a legal framework for covert surveillance by public authorities, an independent inspection regime to monitor these activities and sets out a process for the authorisation of covert surveillance by designated officers, for the duration of that authorisation and for the review, renewal or termination of authorisations. It gives the Council powers to conduct two types of covert surveillance:

1. Directed Surveillance (is covert surveillance in places other than residential premises or private vehicles); and
2. the use of a Covert Human Intelligence Source (the use of an undercover officer).

This Committee has had oversight of covert surveillance activity under RIPSAs since 2017.

- 3.2 The IPA permits the Council to acquire Communications Data for a lawful purpose. Communications data is the way in which, and by what method, a person or thing communicates with another person or thing. The IPA sets out the manner and process by which Communications data can be obtained and this is supported by the Home Office's Communications Data Code of Practice¹. The Council has not used Communications data since approximately 2005, however the ability to acquire it still remained. In response to concerns from the Operations and Protective Services cluster that there is an increase in online offences, more so during the pandemic, Legal Services and Trading Standards worked together to put in place operational procedures to ensure compliance with the requirements of the IPA. The operational procedure in respect of Communications data was approved on 27 April 2023.
- 3.3 The Investigatory Powers Commissioner (IPCO) has oversight of both RIPSAs and IPA and as such, the Council's use and management of powers under these will form part of the normal inspection process. The last inspection took place in September 2023 and Committee was verbally updated on 14th September 2023. The IPCO undertook an inspection of Aberdeen City Council's compliance with RIPSAs and the IPA and concluded that they were *"satisfied that [the Council's] reply provided assurance that ongoing compliance with RIP(S)A 2000 and the Investigatory Powers Act 2016 will be maintained. As such your Council will not require further inspection this year"*. The IPCO's letter is attached at Appendix A. The IPCO will next inspect the Council in 2026.
- 3.4 The Council approved the Use of Investigatory Powers Policy in December 2021¹. This policy governs compliance with both RIPSAs and the IPA. It remains a mandatory requirement that all members of staff wishing to use investigatory powers must undertake training prior to being able to make an application to use such investigatory powers.
- 3.5 Committee is being asked to note the update on the use of these powers, and the Council's compliance with the Policy, particularly in respect of covert surveillance activity during the period 4 September 2023 to 14th November 2023.

Quarter 4- 2023

¹ [Agenda for Audit, Risk and Scrutiny Committee on Thursday, 2nd December, 2021, 2.00 pm \(aberdeencity.gov.uk\)](#)

Covert Surveillance – RIPSA

- 3.6 During the period 4 September and 14th November 2023 (the submission of this report to committee), there has been one application for Directed Surveillance. The application related to the sale of age restricted tobacco and vapour products and was cancelled in accordance with the Council's internal procedure.
- 3.7 There have been no further applications for covert surveillance made, or approved, within this quarter.

Communications Data- IPA

- 3.8 As noted in the report for Q3 there were four applications requested for Communications Data. These applications were submitted but not progressed as there is a technical issue with the application system. The matter is being looked into with NAFN.

Authorising Officers (AO)

- 3.9 At the AO meeting this an update was provided on the inspection from the Investigatory Powers Commissioner which took place during the last quarter. There are no follow up actions for the Council arising from the inspection.

Training

- 3.10 No training has been delivered this quarter.
- 3.11 The Council's RIPSA Co-Ordinator was asked to speak at the Society of Advocates and Lawyers Association (SOLAR) Annual Conference on 10 November 2023 on RIPSA. This was aimed at the Legal Service and its role in RIPSA compliance.

Awareness Raising

- 3.12 A Frequently Asked Questions guide was produced for officers guiding them through the rules around the use of social media and intelligence gathering. This will be added to the restricted online forum before the end of the year.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 The Scottish Government Code of Practice on Covert Surveillance sets an

expectation that elected members review and monitor the use of RIPSAs on a quarterly basis. This is also a matter which is taken into account by the IPCO when they carry out their inspections.

- 5.2 The Home Office Code of Practice on Communications Data states that any public authority wishing to acquire Communications Data must have regard to the Code and that there should be a robust process in place for accessing such data which should be overseen by the Senior Responsible Officer.
- 5.3 Quarterly reporting of the Council’s use of investigatory powers to Elected Members provides assurance that the Council’s use of such powers is being used consistently and that the standards set by its policy remain fit for purpose.
- 5.4 It is recommended as good practice, under paragraph 4.43 of the Scottish Government’s Code of Practice for Covert Surveillance and Property interference, that elected members consider a statement on the Council’s Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) policy and statistical information on relevant activity on an annual basis.
- 5.5 The management, knowledge and awareness of those involved with RIPSAs activity was something which was commended by the IPCO in the inspection in 2020. Officers hope that reporting on the use of investigatory powers more broadly, enhances transparency and provides another level of scrutiny and assurance on the use of these powers.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental/ climate risks arising from the recommendations in this report.

7. RISK

The assessment of risk contained within the table below is considered to be consistent with the Council’s Risk Appetite Statement”

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	There are no strategic risks		L	Yes
Compliance	That the Council’s	This Committee receives quarterly and annual reports on its use of investigatory	L	Yes

	<p>use of RIPSAs is not legally compliant.</p> <p>The Council's acquisition of communications data does not comply with the Home Office Code of Practice.</p>	<p>powers under RIPSAs and the IPA and related policy mitigates this risk highlighted in this Section.</p>		
Operational	<p>Employees are not suitably trained for surveillance work. Failure to report to and update Committee on surveillance activity means that it would undermine public confidence in the Council and how it operates.</p>	<p>Appropriate and mandatory training arms staff with the correct skills to carry out surveillance and thus, there is little to no risk to staff. All requests for training are met.</p> <p>Reporting to Committee occurs quarterly on surveillance activity.</p>	L	Yes
Financial	<p>There are no financial risks arising from this report</p>		L	Yes
Reputational	<p>Failure to update Committee on RIPSAs activity would mean that the Council would be at risk of reputational damage when this is raised by the IPCO in their inspection.</p>	<p>External inspections on RIPSAs activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSAs. Further, whilst there is no requirement to report to Committee about the Council's use of Communication Data, the broader reporting of both demonstrates</p>	L	Yes

		the Council's wish to be transparent about its use of such powers. The Inspection Report is shared with Committee and an Action Plan created (where necessary) and is endorsed and approved by Committee.		
Environment / Climate	There are no environmental or climate impacts arising from this report.		L	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2022-2023</u>	
	Impact of Report
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	The report does not have an impact on the Policy Statement
Prosperous Economy Stretch Outcomes	Whilst the recommendations of this report are for noting, the use of investigatory powers by the Council as an investigatory tool may have an impact on the economy as a result of enforcement action taken by services such as Trading Standard, e.g. such as in enforcing the law around counterfeit goods.
Prosperous People Stretch Outcomes	Enforcement activity undertaken by the Council by using, where appropriate, its powers under the IPA and RIPSAs, may have an impact on this by tackling the selling of counterfeit goods.
Prosperous Place Stretch Outcomes	

Regional and City Strategies	This report does not have an impact on the Regional and City Strategies.
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9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	The purpose of this report is to update Committee on the Council's use of investigatory powers. Further, there is no requirement to consider the Fairer Scotland Duty as this report does not seek approval for any Strategic decisions and is merely providing Committee with an update on this type of activity.
Data Protection Impact Assessment	The purpose of this report is to update Committee on the Council's use of investigatory powers. As such, a Data Protection Impact Assessment is not required.
Other	There are no other impact assessments relevant to this report.

10. BACKGROUND PAPERS

10.1 There are no background papers to this report.

11. REPORT AUTHOR CONTACT DETAILS

Name	Jess Anderson
Title	Team Leader, Regulatory and Compliance, Legal Services, Governance, Commissioning.
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12. Appendix A- Letter from the Investigatory Powers Commissioner re the Inspection Report, Aberdeen City Council, September 2023

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IPCO

Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

Ms Angela Scott
Chief Executive
Aberdeen City Council
Marischal College
Aberdeen
AB10 1AB

5th September 2023

Dear Ms Scott,

Thank you for providing IPCO with your response to the matters identified at points 1 to 9 of my Secretariat's letter dated 10th July 2023. I apologise for the delay in your receiving the letter owing to it initially being sent to the email address of a former Council Leader. I am also grateful for the subsequent engagement between my Inspector [REDACTED] and your Ms Jessica Anderson (Governance Team Leader) as they followed up on the information that had been provided.

I am satisfied that your reply provides your assurance that ongoing compliance with RIP(S)A 2000 and the Investigatory Powers Act 2016 will be maintained. As such, your Council will not require further inspection this year.

I would ask that you ensure that the key compliance issues continue to receive the necessary internal governance and oversight through yourself and your Senior Responsible Officer: policy refreshes; annual updates to your Elected Members; ongoing training and awareness raising; internal compliance monitoring by lead managers within their business areas; and the retention, review and destruction (RRD) of any product obtained through the use of covert powers (Records and Product Management in accordance with the Safeguards Chapters of the relevant Codes of Practice).

Your Council will be due its next inspection in 2026, but please do not hesitate to contact my Office if IPCO can be of assistance in the intervening period.

Yours sincerely,

[REDACTED]

The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit Risk and Scrutiny
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions
REPORT NUMBER	CUS/23/357
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Lucy McKenzie
REPORT AUTHOR	Lucy McKenzie
TERMS OF REFERENCE	6.4

1. PURPOSE OF REPORT

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

2. RECOMMENDATION(S)

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

3. CURRENT SITUATION

- 3.1 A report detailing all Scottish Public Services Ombudsman (SPSO) and/or Inspector of Cremations decisions relating to Aberdeen City Council is submitted to Audit Risk and Scrutiny Committee each reporting cycle. This is to provide assurance that complaints and Scottish Welfare Fund decisions are being handled appropriately.
- 3.2 The last report on this matter was submitted to the 27 June 2023 Committee.

Scottish Public Services Ombudsman (SPSO) Complaint Decisions

- 3.3 The Scottish Complaints Handling Procedure (CHP) followed by Aberdeen City Council is outlined by the SPSO. Details of the CHP can be accessed at www.aberdeencity.gov.uk/complaints
- 3.4 The SPSO publish all decision reports on their website at www.spsso.org.uk/decision-report-search
- 3.5 There is one SPSO decision relating to Aberdeen City Council complaints to notify Committee of. The complaint was not upheld. Further information is detailed in Appendix A.

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

- 3.6 The Scottish Welfare Fund is delivered by Local Councils across Scotland and offers two types of grants – Crisis Grants and Community Care Grants. Further information is available at www.aberdeencity.gov.uk/services/benefits-and-advice/apply-scottish-welfare-fund
- 3.7 There have been three SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period. Two decisions were upheld (unchanged), and one was partially upheld (partially changed). Further information is detailed in Appendix B.

Inspector of Cremations Decisions

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

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	Low (L) Medium (M) High (H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	If we do not handle complaints or Scottish Welfare Fund (SWF) applications correctly then there is risk that we do not meet our strategic objectives.	Support in complaint handling is available to responding officers through a variety of methods and there is a centralised team in place to monitor compliance. The SWF team go through extensive training and ongoing guidance and support is available. Reviews are carried out by senior staff.	L	Yes
Compliance	The (SPSO) is the regulatory body for public services in Scotland. If we are non-compliant in our handling of a complaint or Scottish Welfare Fund application then there is risk that this is highlighted by the SPSO.	Support in complaint handling is available to responding officers through a variety of methods. In addition, all Stage 2 responses are also quality assured to ensure that responses are appropriate. Officers responsible for Scottish Welfare Fund applications	L	Yes

		receive full training to ensure they have the necessary knowledge to undertake assessments.		
Operational	Staff morale may be lowered as a result of a negative outcome of a SPSO decision.	Whilst it is not pleasant to receive a complaint, officers are encouraged to view complaints in a positive light, as a learning point going forwards.	L	Yes
Financial	Each time a complaint escalates it is more costly to the council than the previous stage due to the effort involved, therefore financially it is in the council's best interest to resolve complaints early in the process. There is also a risk that the council may be required to undertake additional actions as a result of an SPSO decision, including financial compensation.	The complaint handling procedure encourages frontline resolution whenever possible and there is guidance and training in place to support staff in effective complaint handling. The financial benefit of early resolution is highlighted to responding officers in training.	L	Yes
Reputational	Non-compliance carries reputational risk. Customer perception of the council could also be negatively impacted if complaints and	There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and	L	Yes

	Scottish Welfare Fund applications are not handled correctly.	appropriately across the council. Staff within the Scottish Welfare Fund Team receive comprehensive training to ensure applications are handled correctly and there is a robust procedure in place to review decision making when necessary.		
Environment / Climate	There are no environment / climate risks associated with this report.	N/A	N/A	Yes

7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
Impact of Report	
Aberdeen City Council Policy Statement	Complaints are a vital part of organisational learning and improvement therefore enabling the Council to realise its aims across its policy statement. The report focuses on complaints outcomes which provide rich customer insight for the organisation to act upon to help transform service delivery.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Place Stretch Outcomes	The Scottish Welfare Fund supports the delivery of the LOIP stretch outcome 1 as it can provide short term financial assistance to help with food costs which can relieve the pressure on use of food banks. It also works with partner agencies to identify citizens and signpost them for budget management, debt advice and benefit maximisation.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required

Data Protection Impact Assessment	Not required
Other	Not required

9. BACKGROUND PAPERS

N/A

10. APPENDICES (if applicable)

Appendix A – SPSO Complaint Decisions

Appendix B – SPSO Scottish Welfare Fund Decisions

11. REPORT AUTHOR CONTACT DETAILS

Lucy McKenzie

Interim Chief Officer People & Organisational Development and Customer Experience

LucyMcKenzie@aberdeencity.gov.uk

Appendix A – SPSO Complaint Decisions

Complaint Received Date	SPSO Decision Date	Complaints Investigated by the SPSO	Cluster	SPSO Decision	SPSO Decision Report	Date Recommendations Implemented
23 June 2021	25 August 2023	<ol style="list-style-type: none"> 1) Social work unreasonably failed to carry out an appropriate assessment of baby A's parents (not upheld) 2) Social work unreasonably failed to provide support to baby A's parents (not upheld) 	Integrated Children's & Families Service	Complaint not upheld, no recommendations	https://www.spsso.org.uk/decision-reports/2023/october/decision-report-202110675-202110675	Not applicable

Appendix B – SPSO Scottish Welfare Fund Decisions

Application Received Date	Application Type	Aberdeen City Council 1st Tier Review Decision Date	SPSO 2nd Tier Review Decision Date	SPSO Decision
29 June 2023	Community Care Grant	30 June 2023	22 August 2023	Aberdeen City Council decision partially changed
21 September 2023	Crisis Grant	22 September 2022	26 September 2023	Aberdeen City Council decision unchanged
3 October 2022	Crisis Grant	10 October 2023	12 October 2023	Aberdeen City Council decision unchanged

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Annual Accounts 2023/24 – Action Plan and Key Dates
REPORT NUMBER	RES/23/375
DIRECTOR	Steven Whyte, Director of Resources
CHIEF OFFICER	Jonathan Belford, Chief Officer – Finance
REPORT AUTHOR	Lesley Fullerton, Finance Operations Manager
TERMS OF REFERENCE	4.1

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2023/24 Annual Accounts including linkages to the plans and timetables of the Council’s External Auditors.

2. RECOMMENDATION(S)

2.1.1 It is recommended that committee notes the information in relation to the 2023/24 annual accounts process contained within the report.

2.1.2 It is recommended that a special meeting of this committee is held in May 2023 to align with the reporting of the unaudited Annual Accounts.

3. CURRENT SITUATION

3.1 The Annual Accounts 2023/24 will summarise the Council’s transactions for the period, 1 April 2023 to 31 March 2024 and its financial position at the year-end 31 March 2024. They will be prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and in accordance with The Local Authority Accounts (Scotland) Regulations 2014. There are no changes to these Codes in 2023/24 that will have any significant impact on the Annual Accounts.

- 3.2 In order to comply with the regulations of being listed on the London Stock Exchange the Council is implementing the same earlier year end closedown as previous years. This means that the unaudited Annual Accounts will be ready for audit by 30 April 2024 and the signed audited Annual Accounts by 30 June 2024.
- 3.3 There are a number of key dates within this process, and these are summarised as follows:

Date(s)	Description
31 March 2024	End of the financial year 2023/24
Jan – June 2024	Information from Group Entities (including ALEO's) Best Value Thematic Report to be integrated into wider scope audit areas (Leadership of the Development of new Strategic Priorities)
23 April 2024	Public Notice for the Public Inspection Period to be issued
08 May 2024	Signing of unaudited Annual Accounts by the Proper Officer
09 May 2024 (tbc)	Sign off by Audit, Risk and Scrutiny Committee (additional meeting required) Submission of the Annual Accounts to Auditors
09 May 2024 – 30 May 2024	Public Inspection Period for the unaudited Annual Accounts
27 June 2024	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
27 June 2024	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Co-Leaders.
30 June 2024	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies
14 July 2024 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
30 September 2024	Deadline for submission of the signed audited Annual Accounts to the Auditor
30 September 2024 (tbc)	Deadline for submission of the audited WGA to the Scottish Government
31 October 2024	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
31 December 2024	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

3.3.1 31 March 2024

Transactions relating to goods and services received or provided by the Council by 31 March 2024 should be recorded in the 2023/24 financial year.

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

3.3.2 January 2024 – June 2024

The Council is required to consider its interests in all types of entity and prepare Group Accounts which incorporate the material transactions and balances of those entities identified as subsidiaries, associates, and joint ventures. A number of the entities included are also referred to as ALEO's (Arm's Length External Organisations). Throughout this period there are a number of deadlines for these entities to provide management accounts, draft financial statements with detailed working papers as necessary and audited Annual Accounts.

3.3.3 23 April 2024, 9 May 2024 – 30 May 2024

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

3.3.4 8 & 9 May 2024

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

The Audit, Risk and Scrutiny Committee will receive the unaudited Annual Accounts 2023/24, including the Annual Governance Statement and Remuneration Report for consideration prior to submission for audit. The Local Authority Accounts (Scotland) Regulations 2014 requires that a committee whose remit includes audit or governance meet to consider the unaudited accounts as submitted to the auditor no later than 31 August. As the body charged with governance it allows members of the committee the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness hence effectively "sign off" the governance statement before they are submitted for audit.

3.3.5 9 May 2024

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

3.3.6 30 June 2024

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

The committee will also receive the external auditor's "Annual Report to Members and the Controller of Audit on the 2023/24 audit" for debate and consideration. This report provides observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting

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

The Annual Audit report includes the draft audit opinion on whether the accounts provide a 'true and fair view' of the Council finances and includes a review of 'going concern'. For 2019/20, 2020/21, 2021/22 and 2022/23 there was significant focus on this aspect of the audit due to Covid-19 impact and the effects of the war in the Ukraine, and this extended to the ALEO's.

3.3.7 14 July & 30 September 2024

The Whole of Government Accounts (WGA) Returns are prepared based on the draft and final annual accounts, and form part of the external audit. There was a delay in the WGA Returns being issued for the 2020/21, 2021/22 and 2022/23 Annual Accounts due to amended deadlines because of the Covid pandemic. Therefore, there is the possibility that these deadlines may be extended for 2024 also.

3.3.8 31 October 2024

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

3.4.1 The Council's external auditors, Audit Scotland, commenced their contract with effect from 2022-23. As a result of delays in their previous years audits, Audit Scotland started the Council audit later than planned and there was limited engagement in advance to agree the audit timescales and workplan. This meant that Audit Scotland were not fully aware of the processes the Council used to achieve its early close of the Annual Accounts, however there was an acknowledgement that as far as practicable the early close dates were being targeted. The audited Annual Accounts were not approved at a meeting of this Committee in June 2023, and were delayed until 15 August 2023.

3.4.2 This is the second year of Audit Scotland's 5-year contract. Accounting staff are in the process of agreeing timelines with Audit Scotland, however at this stage Audit Scotland has not confirmed that they will work to the early close deadlines.

3.4.3 The dates provided above are based on our achieving an audited set of Accounts by the end of June. This is consistent with the Council's early close deadlines that have been in place for several years. Some of these dates, therefore, may be subject to change.

3.4.4 Audit Scotland have this year introduced a new approach to best value reporting, which Committee were informed of in March 2023. The intention was to embed best value auditing in the annual audit process, presenting a thematic

report each year alongside the annual audit report, as well as a report every 5 years summarising the best value thematic reports over the period. The first of these reports is due to be presented to the committee in February 2024, slightly later than planned.

3.5 Local Authority Charities

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

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

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

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

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

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No risks identified	n/a	n/a	n/a
Compliance	No risks identified	n/a	n/a	n/a

Operational	No risks identified	n/a	n/a	n/a
Financial	No risks identified	n/a	n/a	n/a
Reputational	No risks identified	n/a	n/a	n/a
Environment / Climate	No risks identified	n/a	n/a	n/a

7. RISK

COUNCIL DELIVERY PLAN	
	Impact of Report
Aberdeen City Council Policy Statement	Annual Accounts is an enabler for the delivery of the outcomes and external audits ensure that the Council's stewardship and financial management are robust.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	There are no direct implications on the economy arising from the recommendations of this report.
Prosperous People Stretch Outcomes	A robust year end process and timetable assists budget holders in their role which in turn should enhance the staff experience.
Prosperous Place Stretch Outcomes	There are no direct implications on the environment arising from the recommendations of this report.
Regional and City Strategies	There are no direct implications on the economy arising from the recommendations of this report.
UK and Scottish Legislative and Policy Programmes	The report sets out the key dates for the Annual Accounts 2023/24, which fulfils the requirements placed upon the Council by The Local Authority Accounts (Scotland) Regulations 2014.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	It is confirmed by Chief Officer- Finance that no Integrated Impact Assessment is required.
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

9.1 None

10. REPORT AUTHOR CONTACT DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Committee Annual Effectiveness Report
REPORT NUMBER	COM/23/358
DIRECTOR	Gale Beattie
CHIEF OFFICER	Vikki Cuthbert
REPORT AUTHOR	Karen Finch
TERMS OF REFERENCE	GD 8.5

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the annual report of the Audit, Risk and Scrutiny Committee to enable Members to provide comment on the data contained within.

2. RECOMMENDATIONS

That Committee:-

- 2.1 provide comments and observations on the data contained within the annual report; and
- 2.2 note the annual report of the Audit, Risk and Scrutiny Committee.

3. CURRENT SITUATION

Annual Reports on Committee Terms of Reference

- 3.1 The annual committee effectiveness reports were introduced in 2018/19 following a recommendation from the Chartered Institute of Public Finance and Accountancy (CIPFA) as part of the Council's work towards securing that organisation's accreditation in governance excellence. The Terms of Reference set out that each Committee will review its own effectiveness against its Terms of Reference through the mechanism of the annual report.
- 3.2 The annual effectiveness reports were mentioned by CIPFA in their report which awarded the Mark of Excellence in Governance accreditation to Aberdeen City Council. CIPFA highlighted the implementation of the annual effectiveness reports as a matter of good practice in governance and were encouraged that, during consideration of the reports at Committee and Council, Members had made suggestions for improvements to the reports in future years.
- 3.3 Data from the annual effectiveness reports is used to inform the review of the Scheme of Governance, ensuring that Committee Terms of Reference are

correctly aligned, and identifying any areas of the Terms of Reference which had not been used throughout the year in order that they can be reviewed and revised if necessary. The information from the effectiveness reports has also been used in the past to feed into the Annual Governance Statement.

- 3.4 The reports provide a mechanism for each committee to annually review its effectiveness, including data on attendance, any late reports, referrals to Council and the number of times officer recommendations were amended, and to ensure that it is following its Terms of Reference.
- 3.5 Similarly, recording the sections or stretch outcomes of the Local Outcome Improvement Plan (LOIP) which apply to each report allows Members to be aware of the direct impact of any proposals before them on the LOIP, and gives a general overview at the end of each year of the number of reports which have had an impact on the LOIP stretch outcomes.
- 3.6 The annual effectiveness reports for committees retained from the previous structure were delayed to allow the newly established Committees to have a full year of data to report.
- 3.7 Any comments from Members on areas of data that should be considered would be welcomed to ensure that Members are presented with meaningful data.
- 3.8 The annual report for 2022/2023 is therefore appended for the Committee's consideration. Following consideration by the Committee, the report will be submitted to Full Council in December for noting.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications 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. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental implications arising from the recommendations of this report.

7. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation	*Does Target Risk Level Match Appetite Set?
Strategic Risk	N/A			Yes
Compliance	Failure to submit this report would mean that the Council would not be complying with its instruction that all committees and Full Council receive such a report each year.	L	Council is given the opportunity to consider the reports and provide feedback on any amendments. Members would wish to see in the content so that this can be taken on board for next year's Scheme of Governance review.	Yes
Operational	N/A			Yes
Financial	N/A			Yes
Reputational	N/A			Yes
Environment / Climate	N/A			Yes

8. OUTCOMES

There are no links to the Council Delivery Plan, however the committee effectiveness annual reports link to the Scheme of Governance, by ensuring that each committee is fulfilling its Terms of Reference.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	It is confirmed by Interim Chief Officer – Governance (Assurance), Vikki Cuthbert, that no impact assessment is required.
Data Protection Impact Assessment	Not required

10. BACKGROUND PAPERS

None.

11. APPENDICES

- 11.1 Audit, Risk and Scrutiny Committee Annual Effectiveness Report 14 October 2022 to 14 October 2023

12. REPORT AUTHOR CONTACT DETAILS

Karen Finch
Committee Services Officer
kfinch@aberdeencity.gov.uk

Audit, Risk and Scrutiny Committee Annual Effectiveness Report 2022/2023



Contents

1. Introduction from Convener	3
2. The Role of the Committee.....	4
3. Membership of the Committee during 2022/2023.....	6
4. Membership Changes	6
5. Member Attendance	6
6. Meeting Content	7
7. Reports and Decisions	8
8. Reports with links to the Local Outcome Improvement Plan	8
9. Training and Development	9
10. Code of Conduct Declarations and Transparency Statements	9
11. Civic Engagement.....	9
12. Executive Lead to the Committee - Commentary	10
13. The Year Ahead	10
Appendix 1 – Local Outcome Improvement Plan Stretch Outcomes	11

1. Introduction from Convener

- 1.1 I am pleased to present the annual effectiveness report for the Audit, Risk and Scrutiny Committee. The annual effectiveness reports have been in place since 2017, following a recommendation made by CIPFA in their review of the Council's governance arrangements, namely that Committees review the extent to which they had operated within their Terms of Reference, through an annual report. The annual effectiveness report represents good practice in governance and also informs the annual review of the Council's Scheme of Governance, enabling officers to identify if any changes are required, for example, to the Committee Terms of Reference.
- 1.2 As we look forward as an organisation, it is essential that Council has confidence in the way it scrutinises its business. As Convener of Audit, Risk and Scrutiny, it is incumbent upon me to ensure that we receive assurance from management, internal audit, and external audit on the effectiveness of our systems, particularly where there is any risk of weakness in our controls. This will allow the Council to learn lessons from previous control failures.
- 1.3 I want to see the Council make better use of the Committee to improve council services and I would like the public to have confidence that we will do so. The Committee has overseen a reduction in the number of overdue internal audit recommendations this year and has worked closely with the Chief Internal Auditor to complete their internal audit plan, which will bring about improvements in our services. I look forward to receiving the Internal Audit Plan for 2024/25 in February, alongside our Risk Appetite Statement. Both are key tools for us to have confidence in our system of risk management.
- 1.4 Finally, I have instructed a management assurance report to the February meeting of the Committee on the Council's compliance with the requirements under the Equalities Act 2010 to meet our Public Sector Equality Duty. It is then the role of our auditors to undertake their own scrutiny through internal and external reports. Together, these will help us to understand the extent of any control weaknesses in relation to the closing of libraries and Bucksburn pool, and provide assurance to that we are transparent about lessons to be learned as a result.



Councillor M. Tauqeer Malik
Convener – Audit, Risk and Scrutiny Committee

2. The Role of the Committee

Purpose of the Committee

To ensure that the Council has robust arrangements for:

- Good governance including information governance, surveillance, fraud, bribery and corruption;
- Maintaining an effective control environment through an effective approach to risk management; and
- Reporting on financial and performance reporting.

The Committee also monitor the effectiveness of the Internal Audit function and the Council's implementation of its recommendations, as well as the implementation of the recommendations of its external auditors.

Remit of the Committee

1. Risk Management

The Committee will ensure the effectiveness of the Council's risk management system and will:

- 1.1 receive an annual review of the system of risk management and an annual report on the corporate risk register and related action plans;
- 1.2 receive assurance that services are maintaining and reviewing Business Continuity Plans in accordance with the priorities allocated to them;
- 1.3 monitor the implementation of the Council's ALEO Assurance Framework by receiving reports from the ALEO Assurance Hub on the monitoring and mitigation of risks to the Council associated with its ALEOs;
- 1.4 receive an annual report in respect of the Council's information governance; and
- 1.5 approve all relevant policies.

2. Internal Audit

The Committee will:

- 2.1 approve the Internal Audit Annual Plan;
- 2.2 consider reports prepared by Internal Audit (with the exception of reports related to Pensions);
- 2.3 monitor compliance with Internal Audit recommendations (with the exception of reports related to Pensions); and
- 2.4 monitor the performance of Internal Audit.

3. External Audit

The Committee will:

- 3.1 consider reports prepared by the Council's External Auditor;
- 3.2 monitor the Council's relationship with the External Auditor;
- 3.3 receive reports from the Local Area Network; and
- 3.4 monitor compliance with External Audit recommendations.

4. Governance, Accounts and Finance

The Committee will:

- 4.1 approve the Council's Annual Report and Annual Accounts;
- 4.2 approve the annual governance statement;
- 4.3 approve and monitor the Council's Code of Corporate Governance and approve such action as appropriate; and
- 4.4 monitor the integrity of financial reporting, and governance processes and internal control functions and approve such action as appropriate.

5. Legal obligations

The Committee will:

- 5.1 consider reports in respect of the whistle blowing policy; and
- 5.2 monitor the Council's compliance with its statutory obligations relating to surveillance, information governance, bribery, corruption and fraud, including the approval of all relevant policies.

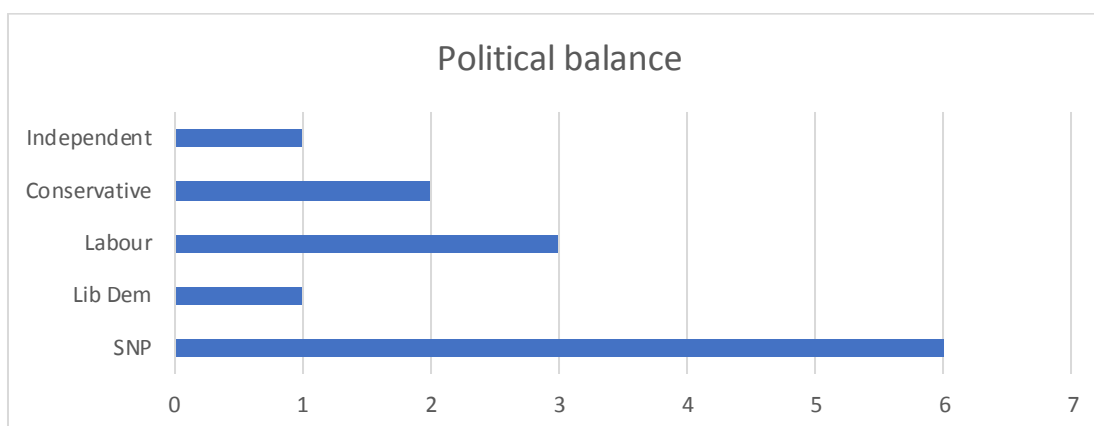
6. Scrutiny

The Committee will:

- 6.1 once a matter, process or practice has been the subject of a report to Council or committee (including internal and external audits) and the consideration of the matter concluded by Council or said committee action (with the exception of quasi judicial matters and the Appeals, Business Rates Appeals and Community Asset Transfer Review Sub Committees), the committee, to ensure good practice, can determine that further consideration is required. It will not prevent, or alter, any decision being taken and will only review the effectiveness of decision making, or monitoring and may make recommendations to the relevant committee or Council;
- 6.2 on occasion, where appropriate and as it sees fit, seek information from partner organisations, contractors or other stakeholders such as Community Councils or groups of interest on any particular issue;
- 6.3 request, where appropriate and in terms of any contract or agreement, representatives of external organisations to attend and contribute to meetings; and
- 6.4 receive reports from regulatory bodies and those providing external assurance such as the Scottish Public Services Ombudsman and Inspector of Crematoria, ensure that the Council responds appropriately and monitor compliance with recommendations.

3. Membership of the Committee during 2022/2023

- 3.1 Audit, Risk and Scrutiny Committee has 13 members.
 3.2 The Committee composition is presented below:-



4. Membership Changes

- 4.1 Councillor Macdonald was appointed as the Convener of the Committee until 22 February 2023.
 4.2 Councillor Crockett was appointed as the Convener of the Committee from 22 February until 27 June 2023 however due to Cllr Crockett's resignation from the Labour Group, Cllr Malik became Convener a day earlier than had been anticipated.
 4.3 Councillor Malik was appointed as the Convener of the Committee officially from 28 June 2023 however was voted as Convener for the meeting on 27 June 2023.
 4.4 Councillor Nicoll was replaced by Councillor McRae from the 11 May 2023 Committee.
 4.5 Councillor Ali was replaced by Councillor Graham from the 14 September 2023 Committee.

5. Member Attendance

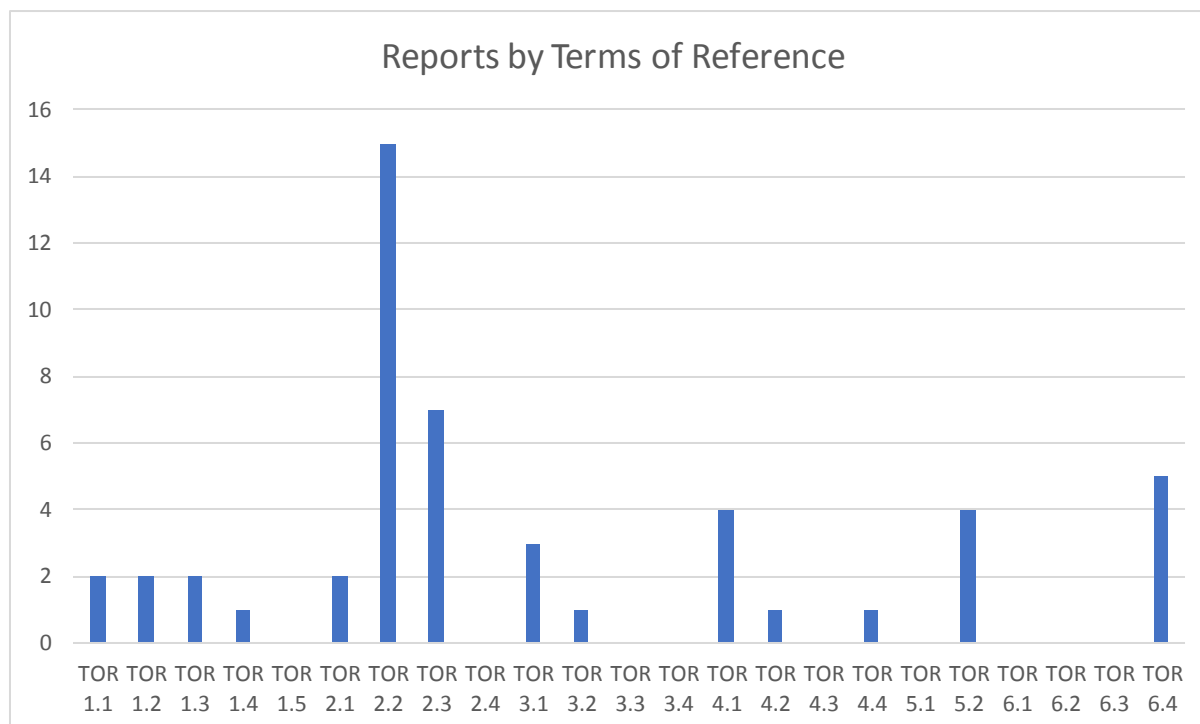
Member	Total Anticipated Attendances	Total Attendances	Substitutions
Councillor Macdonald	2	2	
Councillor Crockett	2	2	
Councillor Malik	3	3	
Councillor Houghton	7	4	Councillors Farquhar and Kusznir
Councillor Ali	6	6	
Councillor Allard	7	6	Councillor MacGregor
Councillor Bonsell	7	7	
Councillor Bouse	7	6	Councillor Yuill
Councillor Fairfull	7	7	
Councillor Graham	1	1	
Councillor McLellan	7	6	Councillor Copland
Councillor McRae	3	2	Councillor Henrickson
Councillor Massey	7	6	Councillor Farquhar
Councillor Nicoll	4	4	
Councillor Radley	7	6	Councillor Al-Samarai
Councillor Mrs Stewart	7	6	Councillor Crockett
Councillor van Sweeden	7	5	Councillors Yuill and Hutchison

6. Meeting Content

6.1 During the 2022/2023 reporting period (14 October 2022 to 14 October 2023), the Committee had seven meetings and considered a total of 50 reports.

6.2 Terms of Reference

6.2.1 The following chart details how reports aligned to the Terms of Reference (set out at section 2 above) for the Committee.



6.2.2 During the course of 2022/2023 the Committee received reports under the main Terms of Reference which indicates that the Committee has discharged its role effectively throughout the course of the reporting period.

6.2.3 Following the June 2023 Scheme of Governance review, one change was made to the Committee Term's of Reference which was to incorporate reporting on Business Continuity Planning. This was previously reported to the Public Protection Committee.

6.2.4 The majority of reports fell under Terms of Reference 2.2, which were the Internal Audit reports presented by the Chief Internal Auditor. These reports provide independent and objective assurance on the Council's risk management, control and governance processes across all of its functions.

6.2.5 There were no reports under Terms of Reference 1.5, 2.4, 3.3, 3.4, 4.3, 5.1, 6.1, 6.2 or 6.3 as there was no cause to report on these or reporting was incorporated in other reports. On 2.4, internal audit performance is included in the Chief Internal Auditor's progress report. On 3.3 (Local Area Network), Committee was advised that these reports are no longer produced and as such the terms of reference will be amended within the next Scheme of Governance review. On 3.4, external audit recommendations are monitored via the Annual Governance Statement. On 4.3, this

is now incorporated into the Scheme of Governance, so will also be removed from the terms of reference.

7. Reports and Decisions

- 7.1 The following information relates to the committee reports and Notices of Motion presented to Committee throughout the reporting period, as well as the use of Standing Orders and engagement with members of the public.
- 7.2 During the reporting period there was one report was voted on and referred to Council which is the first time in the Committee's operation.

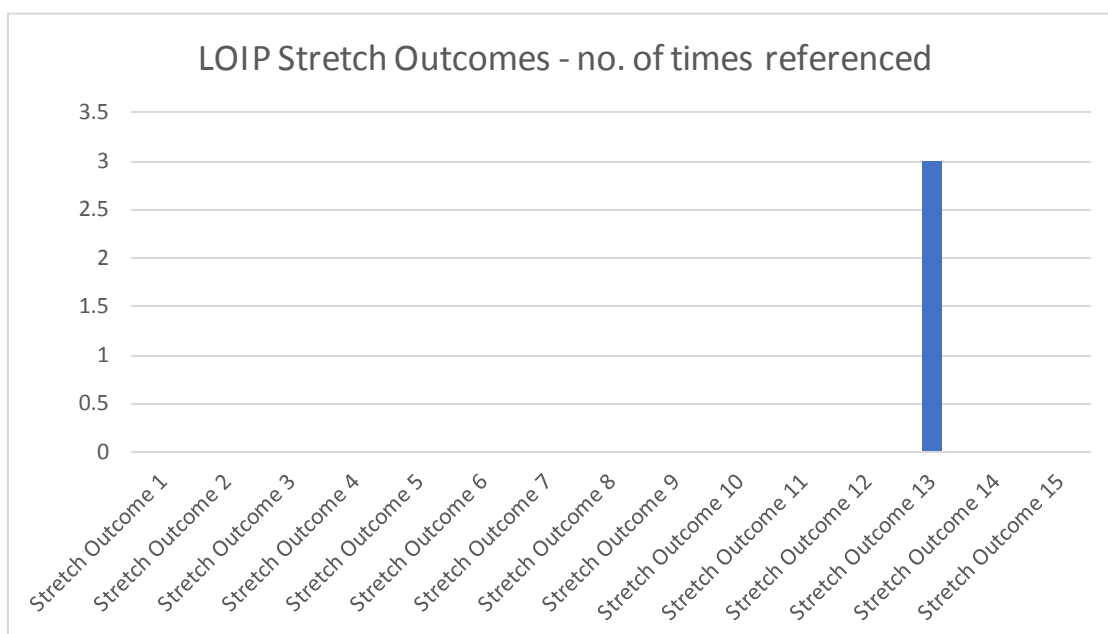
	Total	Total Percentage of Reports
Confidential Reports	0	
Exempt Reports	0	
Number of reports where the Committee amended officer recommendations		
Number of reports approved unanimously	49	98%
Number of reports or service updates requested during the consideration of another report to provide additional assurance and not in business planner	0	
Number of reports delayed for further information	0	
Number of times the Convener has had to remind Members about acceptable behaviour in terms of the Code of Conduct	0	N/A
Late reports received (i.e. reports not available for inspection at least 3 clear days before the meeting)	0	
Number of referrals to Council under SO 34.1	1	

Notices of Motion, Suspension of Standing Orders, Interface with the Public	
Number of Notices of Motion to Committee	None
Number of times Standing Orders suspended	None
Specific Standing Orders suspended	Not applicable
Number of deputations requested	None
Number of deputations heard	Not applicable
Number of petitions considered	None

8. Reports with links to the Local Outcome Improvement Plan

- 8.1 The following table details of the 50 reports how each report linked to the Local Outcome Improvement Plan (LOIP Stretch Outcomes are appended to this report for reference at Appendix 1). As can be seen from the chart below only one stretch outcome has been referenced.

- 8.2 It should be noted that the stretch outcome selected should be number 1 rather than 13. The reports that reference the stretch outcome refer to the Scottish Welfare Fund which would contribute to the reduction of poverty.



9. Training and Development

- 9.1 Training opportunities for Members during the reporting period were as follows:-
- Convener training on the role of the Committee 2 March 2023 and 10 July 2023
 - Internal Audit reporting methodology on 13 December 2023
- 9.2 Further development opportunities will be considered for next year based on Committee business throughout the year, Executive Lead proposals and Member feedback on what may be required to assist them in performing their roles. In particular, training on “How to Scrutinise” is planned for committee members.

10. Code of Conduct Declarations and Transparency Statements

- 10.1 There were no declarations of interest and seven transparency statements were made by Members during the reporting period. Information in respect of declarations of interest and transparency statements is measured to evidence awareness of the requirements to adhere to the Councillors’ Code of Conduct and the responsibility to ensure fair decision-making.

11. Civic Engagement

- 11.1 Due to the nature of the Audit, Risk and Scrutiny Committee business, there are fewer opportunities for civic engagement, however if appropriate, elements of civic engagement would be introduced.
- 11.2 The committee’s focus, by its very nature, has largely been on monitoring the Council’s control environment through compliance with the Council’s governance framework. It’s focus is on the risks to the organisation rather than focus on the risks to the place of Aberdeen. Nonetheless, it has worked in partnership with outside bodies such as the

Council's Arm's Length External Organisations (ALEOs) through the ALEO Assurance Hub and external audit.

12. Executive Lead to the Committee - Commentary

- 12.1 A robust governance framework supported by an effective control environment provides the necessary platform for the Council to be a success. The Audit, Risk and Scrutiny Committee plays a key role by ensuring that the Council's governance arrangements remain appropriate and adhered to. It is noted that members robustly challenge and scrutinise management with a clear focus on the communities and citizens they represent, in respect of governance, process and matters presented for decision.
- 11.2 The committee approved the revised Risk Appetite Statement. The statement is a key element to the Council's Risk Management Framework and will allow the organisation to establish and embed the culture required to become a 'risk intelligent organisation.' It provides staff and members with guidance on the types and levels of risk the Council is willing to accept in the pursuit of its strategic outcomes.
- 11.3 The total number of recommendations made by the Council's internal audit team was as follows:
- 2019-20: 218
 - 2020-21: 114
 - 2021-22: 104
 - 2022-23: 148
- 11.4 The total number of outstanding recommendations was as follows:
- March 2020: 67
 - March 2021: 37
 - March 2022: 17
 - March 2023: 23

13. The Year Ahead

- 13.1 The Committee's terms of reference were adjusted in March 2023 to incorporate reporting on Business Continuity Planning, which had previously reported to the Public Protection Committee. In accordance with the usual practice of an annual review of the Scheme of Governance, the Terms of Reference will be reviewed and officers will reflect on whether any areas require further refinement moving forward to ensure the continued efficient operation of the Committee. Two are noted at paragraph 6.2.5 above.
- 13.2 The Committee will continue to receive reports from the Chief Internal Auditor in relation to the approved Internal Audit Plan.

Appendix 1 – Local Outcome Improvement Plan Stretch Outcomes

Economy	
1.	No one will suffer due to poverty by 2026
2.	400 unemployed people supported into fair work by 2026
3.	500 people skilled/ reskilled to enable them to move into, within and between economic opportunities as they arise by 2026
People (Children & Young People)	
4.	95% of children will reach their expected developmental milestones by their 27-30 month review by 2026
5.	90% of children and young people report they feel listened to all of the time by 2026
6.	By meeting the health and emotional wellbeing needs of our care experienced children and young people they will have the same levels of attainment in education and positive destinations as their peers by 2026
7.	95% of children living in our priority neighbourhoods (Quintiles 1 & 2) will sustain a positive destination upon leaving school by 2026
8.	83.5% fewer young people (under 18) charged with an offence by 2026
9.	100% of our children with Additional Support Needs/disabilities will experience a positive destination
People (Adults)	
10.	25% fewer people receiving a first ever Court conviction and 2% fewer people reconvicted within one year by 2026
11.	Healthy life expectancy (time lived in good health) is five years longer by 2026
12.	Rate of harmful levels of alcohol consumption reduced by 4% and drug related deaths lower than Scotland by 2026
Place	
13.	Addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate
14.	Increase sustainable travel: 38% of people walking and 5% of people cycling as main mode of travel by 2026
15.	Addressing the nature crisis by protecting/ managing 26% of Aberdeen's area for nature by 2026
Community Empowerment	
16.	100% increase in the proportion of citizens who feel able to participate in decisions that help change things for the better by 2026

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	External Quality Assessment
REPORT NUMBER	IA/23/010
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Committee with the results of the External Quality Assessment of Internal Audit.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee consider and comment on the EQA, and note that the Internal Audit Service fully conforms with Public Sector Internal Audit Standards (PSIAS).

3. CURRENT SITUATION

- 3.1 The mandatory PSIAS, published initially in April 2013 and most recently updated in March 2017, applies to all Internal Audit service providers in the UK public sector.
- 3.2 The objectives of PSIAS are to define the nature of internal auditing within the UK public sector; set basic principles for carrying out internal audit; establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; establish the basis for the evaluation of internal audit performance and drive improvement planning.
- 3.3 PSIAS require the Chief Audit Executive (the Chief Internal Auditor (CIA)) to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outwith the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS.

-
- 3.4 To assist its members to meet the five-yearly external assessment requirement, the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) established a collaborative system of formal peer reviews. This approach not only assists with ensuring that independent assessors, and their teams, have appropriate knowledge and experience of the local government internal audit environment but also removes the financial burden from councils, associated with procuring these services externally. The allocation of assessors / assessment teams to councils participating in the peer review process was undertaken autonomously, ensuring that, amongst other governing principles, local authorities with perceived / known conflicts of interest could not review one another. At the outset, assessors were required to formally declare any interests so that these could be appropriately addressed during the allocation process. Highland Council was selected to carry out the external assessment in Aberdeen City Council.
- 3.5 To support the peer review process, SLACIAG developed a comprehensive External Quality Assessment (EQA) framework, including an EQA Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note (EQA Checklist) and a key Stakeholder Questionnaire proforma. The external assessment of Aberdeen City Council's Internal Audit has been carried out by Highland Council's CIA, utilising this framework.
- 3.6 This report provides a high level summary of requirements for each standard per the PSIAS and CIPFA Local Government Application Note and sets out the findings, conclusions and recommendations from the external assessment, which involved discussions with key members of staff, including the Chief Audit Executive, review of the most recent self-assessment carried out utilising the EQA Checklist and consideration of other relevant supporting documentation / information (Evidence Pack) including working paper files and completed stakeholder questionnaires.

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. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 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.

8.2 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.

9. IMPACT ASSESSMENTS

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

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Appendix A – Final EQA Report – Aberdeen City Council

12. REPORT AUTHOR CONTACT DETAILS

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EXTERNAL QUALITY ASSESSMENT 2 OF ABERDEEN CITY COUNCIL'S INTERNAL AUDIT

Report Recipients:

Angela Scott, Chief Executive
Vikki Cuthbert, Interim Chief Officer - Governance
Jamie Dale, Chief Audit Executive
Councillor M. Tauqeer Malik, Chair of the Audit Committee

EXECUTIVE SUMMARY

1. INTRODUCTION

- 1.1 The mandatory Public Sector Internal Audit Standards (PSIAS), published initially in April 2013 and updated most recently in March 2017, apply to all internal audit service providers in the UK public sector, whether in-house, provided via a shared service arrangement or outsourced. To supplement the PSIAS, and provide specific guidance surrounding its application within a local government setting, the Chartered Institute of Public Finance and Accountancy (CIPFA) compiled a Local Government Application Note (LGAN), which was last updated in 2019.
- 1.2 The objectives of the PSIAS are to define the nature of internal auditing within the UK public sector; set basic principles for carrying out internal audit; establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; establish the basis for the evaluation of internal audit performance and drive improvement planning.
- 1.3 The PSIAS require the Chief Audit Executive (the Chief Internal Auditor (CIA) for Aberdeen City Council) to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outwith the organisation, and enable evaluation of the internal audit activity's (Internal Audit in Aberdeen City Council) conformance with the PSIAS, including the Mission of Internal Audit, Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.
- 1.4 To assist its members to meet the five-yearly external assessment requirement, the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) established a collaborative system of formal peer reviews. This approach not only assists with ensuring that independent assessors, and their teams, have appropriate knowledge and experience of the local government internal audit environment but also removes the financial burden from councils, associated with procuring these services externally. The allocation of assessors / assessment teams to councils participating in the peer review process was undertaken autonomously, ensuring that, amongst other governing principles, local authorities with perceived / known conflicts of interest could not review one another. At the outset, assessors were required to formally declare any interests so that these could be appropriately addressed during the allocation process. The Highland Council was selected to carry out the external assessment in Aberdeen City Council.
- 1.5 To support the peer review process, SLACIAG developed a comprehensive External Quality Assessment (EQA) framework, including an EQA Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note (EQA Checklist) and a key Stakeholder Questionnaire proforma. The external assessment of Aberdeen City Council's Internal Audit has been carried out by The Highland Council's CAE utilising this framework.
- 1.6 This report provides a high level summary of requirements for each standard per the PSIAS and CIPFA Local Government Application Note and sets out the findings, conclusions and recommendations from the external assessment, which involved discussions with key members of staff, including the Chief Audit Executive, review of the most recent self-assessment carried out utilising the EQA Checklist and consideration of other relevant supporting documentation / information (Evidence Pack) including working paper files and completed stakeholder questionnaires. A comprehensive list of supporting documentation / information and completed stakeholder questionnaires considered as part of the assessment can be found at appendices B and C respectively.

2. OVERALL CONCLUSION

2.1 The overall conclusion of the external assessment is that Aberdeen City Council's Internal Audit **fully conforms** with the PSIAS. A full summary of assessment, per assessment area, can be found at Appendix A. A summary of totals is as follows:

	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
TOTALS	13	1	-	-

2.2 Area of Good Practice

- A number of stakeholders recognised the positive contribution of the CIA in the last year in leading the Internal Audit service to better engagement with services, more audit focus on improvement activity, and good engagement with the Audit Committee.
- The 2023-26 internal audit planning process risk assessed key auditable areas.
- There have been improvements to the quality of internal audit reports that now include graded opinions.

2.3 The main areas for improvement highlighted in the report are as follows:

- A revision to the Internal Audit Charter;
- Revise the Council's Counter Fraud Policy;
- The introduction of client feedback surveys;
- Document the ongoing internal QAIP assessments; and
- Provision of enhanced information on the adequacy of internal audit resources.

2.4 Full details of the assessment recommendations and management responses can be found in the Action Plan at Appendix D.

3. SECTION A – MISSION OF INTERNAL AUDIT AND CORE PRINCIPLES

The PSIAS state that the Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation, which is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

Taken as a whole, the Core Principles for the Professional Practice of Internal Auditing, as set out in the PSIAS, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Core Principles should be present and operating effectively. Failure to achieve any of the Core Principles would imply that an internal audit activity was not as effective as it could be in achieving the Mission of Internal Audit.

- 3.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used, along with specific consideration surrounding the achievement of the Core Principles, to conclude that the Internal Audit at Aberdeen City Council **fully conforms** with accomplishing the Mission of Internal Audit as detailed above.

4. SECTION B – DEFINITION OF INTERNAL AUDITING

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

- 4.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used to conclude that the Internal Audit at Aberdeen City Council **fully conforms** with the definition of Internal Auditing as detailed above. Stakeholder Questionnaires and interviews support this conclusion.

5. SECTION C – CODE OF ETHICS

The PSIAS state that the purpose of the Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out in the PSIAS. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

- 5.1 Evidence obtained from assessing conformance with other standards in the PSIAS, in particular the Attribute Standards 1000 – Purpose Authority and Responsibility, 1100 – Independence and Objectivity, 1200 – Proficiency and Due Professional Care and Professional Standards 2000 – Managing the Internal Audit Activity and 2300 – Performing the Engagement, has been used to conclude that Aberdeen City Council's Internal Audit **fully conforms** with the requirement to comply with the Code of Ethics. Stakeholder Questionnaires support this conclusion.

6. SECTION D – ATTRIBUTE STANDARDS

Attribute Standards apply to organisations and individual internal auditors providing the internal audit services in a local authority.

6.1 1000 - Purpose, Authority, and Responsibility

The PSIAS state that the purpose, authority and responsibility of the internal audit

activity must be formally defined in an Internal Audit Charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. The internal audit charter must also:

- define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;*
- cover the arrangements for appropriate resourcing;*
- define the role of internal audit in any fraud-related work; and*
- describe safeguards to limit impairments of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activities.*

6.1.1 Aberdeen City Council’s Internal Audit Charter is periodically reviewed with the most recent review taking place in March 2023. The Internal Audit Charter was approved by the Audit, Risk and Scrutiny Committee on 23rd March 2023.

6.1.2 The Charter does mention the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and that the chief financial officer (Chief Officer – Finance) must ensure an effective internal audit function is resourced and maintained. However, no further details are provided to outline how the internal audit service is resourced and maintained.

6.1.3 Internal Audit at Aberdeen City Council is delivered by Aberdeenshire’s Internal Audit function as part of a shared service arrangement governed by a service level agreement. The LGAN states that “...when the internal audit function is delivered through shared service arrangements or by an external partner, the charter must set out the role of the internal audit contract manager in the above (accountability, relationships and responsibilities)”. The Internal Audit Charter does not mention an internal audit contract manager or the role of that individual.

6.1.4 The LGAN states that “The charter should also set out relevant arrangements within the organisation’s anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety in order to inform his or her annual internal audit opinion and the risk-based plan”. Whilst the Charter states that Internal Audit will consider the outcome of such investigations (carried out by the Chief Officer – Finance or the Chief Officer – Governance) there is no requirement for the CIA to be informed of all suspected fraud, corruption or impropriety. Furthermore, the Council’s Counter Fraud Policy (February 2021) states that both internal and external audit have the rights to access records, documents and correspondence related to fraudulent activity. However, there is no requirement for internal audit to be informed of all suspected or detected fraudulent activity. The CIA confirmed that internal audit is only informed of actual frauds detected following investigation by Council officers and is not notified of all suspected fraudulent activity.

6.1.5 Having considered the findings above, it has been concluded that Internal Audit at Aberdeen City Council **generally conforms** with Standard 1000 on Purpose, Authority and Responsibility.

6.2 1100 - Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work. Various aspects of independence and objectivity are covered in this standard as well as 1200, including reporting functional lines of the CAE, the relationship between the CAE and the board and any impairment to individual internal auditors’ objectivity or independence. Reporting and management arrangements must be put in place that preserve the CAE’s independence and objectivity, in particular with regard to the principle that the CAE must be independent of the audited activities.

- 6.2.1 The CIA reports functionally to the Audit, Risk and Scrutiny Committee and administratively to the Chief Officer - Governance, who is a member of the Council's Senior Management Team. The CIA has direct and unrestricted access to the Chief Executive and the Chair of the Audit, Risk and Scrutiny Committee and this has been confirmed through completed Stakeholder Questionnaires and interviews. These reporting / access arrangements are clearly defined in the Internal Audit Charter as are safeguards to limit impairment of independence or objectivity.
- 6.2.2 In support of organisational independence, the CIA attends Audit, Risk and Scrutiny Committee meetings to present all internal audit reports (including, for example, the Internal Audit Charter, Annual Report, Internal Audit Plan and reports / executive summaries from the planned audits) to Elected Members. The reports are all submitted in the CIA's name.
- 6.2.3 The CIA does not have operational responsibility for the activities audited and this is communicated to stakeholders via the Internal Audit Charter.
- 6.2.4 All staff within Internal Audit are required to complete a declaration of interest form. An extended Internal Audit Senior Leadership Team (SLT) is held at the start of each audit year to assign audits to individual auditors. At this meeting any declarations will be discussed to ensure that there are no conflicts of interest when carrying out audit assignments. Auditors are required to update their declarations on an annual basis and can raise potential conflicts in-year before an audit assignment begins.
- 6.2.5 Aberdeen City Council's Internal Audit **fully conforms** with Standard 1100 on Independence and Objectivity.

6.3 1200 - Proficiency and Due Professional Care

The CAE must be professionally qualified, suitably experienced and responsible, in accordance with the organisation's human resources processes, for recruiting appropriate staff. He or she is responsible for ensuring that up-to-date job descriptions exist, reflecting roles and responsibilities, and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.

The CAE should periodically assess individual auditors' skills and competencies against those set out in the relevant job descriptions and person specifications. Any training or development needs identified should be included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored. In addition, all internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This may be fulfilled through requirements set by professional bodies or through the organisation's own appraisal and development programme. Auditors should maintain a record of such professional training and development activities.

The internal audit activity should be appropriately resourced to meet its objectives. It should have appropriate numbers of staff in terms of grades, qualifications, personal attributes and experience or have access to appropriate resources in order to meet its objectives and to comply with these standards. The PSIAS states that the CAE must obtain competent advice and assistance if the activity is unable to perform all or part of an engagement.

- 6.3.1 The CIA holds a relevant professional qualification, Chartered ICAS Member, and is suitably experienced, with more than 10 years internal audit experience. The CIA is a member of SLACIAG and regularly attends and contributes to meetings. Aberdeen City Council's Internal Audit is also represented on the SLACAIG Computer Audit Sub-Group (CASG).

- 6.3.2 To support the CIA in Aberdeen City Council's Internal Audit there are 2 Audit Team Managers, who are required to be CCAB Qualified Accountants. There are a total of 13 members of staff in Internal Audit, including the CIA and the 2 Audit Team Managers. In addition to Aberdeen City, Internal Audit also delivers internal audit services to Aberdeenshire Council, Aberdeen City and Aberdeenshire Integration Joint Boards and the North East Scotland Pension Fund. The Internal Audit Team holds the necessary skills to carry out most audit work and specialised support can be bought in when and where required. Counter Fraud at Aberdeen City Council is performed by a team within Finance.
- 6.3.3 Each year members of Internal Audit complete a Personal Performance Plan (PPP). This appraisal is the standard form used across the Organisation. The appraisal includes a self-assessment, with comments from the employee's line manager, as well as a section looking at the 12 months ahead to identify what challenges or training needs the employee anticipates encountering. The activities and expected outcomes of each auditor grade are outlined in the Career Development Scheme (CDS) and so determine what internal audit skills and competencies need to be demonstrated in order for auditors to progress within the team.
- 6.3.4 The CIA is represented on several corporate groups, including the Corporate Management Team and the Extended Corporate Management Team (ECMT). The CIA is also a member of the Council's Risk Board and ALEO Assurance Hub. The Risk Board (chaired by the Chief Officer – Governance) is the group where the CIA will routinely present information on the delivery of the internal audit plan and the implementation of audit recommendations. Any concerns in relation to these issues would be escalated to ECMT or the Audit, Risk and Scrutiny Committee.
- 6.3.5 The CIA and Audit Team Managers have specific CPD requirements to adhere to. Other audit team members who hold professional qualifications will also have CPD requirements that they will need to adhere to. Training needs will be identified in employee's yearly PPP evaluation and a spreadsheet maintained detailing training required / received.
- 6.3.6 Stakeholder Questionnaires and interviews confirm that the CIA demonstrates sufficient knowledge and experience and that all members of Internal Audit exercise due professional care.
- 6.3.7 The role of IA does not extend to the prevention, detection and investigation of fraud, corruption or impropriety (see para. 6.1.6, above). In terms of assessing the competency of the service provided an internal audit review was completed in February 2019 and a further review is planned for 2024/25. The CIA has also recently commissioned an external provider to deliver specialist IT audits in relation to cyber resilience.
- 6.3.8 Aberdeen City Council's Internal Audit **fully conforms** with standard 1200 on Proficiency and Due Professional Care.

6.4 1300 - Quality Assurance and Improvement Programme

The PSIAS state that the Chief Audit Executive must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outside the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS, including the Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The public sector requirement in the PSIAS states that results of the QAIP and progress against any improvement plans must be reported in the annual report.

- 6.4.1 The CIA does not have a documented QAIP process, to outline how the quality of the internal audit activity will be developed and maintained through ongoing and periodic internal assessments and external assessments.
- 6.4.2 The CIA's annual opinion report does mention the QAIP. The latest annual opinion report (presented in June 2023) for the year 2022/23 states that "IA is pleased to confirm that an internal review of the control framework has concluded that IA fully conforms with the PSIAS. However, it is not clear what ongoing and periodic internal assessments have been carried out to arrive at this opinion.
- 6.4.3 We found evidence to demonstrate that Internal audit reports are reviewed by the CIA prior to issue and working papers are, in general, reviewed by one of the Audit Team Managers. Where the assignment is carried out by the Audit Team Managers, the CIA will review the working paper file.
- 6.4.4 Whilst the CIA will invite clients to discuss any issues when he issues the final audit report, formal client feedback is not actively pursued by Internal Audit. The CIA plans to introduce client feedback questionnaires for all assignments completed from the 2023/24 audit plan.
- 6.4.5 10 Key Performance Indicators (KPI's), which are used to monitor and evaluate the performance of Internal Audit, are reported in the Internal Audit Annual Report. This report is presented to the Audit, Risk and Scrutiny Committee on a yearly basis.
- 6.4.6 The last formal self-assessment of conformance with the PSIAS was carried out in February 2022, using the EQA checklist. The EQA checklist recorded that IA fully conformed to all 94 questions that contribute to the PSIAS self-assessment.
- 6.4.7 Aberdeen City Council's Internal Audit **fully conforms** with Standard 1300 on Quality Assurance and Improvement Programme.

7. SECTION E – PERFORMANCE STANDARDS

Performance Standards describe the nature of the internal audit services being provided and provide criteria against which the performance of an internal audit function can be measured.

7.1 2000 - Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation. The internal audit activity is effectively managed when it achieves the purpose and responsibility included in the internal audit charter, it conforms with the PSIAS, its individual members conform with the Code of Ethics and the PSIAS and it considers trends and emerging issues that could impact the organisation. The internal audit activity adds value to the organisation and its stakeholders when it considers strategies, objectives and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

- 7.1.1 Internal Audit work on a three-year audit plan which is compiled by the CIA. The plan outlines the intended programme of work to be undertaken. The audit plan is reviewed each year to look to always have a three-year rolling plan in place. During planning, the CIA consults with Senior Management and Elected Members. The CIA also takes into consideration the Council's risk registers.

- 7.1.2 The Audit plan is considered by the Council's CMT and approved by the Audit, Risk and Scrutiny Committee.
- 7.1.3 Progress towards completion of the Internal Audit Plan, and the individual audits contained within it are reported to each Audit, Risk and Scrutiny Committee.
- 7.1.4 Stakeholder Questionnaires and interviews confirm that Internal Audit is seeking to add value to the organisation and that they were given the opportunity to feed into the audit planning process. Stakeholders were encouraged by the CIA's level of engagement but felt it was too early to assess if his vision for internal audit was being fully reflected in the delivery of audit activities.
- 7.1.5 The Stakeholder Questionnaires raised a concern about the risks that are considered in the delivery of the audit plan. Stakeholder's perceived that the risks included in the plan were "business as usual" risks rather than "current" risks.
- 7.1.6 The terms of reference for the Audit, Risk and Scrutiny Committee state that it will "approve the Internal Audit Plan" but there is no requirement for the Committee to approve revisions to the Plan. A re-approval process may be required when current risks requiring internal audit review are identified within the current audit year. The CIA considers that there is sufficient flexibility with the audit planning process to audit current risks when they are identified. The three-year audit plan is subject to approval on an annual basis, there is provision for consulting opportunities within each year of the plan and (for the 2022 – 25 Internal Audit Plan only) the CIA was given delegated authority "to bring forward or defer audits between years within the plan duration". The CIA has to date not identified any risks that have required him to flex the plan using these processes.
- 7.1.7 The Internal Audit Plan 2023 – 26 that was presented to the Audit, Risk and Scrutiny Committee stated that "to undertake the attached plan, Internal Audit has an establishment of thirteen posts. It is anticipated that this will be split between Aberdeenshire and Aberdeen City councils on a 2:1 ratio". Consequently, it did not include a resourcing plan to demonstrate the following:
- how internal audit's resource requirements have been assessed;
 - the estimated resources needed for the planned work;
 - the amount of contingency time to undertake ad hoc reviews; and
 - the time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the Board, the development of the Annual Report and the CAE's overall opinion.
- 7.1.8 Current best practice on the communication and approval of the risk-based audit plan is set out in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022), where the audit committee could have a role to review and approve the internal audit budget and resource plan.
- 7.1.9 Aberdeen City Council's Internal Audit **fully conforms** with Standard 2000 on Managing the Internal Audit Activity.

7.2 2100 - Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

More specifically, the internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes, evaluate the

effectiveness and contribute to the improvement of risk management processes and assist the organisation in maintaining effective controls by evaluating their efficiency and effectiveness and promoting continuous improvement.

7.2.1 Review of the audit plan found that it had good coverage of the key areas of governance, risk management and control processes. Included in the plan is an item for Internal Audit to carry out consulting opportunities for the Council.

7.2.2 Aberdeen City Council's Internal Audit **fully conforms** with Standard 2100 on Nature of Work.

7.3 2200 - Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.

The CIPFA Local Government Application note states that for each engagement, a brief should be prepared, discussed and agreed with relevant managers. The brief should establish the objectives, scope and timing for the assignment and its resource and reporting requirements. Audit work should be undertaken using a risk-based audit approach.

7.3.1 The Audit Planning Form details the audit's main objective as well as allocated resources and a detailed breakdown of the time budget. The scope and objective detailed in the Planning Form are vague, with more detailed information included within the other working papers. The Planning Form also includes estimated target dates for key stages of the audit, including passing of files to the CIA for review, issuing of the draft and final reports, as well as target date for presentation to the Audit, Risk and Scrutiny Committee.

7.3.2 A sample of Audit files were reviewed and found to be generally satisfactory. For the 2022/23 audits the scope and objectives included on the Audit Planning Form were generally left very vague. However, the introduction of a new Scoping Document for 2023/24 audits has greatly improved the level of detail provided about the audit scope and objectives.

7.3.3 Aberdeen City Council's Internal Audit **fully conforms** with Standard 2200 on Engagement Planning.

7.4 2300 - Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

At each stage of the audit, auditors should consider what specific work needs to be conducted and evidence needs to be gathered to achieve the engagement objectives and support an independent and objective audit opinion. Systems should be in place to ensure that auditors obtain and record, within the working papers, sufficient evidence to support their conclusions, professional judgements and recommendations. Working papers should always be sufficiently complete and detailed to enable an experienced internal auditor with no previous connection with the audit to ascertain what work was performed, re-perform it if necessary and support the conclusions reached. The CAE should also specify how long all audit documentation should be retained, whether held on paper or electronically. All audit work should be subject to an appropriate internal quality review process.

Internal auditors must be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They must also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.

- 7.4.1 Internal Audit Manual sets out the procedure in relation to undertaking a planned audit, including preparing working papers and setting up working paper files.
- 7.4.2 All working paper files are stored electronically using a SharePoint Site and organised and managed using OneNote with a standard file format used for ease of reference.
- 7.4.3 Standard working paper proforma are utilised across audit assignments including an Audit Planning Form, Audit Programme Document, and Internal Control Questionnaire. From 22/23 a Scoping Document is also now included.
- 7.4.4 All audit documents have a built-in review sheet for sign-off of each document by the relevant line manager. All audit files reviewed contained suitable evidence of review by managers.
- 7.4.5 Records management arrangements and considerations within Internal Audit are detailed in the Audit Manual. They are appropriate and follow the policy of the Organisation.
- 7.4.6 The permanent folder that is created with each audit will be kept on file for as long as the system that was the subject of the audit is still in use within the Council. If the system is no longer in use, the permanent folder will be deleted.
- 7.4.7 Aberdeen City Council's Internal Audit **fully conforms** with Standard 2300 on Performing the Engagement.

7.5 2400 - Communicating Results

The basic aims of every internal audit report should be to:

- *give an opinion on the risk and controls of the area under review, building up to the annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;*
- *prompt management to implement the agreed actions for change leading to improvement in the control environment and performance; and*
- *provide a formal record of points arising from the audit and, where appropriate, of agreements reached with management, together with appropriate timescales.*

Each report should include the scope and purpose of the audit to help the reader to understand the extent, or limitations, of the assurance(s) provided by the report. During the course of the audit, key issues should be brought to the attention of the relevant manager to enable them to take corrective action and to avoid surprises at the closure stage. Before issuing the final report, the internal auditor should normally discuss the contents with the appropriate levels of management to confirm the factual accuracy, to seek comments and to confirm the agreed management actions. A draft report is useful for this purpose. Recommendations should be prioritised according to risk. The recommendations and the resultant management action plans should be agreed prior to the issue of the final report. Any areas of disagreement between the internal auditor and management that cannot be resolved by discussion should be recorded in the action plan and the residual risk highlighted. Those weaknesses giving rise to significant risks that are not agreed should be brought to the attention of a more senior level of management and the board.

As set out in the PSIAS, the CAE must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. This must include the annual internal audit opinion concluding on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and a statement of conformance with the PSIAS and the results of the internal audit QAIP.

- 7.5.1 Draft reports are prepared by the auditor carrying out the assignment. It is then checked by the Team Manager and CIA to ensure findings and recommendations are appropriately reported. With the introduction of a new report format in early 2023, reports now include an overall graded opinion as well as individual ratings for each identified risk.
- 7.5.2 In the absence of formal closure meetings there was limited evidence to confirm that findings have been discussed and communicated with the audit client prior to the issuing of the draft report. The CIA stated that closure meetings are offered when this is required and that clients can discuss findings when the draft report is issued.
- 7.5.3 Draft audit reports are issued to the client for review and to seek agreement of any identified risks and provide a response and management actions for each risk.
- 7.5.4 All final reports are issued by the CIA to relevant officers within the service and to External Audit. All final audit reports are also reported to the next scheduled Audit, Risk and Scrutiny Committee.
- 7.5.5 A review of the CIA's Annual Assurance report to 31 March 2023 (reported to Audit, Risk and Scrutiny Committee on 27/06/2023) confirmed that:
- An annual opinion was provided as required.
 - This was reported within 3 months of year end.
 - The report includes the scope of the opinion.
 - Engagements completed are consistent with the overall opinion.
 - The overall opinion is supported by an appropriate methodology.
 - A statement of conformance with PSIAS was included.
 - Results of the most recent QAIP were covered.
 - Performance on IA against performance measures and targets was reported.
- 7.5.6 Completed Stakeholder Questionnaires and interviews confirmed that internal audit findings and recommendations are now starting to be valued by management.
- 7.5.7 Aberdeen City Council's Internal Audit **fully conforms** with Standard 2400 on Communicating Results.

7.6 2500 - Monitoring Progress

The PSIAS place responsibility for monitoring progress with the CAE to ensure that management actions have been effectively implemented or, if not, that senior management have accepted the risk of not taking action. The CAE must, therefore, implement a follow-up process for ensuring the effective implementation of audit results or ensuring senior management are aware of the consequences of not implementing an action point and are prepared to accept the risk of such consequences occurring. The results of this process should be communicated to the board. The CAE should develop escalation procedures for cases where agreed actions have not been effectively implemented by the date agreed. These procedures should ensure that the risks of not taking action have been understood and accepted at a sufficiently senior management level. The effective involvement of the board in the follow-up process is critical to ensuring that it works. The CAE should consider revising the internal audit opinion in light of findings from the follow-up process. The findings of follow-up reviews should inform the planning of future audit work.

- 7.6.1 Internal Audit follow-up on actions once they are due and request evidence to support the closing of each action. The extent of the evidence required is at the discretion of the auditor carrying out the follow-up exercise. Normally this will involve the request and receipt of documentation from clients to confirm that the recommendation has been implemented.

7.6.2 Progress on the implementation of internal audit recommendations is reported to each meeting of the Audit, Risk and Scrutiny Committee. The CIA will also consider any follow up action taken when he provides his opinion in the Annual Assurance Report. The results of the follow up exercises did not limit the opinion in 2021/22 or 2022/23.

7.6.3 Aberdeen City Council's Internal Audit **fully conforms** with Standard 2500 on Monitoring Progress.

7.7 2600 - Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, they must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, they must communicate the matter to the board. It is not the responsibility of the chief audit executive to resolve the risk.

7.7.1 One instance where an audit recommendation was not accepted by management was identified during this review. In this instance Management accepted the identified risk and this was reported to Committee who accepted the outcome.

















7.7.2 Regular updates are made to the Audit, Risk and Scrutiny Committee regarding progress with outstanding audit recommendations, thereby keeping them and senior managers up to date with areas where action to address recognised risk has not yet been addressed.



7.7.3 The Annual Assurance Report includes and concludes on the full scope of internal responsibilities with an opinion on the Council's framework of governance, risk management and control. It should be noted that that the 2022/23 Annual Assurance Report only partly summarised the opinions for the audit assignments that contribute to the CAE opinion. This is because the "previous year's work, issued in the current year did not include an overall graded opinion (see para. 7.5.1, above)

7.7.4 Aberdeen City Council's Internal Audit **fully conforms** to the Standard on Communicating the Acceptance of Risk.

Donna Sutherland
Strategic Lead, Corporate Audit & Performance
The Highland Council
September 2023

APPENDIX A – SUMMARY OF ASSESSMENT

REF	PAGE No.	ASSESSMENT AREA	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A		Mission of Internal Audit and Core Principles				
Section B		Definition of Internal Auditing				
Section C		Code of Ethics				
Section D		ATTRIBUTE STANDARDS				
1000		Purpose, Authority and Responsibility				
1100		Independence and Objectivity				
1200		Proficiency and Due Professional Care				
1300		Quality Assurance and Improvement Programme				
Section E		PERFORMANCE STANDARDS				
2000		Managing the internal Audit Activity				
2100		Nature of Work				
2200		Engagement Planning				
2300		Performing the Engagement				
2400		Communicating Results				

2500		Monitoring Progress				
2600		Communicating the Acceptance of Risks				
TOTALS			13	1	-	-

APPENDIX B – EVIDENCE PACK

- Aberdeen City PSIAS Self-Assessment
- Internal Audit Charter
- Internal Audit Manual
- Internal Audit Plan 2023-2025
- Internal Audit Annual Report 2022/23
- Audit, Scrutiny & Risk Committee meeting minutes
- Internal Audit Team member job descriptions
- Internal Audit Team performance reviews
- Internal Audit training report
- CAE qualification certificate
- Sample of Internal Audit annual declaration of interest statements
- Sample of audit files from completed assignments
- Aberdeen City shared Audit Service SLA
- Aberdeen City retention policy
- Aberdeenshire employee code of conduct

APPENDIX C – STAKEHOLDER QUESTIONNAIRES

Stakeholder questionnaires were completed by the following key members of staff and Elected Members:

- Councillor Houghton
- Councillor MacDonald
- Chief Executive
- Director – Commissioning
- Director – Customer
- Director – Resources
- Interim Chief Operating Officer – HSCP
- Chief Officer – Finance
- Interim Chief Officer - Governance

APPENDIX D – ACTION PLAN

No.	Para	Recommendation	Management Response	Responsible Officer/ Agreed Completion Date
1	6.1.2 – 6.1.4	In order to meet the requirements of the PSIAS/LGAN, the Internal Audit Charter must be reviewed and revised to include the following: <ul style="list-style-type: none"> • arrangements for appropriate resourcing (including the role of the internal audit contract manager); and • define the role of internal audit in any fraud-related work (including notification of both suspected and detected fraud). 	The Internal Audit Charter is considered fit for purpose and accurately reflects the relationship between Aberdeen City Council and Aberdeenshire Council Internal Audit, specifically focusing on the areas for which the latter has responsibility. However as part of the annual review, scheduled to be presented to Committee in March next year, the points noted will be factored in.	Chief Internal Auditor Mar-24
2	6.1.4	The Counter Fraud Policy should be reviewed and revised to include a requirement for the CAE to be informed of all suspected and detected fraudulent activity. This can be used to inform the CAE's assessment of risk when preparing the annual audit plan and their annual audit opinion.	We will work with ACC Management to support a review and revision of the Counter Fraud Policy to better reflect what is already being done operationally.	Chief Internal Auditor Dec-23
3	6.4.1 – 6.4.2	The scope of the internal QAIP assessments (including both ongoing and periodic) should be documented and the results of each included in the annual opinion report.	The annual internal QAIP is reported to Committee as part of the CIA's Annual Report. The scope of this work will now also be documented. The next review is scheduled to be presented to Committee in June next year.	Chief Internal Auditor June-24
4	7.1.8	In line with CIPFA's best practice, Internal Audit should provide improved information to explain to the Audit, Risk and Scrutiny Committee that it has sufficient resources to deliver the internal audit plan.	Behind the Internal Audit Plan that is presented to Committee each year is a full suite of supporting analysis that looks at resourcing. This is discussed with Management and Committee when presenting the Plan. However, in order to satisfy best practice, this will be reporting as part of the actual document that is approved by Committee. The next Plan is scheduled to be presented to Committee in March next year.	Chief Internal Auditor Mar-24

	Critical
	Significant
	Routine

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Update Report
REPORT NUMBER	IA/23/009
DIRECTOR	N/A
CHIEF OFFICER	Jamie Dale, Chief Internal Auditor
REPORT OFFICER	Jamie Dale, Chief Internal Auditor
TERMS OF REFERENCE	2.3

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with an update on Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Note the progress of the Internal Audit Plan;
- 2.2 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports;

3. CURRENT SITUATION

- 3.1 Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control and governance, making recommendations for improvement where appropriate. Reports are produced relating to

each audit assignment and summaries of these are provided to the Audit Committee.

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. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report..

7. RISK

7.1 The assessment of risk contained within the table below is to be consistent with the Council’s Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Ability of the Council to meet its strategic objectives	The Internal Audit process considers strategic 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those	M	Yes

		that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Compliance	Council does not comply with relevant internal policies and procedures and external guidance.	The Internal Audit process considers compliance 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes
Operational	Failure of the Council to deliver agreed services.	The Internal Audit process considers operational 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows	L	Yes

		up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Financial	Financial failure of the Council, with risks also to credit rating.	The Internal Audit process considers financial 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes
Reputational	Impact of performance or financial risk on reputation of ACC.	The Internal Audit process considers reputational 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, consistent with the Council's Risk Appetite Statement, are made to address the	L	Yes

		identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.		
Environment / Climate	Service delivery impacting negatively on City net zero targets.	The Internal Audit process considers environmental/climate 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.	L	Yes

8. OUTCOMES

- 8.1 The proposals in this report have no impact on the Council Delivery Plan.
- 8.2 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.

9. IMPACT ASSESSMENTS

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

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Appendix A – Internal Audit Update Report

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report November 2023

Contents

1	Executive Summary	3
1.1	Introduction and background.....	3
1.2	Highlights.....	3
1.3	Action requested of the ARS Committee.....	3
2	Internal Audit Progress	4
2.1	2022/23 Audits.....	4
2.2	2023/24 Audits.....	4
2.3	Audit reports presented to this Committee.....	4
2.4	Follow up of audit recommendations.....	8
2.4.1	AC2314 - Assurance Review of Adults with Incapacity – Follow Up.....	8
2.5	2024-27 Audit Planning Process.....	8
3	Appendix 1 – Grading of Recommendations	9
4	Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions	10
5	Appendix 3 – 2024-2027 Internal Audit Planning Process	11

1 Executive Summary

1.1 Introduction and background

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

This report advises the ARS Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2022/23 and 2023/24 Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- Four reviews have been completed.
- Work is underway with regards to delivery of the 2023/24 Internal Audit Plan.
- Two audit recommendations have been closed.

1.3 Action requested of the ARS Committee

The Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1 2022/23 Audits

Service	Audit Area	Position
Resources	Corporate Asset Management	Final Report Issued

2.2 2023/24 Audits

Service	Audit Area	Position
Children and Family Services	Pupil Equity Fund	Final Report Issued
Children and Family Services	Secondary School Visits	Review in progress
Commissioning	Procurement Compliance	Review in progress
Commissioning	City Region Deal	Review in progress
Commissioning	Environmental Action	Review Scheduled
Council Led HSCP Services	Social Care Financial Assessments	Review Scheduled
Council Led HSCP Services	Care Management System	Final Report Issued
Customer	Volunteer Arrangements	Review in progress
Customer	Recruitment	Review Scheduled
Customer	PREVENT	Review Scheduled
Customer	Data Protection	Final Report Issued
Customer	Attendance Management	Review in progress
Customer	Cyber Controls	Review in progress
IJB	Compliant Handling	Review in progress
IJB	IJB Hosted Services	Review Scheduled
NESPF	Pensions Investment Strategy	Review in progress
Resources	Vehicle and Driver Compliance	Review in progress
Resources	Stores Stock Controls	Review in progress
Resources	Revenue Budget Setting and Financial Strategy	Review in progress
Resources	Creditors System	Review in progress
Resources	COVID-19 Spend	Review in progress
Resources	Private Sector Housing	Review Scheduled

2.3 Audit reports presented to this Committee

Report Title	Assurance Year	Conclusion
AC2313 – Corporate Asset Management	2022/23	<p>The level of net risk is assessed as MAJOR with the control framework considered to provide LIMITED assurance over the Council's approach to asset management.</p> <p>Arrangements in respect of three of the Council's main asset groups: Corporate Property, Roads, and Fleet were reviewed in detail. Other parts of the Council's asset portfolio including Housing, Environment, Digital and Heritage assets were not reviewed in detail, but Officers were asked to describe their asset management practice and contribute to the review overall. None had a complete Policy, Strategy and Action Plan to drive asset management practice, balance competing interests,</p>

Report Title	Assurance Year	Conclusion
		<p>priorities and demands, and ensure a targeted approach to delivering against corporate objectives. Whilst the majority of the assets are land and property (in various formats) and are managed by the Corporate Landlord, the findings in this report apply equally to other parts of the portfolio. Whilst there were components of the structure that would make up an asset management framework, these were either out of date; lacked detail or were embedded as sections within various separate Council key documents. There was no one document or series of documents that provided a clear concise direction for the assets, how objectives would be implemented and the plan to accomplish these.</p> <p>There is an apparent lack of joined up strategic planning for assets, leading to various short-term decisions being made to address immediate operational demands, within the confines of annual historically determined individual service budgets, and sets of service standards devised on the basis of achievability rather than to deliver agreed policy intentions. If there is insufficient planning, maintenance and investment as a result, there will be a risk of failure, which could impact on service delivery, reputation, and asset values.</p> <p>A variety of performance data is recorded across multiple operational asset recording systems, supporting annual budgeting and short-term prioritisation. To an extent, strategic direction can be implied through the selection of performance data and targets, but it is not currently documented or explicitly evidencable. Variations were also identified between data held for financial and operational purposes, reducing assurance over the completeness and accuracy of asset management records.</p> <p>A Capital Board was set up in 2019, with Terms of Reference including governance arrangements that in addition to identifying and monitoring the resources available to fund the capital programme, would provide strategic direction, make decisions, and provide stewardship to the delivery of a Corporate Asset Management framework and Asset Management Plans. Membership of this Board was composed of the Director of Resources and ten Chief Officers. However, no further records, agendas or minutes were available for review, limiting assurance over the consistent application of asset management governance controls in this area.</p> <p>Procedures covering asset acquisitions; maintenance; data collection, collation & reporting; review breakpoints; funding; option appraisals and business cases (financial & non-financial), were not available. There is therefore a risk of inconsistent approaches to these critical asset management activities.</p>
AC2403 – Pupil Equity Fund	2023/24	The level of net risk is assessed as MODERATE , with the control framework deemed to provide REASONABLE

Report Title	Assurance Year	Conclusion
		<p>assurance over the Council's approach to the Pupil Equity Fund.</p> <p>Pupil Equity Funding (PEF) is additional funding from the Scottish Government's £750m Scottish Attainment Challenge programme from 2017/18 up until 2025/26. The funding is allocated directly to schools and targeted at closing the poverty related attainment gap. This funding is to be spent at the discretion of head teachers working in partnership with each other and their local authority. In 2022/23 Aberdeen City schools received a total of £3.264m and the allocation for 2023/24 is £3.264m. The allocation per school was based on £1,225 per pupil, in primary 1 to secondary 3, estimated by the Scottish Government as being registered for free school meals (FSM).</p> <p>All schools reviewed had processes in place for identifying pupils who could benefit from PEF and all schools reviewed had PEF plans in place.</p> <p>PEF budget monitoring is facilitated by regular meetings between head teachers and Finance who also provide regular budget monitoring reports. In addition, in line with grant funding conditions, the Council reported on outcomes and plans relevant to PEF in its annual National Improvement Framework report to Education Operational Delivery Committee, in September 2022. Also, separately the Education and Children's Services Committee receive regular attainment performance updates.</p> <p>However, the review identified some areas of weakness where the framework of control could be strengthened, specifically: Intervention Planning, Accountability, Financial Planning, Procurement, Staffing and IR35 Compliance.</p> <p>Recommendations have been made to address the above risks, including establishing systems of control to ensure: PEF plans are consulted on, established in line with national and Council guidance; that PEF plans are fully costed with appropriate contingency arrangements; that PEF procurement processes comply with the Council's Scheme of Governance and IR35; that the budgeted saving for central support costs funded by PEF is verified for accuracy before being applied, and that performance reporting is established. In addition, it was recommended that consideration be given to PEF funds ceasing and the associated impact on staffing funded by PEF.</p>
AC2405 – Care Management System	2023/24	<p>The level of net risk is assessed as MINOR, with the control framework deemed to provide SUBSTANTIAL assurance over the Council's approach to the care management system.</p> <p>The following governance, risk management and control measures were sufficiently robust and fit for purpose:</p>

Report Title	Assurance Year	Conclusion
		<p>System Maintenance and Development, Procurement, and Business Continuity and Disaster Recovery.</p> <p>Security updates (patching) was out of scope for the review due to resourcing constraints for the Cluster and management assurance that the adequacy of system patching arrangements has been covered by the most recent IT health check (ITHC) for Public Services Network (PSN) compliance and Cyber Essentials Plus. This will be considered as part of the planned 2023/24 Cyber Action Plan Internal Audit review.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Written Procedures and Training, Access Control, and Interfaces.</p> <p>Recommendations have been made to address the above risks including reviewing system access restrictions, ensuring mandatory training is robust, and establishing an automated interface for Child Protection Register updates.</p>
AC2406 – Data Protection	2023/24	<p>The level of risk is assessed as MINOR, with the control framework deemed to provide SUBSTANTIAL assurance over the Council’s approach to data protection.</p> <p>The following governance, risk management and control measures were sufficiently robust and fit for purpose: Governance Arrangements, Incident Response Handling, and Procurement and Contract Management.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Staff Policies, Procedures and Training, Privacy Notices, and Subject Access Requests.</p> <p>Recommendations have been made to address these risks, including reviewing, and updating policies and procedures and improving their accessibility, reviewing accessibility arrangements for hard copy privacy notices, improving mandatory training completion rates through Service Manager and line manager monitoring and publishing data sharing agreements. Subject access request performance was reported to AR&SC in September 2023 as part of the annual information governance management report and action is already being taken to improve response times via a review of procedures, roles and responsibilities, and delivery of training.</p>

2.4 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 31 August 2023 (the baseline for our exercise), three audit recommendations were due and outstanding:

- One rated as Moderate
- Two rated as Minor

As part of the audit recommendations follow up exercise, 2 recommendations were closed:

- Two rated as Minor

For the remaining recommendation¹, an update was provided by Management and an extension given.

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendation that will be taken forward and followed up as part of the next cycle.

2.4.1 AC2314 - Assurance Review of Adults with Incapacity – Follow Up

At the September Audit, Risk and Scrutiny Committee, in response to a question relating to how the Committee would get assurance that the Service was on track between now and June 2024 with implementation of the recommendations of this Major risk report, it was agreed that progress updates would be presented to each Committee going forward. Internal Audit reached out on the recommendations in advance of Committee reporting, with Management advising that all were in progress but no further detail or evidence provided.

2.5 2024-27 Audit Planning Process

Over the coming months Internal Audit will undertake the process of developing the 2024-27 Assurance Plan. Appendix 3 – 2024-2027 Internal Audit Planning Process details the process that will be followed.

¹ This is the position with regards to recommendations that were due as at 31 August 2023. Recommendations falling due past this date and those made as part of subsequent Internal Audit Reports will be followed up as part of the standard follow up cycle and reported to Committee session on session.

3 Appendix 1 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

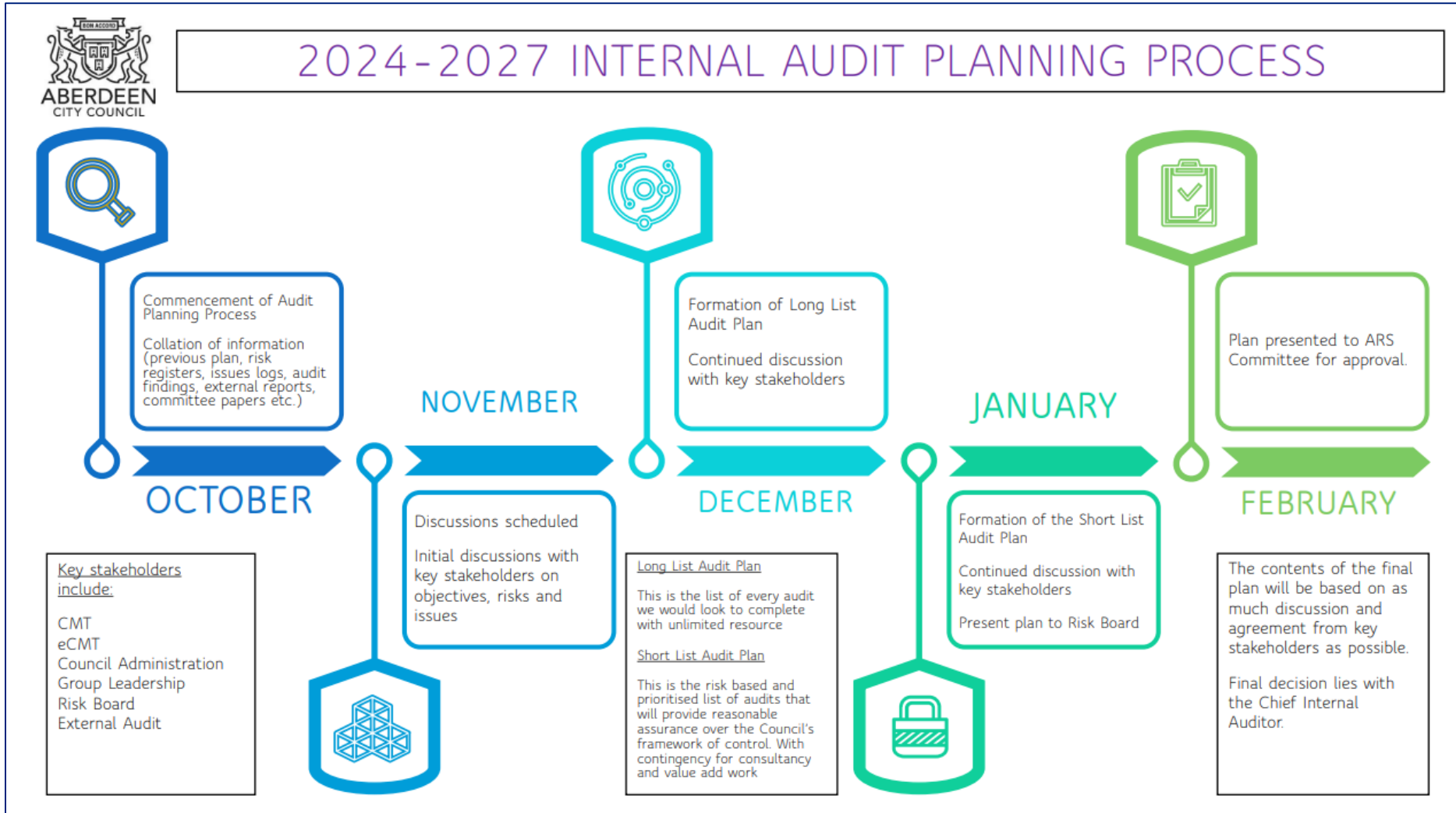
Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2209 - Debt Recovery	Moderate	2.1.8a	Debt recovery policies and written procedures, including the Service Income policy, Corporate Debt Recovery policy, payment arrangements procedure and the write off procedure should be reviewed and updated where necessary.	Jun-23	Mar-24	This recommendation is partly complete but not all policies and guidance have been reviewed and the necessary updates made. An extension is required to allow this to be completed.	In progress

5 Appendix 3 – 2024-2027 Internal Audit Planning Process



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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2313 – Corporate Asset Management
REPORT NUMBER	IA/AC2313
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Corporate Asset Management.

2. RECOMMENDATION

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

3. CURRENT SITUATION

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

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 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, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 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.

8.2 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.

9. IMPACT ASSESSMENTS

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

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2313 – Corporate Asset Management

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Assurance Review of Corporate Asset Management

Status: Final

Date: 13 September 2023

Risk Level: Corporate

Report No: AC2313

Assurance Year: 2022/23

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

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Stakeholder	Mark Reilly, Chief Officer – Operations and Protective Services
	Alistair Reid, Team Leader – Asset Management
	Jonathan Belford, Chief Officer - Finance*
Final only	External Audit
Lead auditor	Debbie Steele, Auditor

1 Introduction

1.1 Area subject to review

The Council has a hugely diverse asset portfolio. In the Audited Accounts for 2021/2022, the Balance Sheet showed the Net Assets as having a value of £1,435m as at 31 March 2022 (Long term assets valued at £2,923m). This includes around 1200 Non-housing assets (2016 – 2018 data) and an existing stock of more than 22,000 properties managed by the Housing Revenue Account (March 2023). In addition to land and buildings (£1,206m), and infrastructure assets including roads and structures (£260m), the Council utilises a variety of vehicles, plant, and equipment (£31m), and maintains heritage and community assets (£227m). As custodians of the assets, and public money, the Council has an obligation to protect the value of these assets through Asset Management¹.

The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out that:

“Asset Management is about supporting the delivery of the strategic goals and objectives through the use of property assets”.

The Royal Institute of Chartered Surveyors (RICS) defines Strategic Asset Management as:

“The activity of aligning property assets with the strategic aims and direction of the organisation and adding both financial and non-financial value to the organisation as a result.”

These principles apply equally to all of the different asset groups in which the Council has invested, and continues to invest in through its Capital Programme and maintenance programmes, to deliver its services – though the assets and the way in which they are managed may vary.

Aberdeen City Council has established a vision: *“A place where all people can prosper”* and has mapped out strategic plans in the Council Delivery Plan 2022/2023 to deliver this vision. It describes the journey of change required, key achievements delivered in 2021/22 and the priorities for 2022/2023. The Council Delivery Plan identified that there was a requirement to meet the challenges posed by a changing world by continuing to embrace new ways of doing business whilst meeting the needs of customers and communities.

In the current period of austerity and uncertainty it has become a priority to ensure that resources are allocated appropriately and efficiently following a suitable Asset Management Plan. The effective use of capital resources is fundamental to the Council achieving its medium- and long-term strategic objectives. The Prudential Code details that Councils have a responsibility to apply an affordable, prudent, and sustainable approach to investment – supported by (inter alia) stewardship of assets e.g. asset management planning.

With any planning and long-term forecasting there is a level of risk due to uncertainty. The benefit of having an Asset Management Plan in place is that assets are identified as to their purpose; life cycle stage: acquisition, construction, maintenance, or disposal; condition; suitability and long-term plan. Having this overall view of the asset portfolio allows the organisation to respond to today’s political, economic, and environmental challenges. The pandemic was evidence of this whereby the function of many assets changed from their original function to that of a Vaccination Centre. Sustainability and climate change are also key factors requiring adaptability in service delivery, and therefore use of assets.

1.2 Rationale for the review

The audit objective is to ensure resources are allocated appropriately and efficiently following a suitable Asset Management Plan.

¹ Figures are based on Net Book Value.

Asset Management should align with the strategic aims and directions of the organisation so that value is added in a financial and non-financial capacity.

To develop an effective Asset Management Plan there are many considerations to be made: the corporate vision and strategies; available resources; governance arrangements; the integration of other financial and business plans with asset plans; asset life cycle; foresight into the changing purpose of the assets; repair and maintenance expenditure; purchasing and disposals; service standards; performance indicators; socio-economic value; procedures and best practices to name a few. The Asset Management Plan requires to have purpose; support the corporate objective and identify how this will be achieved and how success will be measured. This audit will review these areas.

In a previous audit on Commercial Investment Property in February 2021 (AC2017) it was found that the "Property Asset Management Framework and Strategy" had not been updated since 2016. The Service agreed on the recommendation, graded as significant, that the Property Estates Strategy should be updated. This was started but then aborted due to market changes created by the pandemic. It was proposed that a review would be undertaken when there was greater stability in the market. This was due on 28 February 2023.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MAJOR** with the control framework considered to provide **LIMITED** assurance over the Council's approach to asset management.

As custodians of a diverse portfolio of assets, Aberdeen City Council has an obligation to protect the value of these investments of public money in the utmost cost-effective manner. Having a robust, effective, and efficient Asset Management framework in place provides a steer for practice that can be adapted as challenges and opportunities present themselves and resources allocated appropriately and efficiently. Both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Royal Institute of Chartered Surveyors (RICS) acknowledge the scope for variation in organisational and governance structures and asset portfolios, but each sets out that the foundations of sound asset management practice are a Policy, a Strategy and Asset Management plans. Without a clear, well documented and understood corporate approach to asset management, for all of the Council's assets, there is a risk of divergence of practice both from achieving corporate objectives and between competing internal priorities.

Arrangements in respect of three of the Council's main asset groups: Corporate Property, Roads, and Fleet were reviewed in detail. Other parts of the Council's asset portfolio including Housing, Environment, Digital and Heritage assets were not reviewed in detail, but Officers were asked to describe their asset management practice and contribute to the review overall. None had a complete Policy, Strategy and Action Plan to drive asset management practice, balance competing interests, priorities and demands, and ensure a targeted approach to delivering against corporate objectives. Whilst the majority of the assets are land and property (in various formats) and are managed by the Corporate Landlord, the findings in this report apply equally to other parts of the portfolio. Whilst there were components of the structure that would make up an asset management framework, these were either out of date; lacked detail or were embedded as sections within various separate Council key documents. There was no one document or series of documents that provided a clear concise direction for the assets, how objectives would be implemented and the plan to accomplish these.

There is an apparent lack of joined up strategic planning for assets, leading to various short-term decisions being made to address immediate operational demands, within the confines of annual historically determined individual service budgets, and sets of service standards devised on the basis of achievability rather than to deliver agreed policy intentions. If there is insufficient planning, maintenance and investment as a result, there will be a risk of failure, which could impact on service delivery, reputation, and asset values.

For example: A Roads Asset Management Plan was last updated in 2016. A School Estate Plan, published in 2022, set out more detail in respect of education establishments, however it did not fully reflect timescales, costs and balancing resources over asset lifecycles, and this level of rigour has not

been applied to other asset groups. A Property and Estates Strategy has been developed in 2023, but it does not clearly set out how it will support achievement of the Council's transformational objectives. Fleet replacement plans are provided to Committee annually, but there is no policy or strategic context.

A variety of performance data is recorded across multiple operational asset recording systems, supporting annual budgeting and short-term prioritisation. To an extent, strategic direction can be implied through the selection of performance data and targets, but it is not currently documented or explicitly evidencable. Variations were also identified between data held for financial and operational purposes, reducing assurance over the completeness and accuracy of asset management records.

A Capital Board was set up in 2019, with Terms of Reference including governance arrangements that in addition to identifying and monitoring the resources available to fund the capital programme, would provide strategic direction, make decisions, and provide stewardship to the delivery of a Corporate Asset Management framework and Asset Management Plans. Membership of this Board was composed of the Director of Resources and ten Chief Officers. However, no further records, agendas or minutes were available for review, limiting assurance over the consistent application of asset management governance controls in this area.

Procedures covering asset acquisitions; maintenance; data collection, collation & reporting; review breakpoints; funding; option appraisals and business cases (financial & non-financial), were not available. There is therefore a risk of inconsistent approaches to these critical asset management activities.

Recommendations have been made to address the above points, including, formalising the framework, action plans and performance indicators and reporting. Where this review did look at Corporate Asset Management on the whole, the focus of the scope has been on the underlying governance to support delivery overall and thus the recommendations have been focused on strengthening the control framework rather than actual projects or operations.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.1	Asset Management Framework – Aberdeen City Council has no clear Asset Management approach in place from which the Asset management plans could be reviewed. Whilst there were components of the structure that would make up an Asset management framework, these were either out of date; lacked detail or were embedded as sections within various Council key documents. There was no one document or series of documents that provided a clear, concise, direction for the assets, how objectives would be implemented and the plan to accomplish these. The impact of having no Asset Management framework in place carries the risk of not planning for the assets over their whole life cycle. Following acquisition there is a requirement for continued investment into the asset to maintain its value. Lack of asset maintenance planning and future resource allocation carries the risk of asset	Y	Major	11

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>deterioration, Health and Safety risks, and damage to the Council's reputation.</p> <p><u>Policy</u></p> <p>Each of the three Clusters reviewed referred to a different key document for their direction. Fleet took direction from the 2021 Council Climate Plan; Roads referred to the Council Delivery Plan; and Corporate Landlord referred to the T.O.M 1.2. There was no one over-arching policy document that guided the Services on the corporate priorities and objectives or what the vision for the assets was in delivering these objectives. In the TOM and Climate Change Plan the asset management intentions were implied rather than being specifically set out. The asset related intentions did not account for all asset types in the asset portfolio. The absence of clear policy creates the risk of there being no document to map out the direction Services are to take to support the Council vision and deliver key objectives to ensure effective asset management and achieving the best value from the assets. There is a reputational risk that in the absence of asset policies the Council are not fulfilling their stewardship and custodian role to protect asset value.</p> <p><u>Strategy</u></p> <p>At the time of the review there were no up to date Asset Management strategies for any of the asset groups reviewed. The Council's overall plans, operating model, and context have changed substantially since previous strategies were documented. There is a lack of clarity over how asset strategies will deliver the transformation required as part of the TOM and MTFs, and how they will remain agile to meet changing requirements. Until asset strategies have been developed and agreed, clearly linked to corporate objectives, there is an increased risk of short-term service-specific operational factors influencing asset management decisions with long-term corporate implications.</p>			
1.2	<p>Action Plans – Asset Management Plans are not up to date. In their absence, condition data is used to inform short-term planning within annual resource constraints.</p>	Y	Major	16

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>In the absence of clear principles and priorities set out in asset management policy and strategy it will be difficult to balance competing priorities to deliver the Council's vision over the longer term. In the absence of clearly articulated and communicated plans there is the risk that Services will create their own plans which do not align with the Strategy and the Council objectives, creating the risk of inappropriate resource allocation. Assets are at risk of deterioration and mismanagement if there are no lifetime plans in place which define how the assets will be maintained and managed over their whole life cycle.</p> <p><u>Backlog Maintenance</u></p> <p>All Clusters acknowledged that asset maintenance is generally more reactive than planned – though the ratios are not regularly calculated and reviewed. Clusters referenced cost minimisation approaches, with priority given to meeting legislative and safety requirements. Whilst these are currently being met, in the absence of longer term plans for addressing maintenance risks and investing in improvements, assets could be run down to a level where the risks escalate beyond acceptable levels, or the cost of meeting standards exceeds available resources.</p>			
1.3	<p>Performance Indicators and Reporting – Service standards are subject to annual review, as part of development of the MTF5 and Council Delivery Plan. These generally relate to service delivery rather than the assets which support it. Where the standards change, these may be highlighted in appendices to the delivery plan. However, this is not the case for every asset, and progress against this target is not regularly reported. With the exception of Statutory PI's there is no core published record of asset management targets and outcomes. Data requirements have not been determined, and benchmarking varies across Clusters.</p>	N	Major	18

2.4 Management response

Management welcomes Internal Audit's review of the Council's approach to Asset Management. We are fully aware that the guidance from CIPFA and RICS around asset management, including policy and strategy development is not being followed; this is a deliberate decision to apply alternative

approaches based on the resource to prepare and maintain these documents in a period where the council has to consider significant savings around its asset base and other areas.

There is a range of asset management activities in place across the council. Whilst accepting that there are gaps and areas that require to be improved there is also good practice in place, and this needs to be balanced against the resources that are available to deliver a more comprehensive asset management approach.

There are processes and procedures in place to aid in directing available resource and facilitate decision making, including: condition surveys, cyclical/statutory maintenance programmes, functional hierarchies and maintenance criteria, the process for developing business cases, data collection timetables, quality of asset data held, decisions to restrict repair and maintenance works to essential repairs and health and safety works only, decision/prioritisation processes around the use of condition and suitability budget, the work of the capital board, the annual budgeting process and asset challenge around this or the council approach to strategy development. Asset business cases are delivering savings from the portfolio.

Performance targets were reviewed as part of the Estates Strategy and are in line with available budgets. Information held suggests that a number of properties are at the lower end of the scale. Due to issues highlighted within the report around proactive planned maintenance it is likely that standards will fall. This is reflected in both the Corporate Landlord service standards and SPI reporting. Current levels of repairs are noted within service standards for Corporate Landlord with wider SPI's reported to committee for visibility. There is general compliance across areas of statutory compliance, albeit repairs are restricted to essential wind and watertight and health and safety works in accordance with wider council policy in recent years.

The Property Estates Strategy is now in place as an enabling strategy to support the council key governance and policy documents not least the TOM, TOM 1.2, Council Delivery plan and medium-term financial plan. Significant work has been done in recent years to consolidate the range of strategy, policy, and procedure documents within the council. The estates Strategy forms part of this.

Two significant transformation projects are currently being progressed. An asset transformation programme and a transformation programme to review repair and maintenance of properties.

It is acknowledged that further work is required to document the process around asset management, and enhance the governance around the development of implementation plans, and this will be reviewed as part of the asset transformation programme. We will also review the terms of reference of the Capital Board to include standing agenda items around asset management performance and create clearer visibility.

3 Issues / Risks, Recommendations, and Management Response

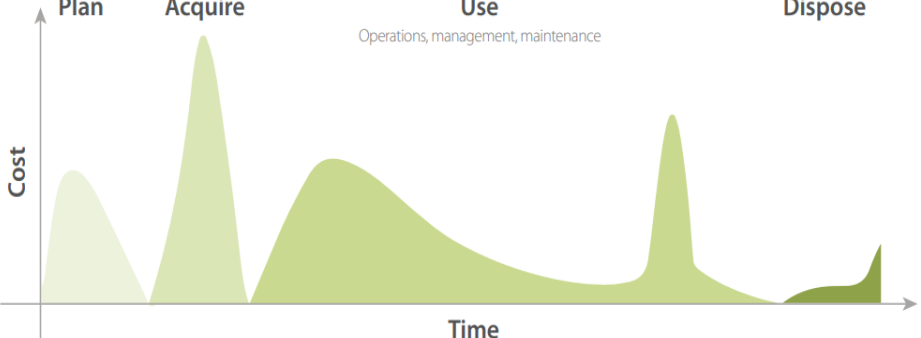
3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Major
1.1	<p>Asset Management Framework – As custodians of a diverse portfolio of assets, Aberdeen City Council has an obligation to protect the value of these investments of public money in the utmost cost-effective manner. Having a robust, effective, and efficient approach to Asset Management would provide a steer to practice that can be adapted as challenges and opportunities present themselves, to which resources can be allocated appropriately and efficiently.</p> <p>CIPFA (Chartered Institute of Public Finance and Accountancy) (November 2020)² acknowledges that documentation may become complex and confusing but a <i>"simple and disciplined structure with the three key elements of policy, strategy and action plan"</i> should be adopted.</p> <p>Although RICS practice guidelines (October 2022)³ do not recommend a specific organisational structure to deliver effective asset management, they do set out attributes of one that includes having a policy, a strategy and subsequent asset management plans in place. In the case of an external "health check" on the strength of the Asset Management System these would be reviewed.</p> <p>CIPFA undertakes reviews of public sector asset management. They have identified that often the asset management focus is on the day-to-day operations of the assets due to the reactive responses that are required. This creates <i>"some very real risks of a disconnect between asset management activity and the corporate objectives and priorities of the organisation"</i>. The disconnect has a knock-on effect leading <i>"to a lack of awareness and appreciation by the senior officer and political leadership of the organisation"</i>. Cascading down this can then affect: <i>"the resources required to keep public sector assets maintained and safe"</i>.</p> <p>The objective of the audit was to review the Asset Management Plan and ensure the resources were being allocated appropriately and efficiently. However, Aberdeen City Council has no documented Asset Management approach in place from which the Asset Management plans could be reviewed.</p> <p>Whilst there were components of the structure that would make up an Asset Management framework, these were either out of date; lacked detail; or were embedded as sections within various Council key documents. There was no one document or series of documents that provided a clear, concise direction for the assets, how objectives would be implemented and the plan to accomplish these. More information of these components is detailed in the following descriptions and recommendations.</p> <p>The impact of having no Asset Management framework in place carries the risk of not planning for the assets over their whole life cycle. The graph⁴ below illustrates the associated cost with typical assets over their whole life cycle. Whilst this may vary for different types of assets (e.g. the Council is responsible for some assets it cannot dispose of), following acquisition there is a requirement for continued investment into the asset to maintain its value and support its continued use. Lack of asset maintenance planning and future resource</p>		

² CIPFA A Guide to Local Authority and Public Sector Asset Management November 2020.

³ RICS Strategic public sector property asset management October 2022.

⁴ United Nations, Managing Infrastructure Assets for Sustainable Development: A handbook for local and national governments (New York, United Nations, 2021).

Ref	Description	Risk Rating	Major
	<p>allocation carries the risk of asset deterioration, Health and Safety risks, and damage to the Council's reputation.</p> <p style="text-align: center;">The life cycle of a physical asset</p>  <p><u>Policy</u></p> <p>An organisation typically sets out its visions and objectives in a Policy with the strategic direction that is to be taken having been agreed with leaders, stakeholders, and elected members.</p> <p>RICS recommends: <i>“a clear set of asset management policies should be established before embarking on the preparation of the [Asset Management Strategy]”</i>.</p> <p>CIFPA states: <i>“the development of the asset management policy document should be part of the early stages of a strategic asset management approach”</i>.</p> <p>The Policy may cover several services, so negating the need for multiple policies. When allocating resources to assets the policy is a reference to ensure that the resources are being allocated appropriately in line with the corporate objectives and priorities that have been set out.</p> <p>Aberdeen City Council (ACC) has no Asset Management policies in place.</p> <p>Each of three Clusters reviewed referred to a different key document for their direction. For example: Fleet took direction from the 2021 Council Climate Plan; Roads referred to the Council Delivery Plan, and Corporate Landlord referred to the T.O.M 1.2. There was no one over-arching policy document that guided the Services on the corporate priorities and objectives or what the vision for the assets was in delivering these objectives.</p> <p>Key ACC corporate documents were therefore reviewed in detail:</p> <ol style="list-style-type: none"> 1. Target Operating Model (TOM) 1.2 2. Medium Term Financial Strategy 2022 Final (MTFS) 3. Local Outcome Improvement Plan 2016-26, refreshed edition 2021 (LOIP) 4. Council Delivery Plan 2022-23 5. Council Delivery Plan 2023-24 6. Council Climate Change Plan 2021-25 Towards a Net Zero and Climate Resilient Council 7. 2021-2022 Audited Accounts <p>In the TOM and Climate Change Plan the asset management intentions were implied rather than being specifically set out. The asset related intentions did not account for all asset types in the asset portfolio.</p> <p>To determine the objectives and direction for each asset it would be preferable to have an Asset Management policy in place as reviewing the goals through a suite of documents is</p>		

Ref	Description	Risk Rating	Major
	<p>laborious and at risk of misinterpretation as not being relevant to assets or particular groups thereof.</p> <p>The absence of clear policy creates the risk of there being no document to map out the direction Services are to take to support the Council vision and deliver key objectives to ensure effective asset management and achieving the best value from the assets. There is a reputational risk that in the absence of asset policies the Council are not fulfilling their stewardship and custodian role to protect asset value.</p> <p><u>Strategy</u></p> <p>Strategies normally determine how policies will be implemented. Asset management strategy should align and reiterate the policy objectives and outline how these intentions will be delivered including the current position the assets are in; governance arrangements; future challenges and opportunities the assets may face; risks; maintenance and the backlog of maintenance; which performance indicators to set and their targets to measure the progress of the Policy goals and objectives. However, at the start of the audit there were no up to date Asset Management strategies for any of the asset groups reviewed:</p> <p><u>Property assets</u></p> <p>On 21 November 2019 the Strategic Commissioning Committee approved the commissioning of various strategies, including the "Estates & Assets Strategy". Its contribution was also referenced in the LOIP (2016-26). The 2023 Property & Estates Strategy (PES) was provided to Internal Audit at the end of March 2023, towards the end of the planned fieldwork stage. It had not been published or reported to Committee. There remains no Asset Management Policy that precedes this Strategy to outline the principles of managing the asset portfolio.</p> <p>In February 2021 Internal Audit highlighted that the 2016 – 2018 Property Asset Management Framework and Strategy had not been updated and it was not clear if the objectives in the strategy section remained relevant (Report AC2017). The objectives set out in the 2023 PES have not changed since the 2016 document, which itself had not changed substantially since a Corporate Asset Management Plan was last set in 2013. In contrast, the Council's overall plans, operating model, and context have changed substantially in the last ten years.</p> <p>Although the PES aligns with the Councils Strategic priority of Energy Transition and Net Zero and the MTFs there are no references to the Councils collective vision "a place where all people can prosper". It details that the assets will "make the maximum possible contribution to achieving the goals & objectives of an organisation" but does not clarify what the goals and objectives are. There is a lack of clarity over how the Strategy will deliver the transformation required as part of the TOM and MTFs, and how it will remain agile to meet changing requirements as these are developed as a result.</p> <p>The School Estate Plan 2022 was published prior to the PES. This plan contains more components of a strategy, and a greater level of detail. However, it referred to the PES, which did not exist at the time of its publication. The plan should align to the strategy, which should in turn align to the policy, so that corporate objectives are clearly reflected from the start.</p> <p>The Corporate Landlord also recently reported to the Communities, Housing and Public Protection Committee reflecting on a need to consolidate and refresh all asset management strategies for the HRA estate – which will not be reported back to Committee until late 2024.</p> <p><u>Roads and Fleet assets</u></p> <p>Roads and Fleet use the key ACC corporate documents to determine the objectives set for their asset groups. Each Service used a different key document to the others as their guide. Due to this scattering of objective information, there is no clear and focused path on how assets will meet Service provision; a clear outline of objective outcome expectations; no information on preferred / reserved projects and associated risks. The Services are at risk of</p>		

Ref	Description	Risk Rating	Major
	<p>becoming disjointed from the corporate objectives and developing their own objectives. This presents a risk to decisions made regarding resource allocation and funds being allocated inappropriately. The lack of a robust strategy that defines the current asset status, performance / contribution, and the forecast for the future places service provision at risk.</p> <p><u>All Services</u></p> <p>Until asset strategies have been developed and agreed, clearly linked to corporate objectives, there is an increased risk of short-term service-specific operational factors influencing asset management decisions with long-term corporate implications.</p>		
IA Recommended Mitigating Actions			
<p>The Council should develop a clear Asset Management approach with a hierarchy of documents (i.e. policy and strategies) covering the entire Council asset portfolio (including non-Property assets). These should set out the guiding principles for asset management in alignment with the Council's strategic direction and the contribution of assets to delivery of corporate objectives and priorities. This should be developed with the input of senior officers; the services that the assets serve and key organisational decision makers and stakeholders.</p>			
Management Actions to Address Issues/Risks			
<p><u>Property Management</u></p> <p><i>Management do not propose to create a new Asset Management Policy and Strategy as aligned with the CIPFA guidance. Historically this has created an extensive suite of documents, with significant staff resource required to develop and implement. Officers are comfortable with the enabling property and estates strategy but accept further work will be required to develop an action and implementation plan and communicate this.</i></p> <p><i>It is however agreed that further work is required to document the process around asset management and this will be reviewed as part of the asset transformation programme.</i></p> <p><u>Roads and Fleet</u></p> <p><i>As with Property Management, Management do not propose to create a new Asset Management Policy and Strategy as aligned with the CIPFA guidance, for the same reasons. Officers are comfortable with reviewing and updating the Roads Asset Management Plan 2016 - 2021 and Fleet developing a simple Fleet Asset Management Plan but accept further work will be required to develop an action and implementation plan and communicate this. However due to current workloads and current capacity this work will need to be planned into current service demands.</i></p> <p><i>It is however agreed that further work is required to document the process around asset management and this will be reviewed as part of the Fleet and Roads (asset) transformation programme.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Chief Officer – Corporate Landlord	April 2024
Yes		Chief Officer – Operations & Protective Services	August 2024

Ref	Description	Risk Rating	Major
1.2	<p>Action Plans – An Asset Management Plan is normally developed with the view of managing the assets through their entire life cycle starting with asset planning options right through to disposal at the end of the life cycle with the organisation's goals and objectives through Policy and Strategy setting out the route map. An Asset Management Plan sets out the projects / actions; which objective the project/ action serves; the decision-making criteria; key milestones; accountability and the resources required.</p> <p>Planning for the whole life cycle of an asset ensures capital and revenue funding is allocated and there is sufficient budget in place for each life cycle stage; governance requirements are met; maintenance is funded; performance indicators have achievable targets; forecasting is realistic; operational teams and services are informed on the assets future to enable efficient management. The use of accurate data; software; artificial intelligence and modelling all help in creating various scenarios that may arise and the long-term planning for the assets.</p> <p>For the three Services reviewed there were two asset management plans (AMP). One was for the School Estate and the other for Fleet Services, both of which have been approved by Committee. There was no up to date AMP for Roads or non-school Property assets.</p> <p>The School Estate Plan is a comprehensive document capturing the majority of components of an Asset Management Plan. However, further information on resource allocation to deal with maintenance backlogs and the costs over the asset life cycle are required to maintain the value of the estate. Some of the project timelines are also vague e.g. "ongoing" with no defined expected end date. "Resource requirements " are detailed as "budget requirement" but there are no indicative figures of what this required amount is. The Committee has requested annual updates.</p> <p>Fleet use the fleet management system to identify vehicles due for replacement. This is presented annually to Committee as the Fleet Asset Management Plan. However, this is more akin to a register of assets and is weak in comparison to the School Estate Plan.</p> <p>Phase 2 of the Fleet Asset Management Plan was supported by Committee in November 2021, in which authority was delegated to chief officers to consider and approve procurement business cases for vehicle and plant purposes. Alternative option studies mitigate the risk of not achieving best value for the desired outcome. Fleet Services confirmed that business cases, researching of available options and the decision making on the best value option had taken place in consultation with Procurement Services.</p> <p>The Corporate Landlord has no Asset Management plan in place for non-school assets – though the need to develop an action plan is identified in the 2023 PES. Previously this was covered by the 2016 Asset Management Framework but this is no longer being used. There are regular condition surveys, and a property scoring matrix was provided as an indication of how demands are prioritised, but it is not explicitly Policy-led, and is subject to other constraints e.g. budget / resource availability, and competing pressures (political, social, financial). The TOM Transformation Plan is now viewed as the plan for non-school properties. Minutes of the Transformation Board and Performance Board meetings were not made available for review to determine whether decision-making regarding asset resources was considered and documented consistently.</p> <p>Roads have an out-of-date Asset Management plan from 2016 that was to cover a 4-year period. Assessment of road conditions has now become more advanced as technology has developed and is now digital. A lot of the planning for Roads services is derived from surveys completed, identifying potential schemes that are scored and ranked in order of priority. With the addition of information, stored in a Geographic Information System, the Programme of Works is updated.</p> <p>Whilst each of the above supports short-term planning, in the absence of clear principles and priorities set out in asset management policy and strategy it will be difficult to balance competing priorities to deliver the Council's vision over the longer term.</p>		

Ref	Description	Risk Rating	Major
	<p>With any planning and long -term forecasting there is a level of risk due to uncertainty e.g. political; economic; environmental; financial; supply chain and changes in social values and priorities. In the absence of clearly articulated and communicated plans there is the risk that Services will create their own plans which do not align with the Strategy and the Council objectives, creating the risk of inappropriate resource allocation.</p> <p>Assets are at risk of deterioration and mismanagement if there are no lifetime plans in place which define how the assets will be maintained and managed over their whole life cycle.</p> <p><u>Backlog Maintenance</u></p> <p>CIPFA set out that a 70/30 split between planned and reactive maintenance is reasonable, with higher levels of planned maintenance being more optimal. All Clusters acknowledged that asset maintenance is generally more reactive than planned – though the ratios are not regularly calculated and reviewed.</p> <p>Clusters referenced cost minimisation approaches, with priority given to meeting legislative and safety requirements. For example:</p> <p>The Corporate Landlord confirmed that minimum standards of maintenance could be delivered within available resource. The PES states that there is more than a £50m maintenance backlog for the asset portfolio which continues to grow. It also notes that: <i>“the balance between planned and reactive maintenance requires to change for the estate to be sustainable”</i> but the current and intended ratios, and timescales for resolving this balance, have not been set out in either the strategy or an action plan. Priority is given to statutory compliance works and essential repairs.</p> <p>The School Estate Plan states it <i>“cost £1.93m to maintain the estate in 21/22. There is a need to make decisions on the size of the estate aging estate, most costly building, and backlog.”</i> These decisions have yet to be made, pending consultation and feasibility work which is ongoing and will be reported to Committee.</p> <p>Roads confirmed that maintenance plans are prepared year on year, based on resource availability. At City Growth and Resources Committee on 21 June 2022 (report OPE/22/098) para 3.9, Roads estimated £4.75m per annum would be required to maintain the roads in a <i>“current average network condition”</i> which was £2.47m greater than the budget allocated.</p> <p>Fleet confirmed maintenance plans, to ensure continued compliance with licence and traffic legislation, are reflected on the fleet management system. As a cost saving measure Fleet planned on reviewing each vehicle’s performance and extending the vehicle’s service life.</p> <p>Whilst minimum requirements are currently being met, in the absence of longer term plans for addressing maintenance risks and investing in improvements, assets could be run down to a level where the risks escalate beyond acceptable levels, or the cost of meeting standards exceeds available resources.</p>		
	IA Recommended Mitigating Actions		
	<p>The Service should develop asset management plans, linked to the Council’s asset management policy and strategic objectives, for all categories of assets.</p> <p>The Service should develop a strategy and plan to address the backlog of maintenance issues to mitigate the risk of asset deterioration, and the associated financial and reputation risks.</p>		
	<p><u>Property Management</u></p> <p><i>As noted previously producing plans for all asset types is not desirable given current focus and resource availability.</i></p>		

Ref	Description	Risk Rating	Major
	<p><i>It is recognised that there are gaps in planned maintenance driven by resource available to plan and deliver. For example for corporate landlord to introduce a planned maintenance programme, ignoring backlog maintenance, would require an increase in the budget to a level in excess of £10m per annum to meet the proposed split. This is considered unaffordable in the current budget process. Resource priority is being given to reducing the estate to a more affordable position. A maintenance strategy is not a priority given the available budget and instruction for essential spend. Management do not propose progressing with this recommendation.</i></p> <p><i>There is an annual review of asset use as part of budget 'playbook process' considered by all chief officers on an annual basis.</i></p> <p><i>It is however agreed to strengthen the governance around the development of implementation plans. This will be developed through the works being done on the Asset Transformation programme and will be reported through the capital and transformation boards.</i></p> <p><i>The project Charter identifies the following:</i></p> <ul style="list-style-type: none"> • <i>Agree baseline information and affordability levels as identified within the MTFS.</i> • <i>Agree programme of asset category reviews and complete reviews.</i> • <i>Identify opportunities for cross asset reviews across partner organisations.</i> • <i>Present opportunities for saving to Transformation board.</i> <p><u><i>Roads and Fleet</i></u></p> <p><i>Unlike Property Management, high level plans for all asset types is possible subject to current workloads and resource availability.</i></p> <p><i>It is recognised that there are gaps in planned maintenance driven by resource available to plan and deliver in Roads services. However, Roads Services maintain the roads infrastructure to a national indicator of "satisfactory". Fleet services have a statutory requirement to maintain vehicles in a road worthy condition. Fleet Services would need to review current revenue budget to the planned and reactive maintenance programme to ensure that the service is adequately funded and to inform the MTFS.</i></p> <p><i>Resource priority is being given to effective management of both Roads and Fleet assets to ensure value for money. Maintenance strategies are in place for both services and would form a part of an Asset Management Plan.</i></p> <p><i>Management do not propose progressing with this recommendation.</i></p> <p><i>There is an annual review of asset use as part of budget 'playbook process' considered by all chief officers on an annual basis.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Corporate Landlord	April 2024
	Yes	Chief Officer – Operations and Protective Services	August 2024

Ref	Description	Risk Rating	Major
1.3	<p>Performance Indicators and Reporting – Councils have a statutory obligation to provide key performance information on public assets. The setting of Service Standards ensures that there are defined performance targets to aim for.</p> <p>The gathered performance data should have a defined purpose and targets that may include e.g. fulfilling statutory requirements; corporate objectives; climate goals; service values and operational aims. CIPFA sets out <i>"a useful discipline when developing key performance indicators and setting targets is to apply the SMART criteria"</i> (Specific, Measurable, Assignable, Reasonable, Timely).</p> <p>CIPFA identifies the common performance indicators (PI) as: asset condition; suitability; maintenance priority; maintenance spend; climate change; accessibility; operating costs and utilisation indicators. Outwith this the Council can decide on its further performance measures to analyse and evaluate, for example; identify assets which are under- or over-performing, and costs over selected windows of time.</p> <p>Reporting on asset performance to stakeholders, management and other support services will ensure all interested parties are aware of efficiencies; gaps in performance and the opportunity to challenge the outcomes.</p> <p>Service standards are subject to annual review, as part of development of the MTFs and Council Delivery Plan. These generally relate to service delivery rather than the assets that support it. Where the standards change, these may be highlighted in appendices to the delivery plan – for example a commitment is noted to improve 40km of roads and pavements per year from 2023/24 with an aim to have 80% of roads in good condition by 2032. However, this is not the case for every asset, and progress against this target is not regularly reported. With the exception of Statutory PI's there is no core published record of asset management targets and outcomes.</p> <p>All three Services reviewed record Statutory PI data that is then reported annually. Few of the PI's relate to asset management. Roads reports to the Performance Board; Fleet reports to the Performance Board and presents SPI data to the Net Zero, Environment & Transport Committee; and Property report to the Finance & Resources Committee. Reports and minutes of the Performance Board were not available for review.</p> <p>The frequency of reporting is not consistent: ranging from monthly to annually depending on the relevant Board or Committee. Regular updates provide assurance to stakeholders and decision makers over the risks and impact faced by day-to-day operations, and how this impacts on the target achievement. Without them, review and mitigation may be delayed, increasing the risk of downtime and additional cost.</p> <p>A variety of other performance data is recorded across multiple operational asset recording systems, supporting annual budgeting and short-term prioritisation. However in the absence of a clear purpose for its collection and use – i.e. a policy direction and targeted outcomes - it may be of limited wider value.</p> <p>Data and process benchmarking against other Councils can help identify underperformance; provide information on target setting and comparisons of the outcomes achieved. CIPFA states that benchmarking <i>"will help identify best practice whereby cost efficiencies are not at the expense of quality"</i>.</p> <p>Roads refers to Association for Public Service Excellence (APSE) data for benchmarking purposes. Roads are in the process of gathering data on carriageways to establish what would be the ideal PI's to measure for their performance. Reported PI's generally relate to response rather than planned maintenance,</p> <p>Fleet do not benchmark performance against other Councils. Fleet record additional PI's to monitor compliance with the Operator's licence, which is independently assessed by the Traffic Commissioner.. Fleet are striving to set additional PI's so they can gain information</p>		

Ref	Description	Risk Rating	Major
	<p>on which vehicles to extend the life of most effectively considering budget constraints. A new vehicle asset management system (Key 2) was installed in 2022. The system has the potential to extract numerous PI data to increase efficiencies but there are few staff fully trained on the system.</p> <p>Corporate Landlord benchmarks asset Statutory Performance Indicators (SPI) data against other Scottish Councils. The SPI targets are set with targets being to keep the "assets at a maintainable level".</p> <p>When comparing ACC to other Councils on the Local Government Benchmarking Framework, ACC fall below the National average of 85% for building suitability (eighth of nine Councils in the same category) at 75.9%. This is a 0.8% increase on the previous year (2020/21). A target of 76% has been set for 2023/24. In contrast, the Council recorded 97% of buildings in satisfactory condition, (the top performing Council) well above the Scottish average of 80%. A target of 97% has been set again for 2023/24.</p> <p>In the PES the outcome targets have been set as 76% reducing to 70% (suitability) and 97% reducing to 90% (condition). If the 70% target for Suitability is achieved, it will set ACC 15% below the Scottish average and at the lower end of the scale in comparison to other similar Councils.</p> <p>Whilst this should ensure targets are realistic and achievable, there is no Policy imperative for reducing condition and suitability ratings. There is a risk if this impacts on the value of the Estate or on service delivery due to the asset failing and extended downtime.</p>		
IA Recommended Mitigating Actions			
<p>The Council should have clear asset management performance targets covering all asset portfolios. Outcomes should be reviewed to ensure they are aligned with and promote delivery of the Council's strategic and policy objectives over the longer term. Performance should be reported regularly.</p>			
Management Actions to Address Issues/Risks			
<p><u>Property Management</u></p> <p><i>Performance targets were reviewed as part of the Estates Strategy and are in line with available budgets.</i></p> <p><i>Property SPI's generally change over a long period of time and as such are reported on an annual basis. There is various commentary on targets for these SPI's and performance thereof. Data in this area refers to ABC categories averaged out over a range of component parts. As such the information is not particularly subtle. Information held suggests that a number of properties are at the lower end of the scale. Due to issues highlighted within the report around proactive planned maintenance it is likely that standard will fall. This is reflected in both the corporate landlord service standards and SPI reporting.</i></p> <p><i>Current levels of repairs are noted within service standards for corporate landlord with wider SPI's reported to committee for visibility.</i></p> <p><i>There is general compliance across areas of statutory compliance, albeit repairs are restricted to essential wind and watertight and health and safety works in accordance with wider council policy in recent years.</i></p> <p><i>No further action is proposed at this time.</i></p> <p><u>Roads and Fleet</u></p> <p><i>Roads Condition Performance Indicators and Fleet performance Indicators are reported to the Net Zero , Environment and Transport committee as part of the Roads & Fleet performance report.</i></p>			

Ref	Description	Risk Rating	Major
	<p>Roads utilise an annual whole of network condition survey to monitor the condition and deterioration of the network. This data is used as part of the process of capital scheme prioritisation for asset management of planned maintenance.</p> <p>Fleet Services have a number of performance indicators which align with and promote delivery of the Council's strategic and policy objectives over the longer term. In regard to maintenance, these are required so that the Councils maintains it "O Licence" with the Office of the Traffic Commissioner.</p>		
	Risk Agreed	Person(s)	Due Date
	No	Chief Officer – Corporate Landlord	N/A
	No	Chief Officer – Operations and Protective Services.	N/A

Ref	Description	Risk Rating	Moderate
1.4	<p>Asset Registers – An accurate and up to date asset register is required to be able to forecast asset requirements to provide service delivery. It also serves a dual purpose in providing asset valuations for end of year financial accounting purposes.</p> <p>As asset management systems technology has advanced, all three Services reviewed have adopted the technology to manage the assets. Roads use the Confirm system, Corporate Landlord use the Uniform system, and Fleet Services use the JAAMA Key 2 system.</p> <p>Corporate Landlord and Fleet supplied comprehensive asset register system extracts for their respective Services.</p> <p>The registers are not easily comparable with the Finance asset register which uses alternative references and varying descriptive detail. These variations reduce assurance over the completeness and accuracy of the Finance asset register – in terms of the existence, ownership, location, condition, and valuation of assets. In the absence of a clear and up-to-date list of assets there is risk that asset plans will be inaccurate which may place the final outcomes at risk.</p>		
	IA Recommended Mitigating Actions		
	Finance should review and ensure the finance asset register reconciles with relevant Service records supporting asset descriptions and values.		
	Management Actions to Address Issues/Risks		
	<i>Agreed. Finance will work with the relevant services to discuss the reconciliation process. Updates will be made as necessary to make it as clear as possible within the confines of current operations and the current asset management system technology.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Finance Operations Manager	March 2024

Ref	Description	Risk Rating	Moderate
1.5	<p>Governance – CIPFA sets out that following the development of a strategic asset framework its delivery will depend on the three elements of:</p> <ol style="list-style-type: none"> 1. Leadership and culture 2. Governance 3. Organisation <p>When building an Asset Management framework RICS consider the question: <i>"are all those engaged in asset management clear about their responsibilities and accountabilities (including those within service departments)?"</i></p> <p>An asset management governance structure has not been documented. Although PI's are reported to senior officers; boards and Committees, the reporting lines and frequencies have not been formalised. Strategies and action plans are on occasion being scheduled for future reporting, but not on a consistent basis.</p> <p>CIPFA recommends having a <i>"Corporate Asset Management group as the senior officer governance body that advises the organisation on its capital strategy and all property asset management issues"</i>.</p> <p>A Capital Board was set up in 2019, with terms of reference including governance arrangements that in addition to identifying and monitoring the resources available to fund the capital programme, would provide strategic direction, make decisions, and provide stewardship to the delivery of a Corporate Asset Management framework and Asset Management Plans. Membership of this Board was composed of the Director of Resources and ten Chief Officers. However, no further records, agendas or minutes were available for review, limiting assurance over the consistent application of governance controls in this area.</p> <p>Procedure – Procedures are the 'road-map' for employees. A clear, concise, and up to date procedure enables them to complete a task with confidence, knowledge and understanding. Empowered and trained staff are aware of their responsibilities and where their boundaries lie. Having procedure ensures tasks are completed effectively, efficiently, consistently and in line with current industry guidelines.</p> <p>Clarity over delegated authority to act is also essential. Without delegated authority, processes may be inefficient or assumptions may be made about resource allocation which do not align with service requirements, presenting a risk to funds being used appropriately.</p> <p>Procedures covering asset acquisitions; maintenance; data collection, collation & reporting; review breakpoints ; funding; option appraisals linking to business cases (financial & non-financial), were not available. There is therefore a risk of inconsistent approaches to these critical asset management activities.</p>		
IA Recommended Mitigating Actions			
Governance and reporting structures should be clarified, with procedures and their application documented in an accessible format.			
Management Actions to Address Issues/Risks			
<p><u>Property Management</u></p> <p><i>Management agree to review the terms of reference of the Capital Board (which is effectively a Corporate Asset Group) to include standing agenda items around asset management performance and create clearer visibility.</i></p> <p><i>Use of delegated authority is documented in the Committee Services pages on the Intranet which is available to all staff. Business cases are in place for all significant capital projects, including all acquisitions. The business case process has improved significantly in recent years covering all issues noted. Option appraisal are within business cases where</i></p>			

Ref	Description	Risk Rating	Moderate
	<p><i>appropriate, identifying options and revenue implications with new projects approved through the budget process on an annual basis.</i></p> <p><i>We have a simple spreadsheet tracker that identifies data collection requirements and timescales for doing so. We have a programme of condition surveys. We monitor the age of suitability returns and request updated versions on an ongoing basis.</i></p> <p><i>Officers will consider the points made regarding process in the review of the Capital Board.</i></p> <p><u>Roads and Fleet</u></p> <p><i>Roads Services are allocated revenue and capital budgets. These budgets are presented to committee for approval of the allocation of financial resources for roads infrastructure maintenance. Fleet Services are allocated revenue and capital budgets. The capital budgets are presented to committee for approval of the vehicle replacement programme. All budgets are considered and reviewed as part of the MTFS.</i></p> <p><i>As Property Maintenance above, Officers will consider the points made regarding process in the review of the Capital Board.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Corporate Landlord	April 2024
	Yes	Chief Officer – Operations and Protective Services	April 2024

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

The Council has a hugely diverse asset portfolio. In the Audited Accounts for 2021/2022, the Balance Sheet showed the Net Assets as having a value of £1,435m as at 31 March 2022 (Long term assets valued at £2,923m). This includes around 1200 Non-housing assets (2016 – 2018 data) and an existing stock of more than 22,000 properties managed by the Housing Revenue Account (March 2023). In addition to land and buildings (£1,206m), and infrastructure assets including roads and structures (£260m), the Council utilises a variety of vehicles, plant and equipment (£31m), and maintains heritage and community assets (£227m). As custodians of the assets, and public money, the Council has an obligation to protect the value of these assets through Asset Management.

The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out that:

“Asset Management is about supporting the delivery of the strategic goals and objectives through the use of property assets”.

The Royal Institute of Chartered Surveyors (RICS) defines Strategic Asset Management as:

“The activity of aligning property assets with the strategic aims and direction of the organisation and adding both financial and non-financial value to the organisation as a result.”

These principles apply equally to all of the different asset groups in which the Council has invested, and continues to invest in through its Capital Programme and maintenance programmes, to deliver its services – though the assets and the way in which they are managed may vary.

Aberdeen City Council has established a vision: “A place where all people can prosper” and has mapped out strategic plans in the Council Delivery Plan 2022-2023 to deliver this vision. It describes the journey of change required, key achievements delivered in 2021/22 and the priorities for 2022/2023. The Council Delivery Plan identified that there was a requirement to meet the challenges posed by a changing world by continuing to embrace new ways of doing business whilst meeting the needs of customers and communities.

In the current period of austerity and uncertainty it has become a priority to ensure that resources are allocated appropriately and efficiently following a suitable Asset Management Plan. The effective use of capital resources is fundamental to the Council achieving its medium- and long-term strategic objectives. The Prudential Code details that Councils have a responsibility to apply an affordable, prudent, and sustainable approach to investment – supported by (inter alia) stewardship of assets e.g. asset management planning.

With any planning and long-term forecasting there is a level of risk due to uncertainty. The benefit of having an Asset Management Plan in place is that assets are identified as to their purpose; life cycle stage: acquisition, construction, maintenance or disposal; condition; suitability and long-term plan. Having this overall view of the asset portfolio allows the organisation to respond to today’s political, economic, and environmental challenges. The pandemic was evidence of this whereby the function of many assets changed from their original function to that of a Vaccination Centre. Sustainability and climate change are also key factors requiring adaptability in service delivery, and therefore use of assets.

5.2 Rationale for review

The audit objective is to ensure resources are allocated appropriately and efficiently following a suitable Asset Management Plan.

Asset Management should align with the strategic aims and directions of the organisation so that value is added in a financial and non-financial capacity.

To develop an effective Asset Management Plan there are many considerations to be made: the corporate vision and strategies; available resources; governance arrangements; the integration of other financial and business plans with asset plans; asset life cycle; foresight into the changing purpose of the assets; repair and maintenance expenditure; purchasing and disposals; service standards; performance indicators; socio-economic value; procedures and best practices to name a few. The Asset Management Plan requires to have purpose; support the corporate objective and identify how this will be achieved and how success will be measured. This audit will review these areas.

In a previous audit on Commercial Investment Property in February 2021 (AC2017) it was found that the "Property Asset Management Framework and Strategy" had not been updated since 2016. The Service agreed on the recommendation, graded as significant, that the Property Estates Strategy should be updated. This was started but then aborted due to market changes created by the pandemic. It was proposed that a review would be undertaken when there was greater stability in the market. This was due on 28 February 2023.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

Please see

on page 26 for details of our risk level and net risk rating definitions.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Asset management policy (or equivalent) and alignment with the Council's vision.
- Asset management strategies (or equivalent) and objectives.
- Governance and decision making for the corporate asset portfolio.
- Action plans.
- Progress and performance reporting.

The review will cover a variety of asset types / groups.

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

We remain flexible in the face of the changing risk environment. Where our resourcing or access to the client is impacted, we will adapt our audit methodology to balance the risks and assurance output and will work in co-operation with key contacts to understand the impact of the situation as it evolves.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Debbie Steele, **(audit lead)**
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor **(oversight only)**

5.7 Council key contacts

The key contacts for this review across the Council are:

- Steven Whyte, Director of Resources
- Stephen Booth, Chief Officer – Corporate Landlord **(process owner)**
- Mark Reilly, Chief Officer – Operations and Protective Services
- Jonathan Belford, Chief Officer – Finance
- Alistair Reid, Team Leader – Asset Management

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	9-Mar-23
Scope agreed	17-Mar-23
Fieldwork commences	17-Mar-23
Fieldwork completed	31-Mar-23
Draft report issued	14-Apr-23
Process owner response	5-May-23
Director response	12-May-23
Final report issued	19-May-23

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2403 – Pupil Equity Fund
REPORT NUMBER	IA/AC2403
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Pupil Equity Fund.

2. RECOMMENDATION

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

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Pupil Equity Fund.

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. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 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.

8.2 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.

9. IMPACT ASSESSMENTS

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

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2403 – Pupil Equity Fund

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Internal Audit

Assurance Review of Pupil Equity Fund

Status: Final

Date: 27 September 2023

Risk Level: Function

Report No: AC2403

Assurance Year: 2023/24

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

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Stakeholder	Shona Milne, Chief Education Officer
Final only	Vikki Cuthbert, Interim Chief Officer – Governance
	Jonathan Belford, Chief Officer - Finance*
	External Audit*
Lead auditor	Graeme Flood, Auditor

1 Introduction

1.1 Area subject to review

Pupil Equity Funding (PEF) is Scottish Government funding to deliver the Scottish Government's Scottish Attainment Challenge policy. The funding is allocated directly to schools and targeted at closing the poverty related attainment gap. This funding is to be spent at the discretion of Head Teachers (HTs) working in partnership with each other and their local authority. In 2022/23 Aberdeen City schools received a total of £3.264m with the allocation fixed through to financial year 2025/26. The allocation per school was based on £1,225 per pupil, in primary 1 to secondary 3, estimated by the Scottish Government as being registered for free school meals (FSM).

The key principles of the funding as set out in the Pupil Equity Fund national guidance 2022 are:

- Headteachers will have access to their school's full allocated amount of Pupil Equity Funding and should work in partnership with each other, and their local authority, to agree the use of the funding.
- Pupil Equity Funding must enable schools to deliver activities, approaches or resources which are clearly additional to universal local improvement plans.
- Teachers, parents and carers, children and young people and other key stakeholders should be meaningfully involved throughout the processes of planning, implementing and evaluating approaches.
- Funding must provide targeted support for children and young people (and their families if appropriate) affected by poverty to achieve their full potential, focusing on targeted improvement activity in literacy, numeracy and health and wellbeing.
- Although the Pupil Equity Funding is allocated on the basis of free school meal registration, headteachers can use their professional judgement to identify children in their school who may benefit from the targeted interventions and approaches, with the aim of closing the poverty-related attainment gap.
- Schools must take account of the statutory responsibilities of the authority to deliver educational improvement, secure Best Value, and the authority's role as employer. Local Guidance will set out more detail on how this will operate. The contributions of wider services supporting children and young people and their families are vital to supporting pupils' readiness to learn. Collaboration across services is crucial in tackling the poverty related attainment gap.
- The operation of the Pupil Equity Funding should be included within existing planning procedures e.g. through School Improvement Plans and Standards and Quality reports, or equivalent report if appropriate, each of which should be easily accessible to stakeholders. This must provide clarity to stakeholders on how Pupil Equity Funding is being used and its expected impact.
- Headteachers must develop a clear rationale for use of the funding, based on a robust contextual analysis of relevant data which identifies the poverty-related attainment gap in their schools and learning communities and plans must be grounded in evidence of what is known to be effective at raising attainment for children affected by poverty.
- Schools must have plans in place at the outset to evaluate the impact of the funding. These plans should outline clear outcomes to be achieved and how progress towards these, and the impact on closing the poverty-related attainment gap, will be measured. If, as a result of this ongoing monitoring, the plans are not achieving the results intended, these plans should be amended. Plans for sustainability must be considered as part of this.

1.2 Rationale for the review

The objective of this audit is to provide assurance that schools are spending in accordance with their plans, and these are developed as required, to close the poverty related attainment gap.

Since the beginning of the funding in 2017/18 Aberdeen City Council have been awarded £18.6m in funding which has been provided directly to Head Teachers.

This review has been included in the agreed 2023/24 Internal Audit plan to ensure the monies being provided by the Scottish Government are being appropriately applied in order to try and bridge the attainment gap.

This area was last subject to review in April 2019. Recommendations were made to enhance controls in relation to procurement Governance, Off Payroll Working (IR35), budget monitoring, and performance monitoring arrangements.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Function	This issue/ risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to the Pupil Equity Fund.

Pupil Equity Funding (PEF) is additional funding from the Scottish Government's £750m Scottish Attainment Challenge programme from 2017/18 up until 2025/26. The funding is allocated directly to schools and targeted at closing the poverty related attainment gap. This funding is to be spent at the discretion of head teachers working in partnership with each other and their local authority. In 2022/23 Aberdeen City schools received a total of £3.264m and the allocation for 2023/24 is £3.264m. The allocation per school was based on £1,225 per pupil, in primary 1 to secondary 3, estimated by the Scottish Government as being registered for free school meals (FSM).

All schools reviewed had processes in place for identifying pupils who could benefit from PEF and all schools reviewed had PEF plans in place.

PEF budget monitoring is facilitated by regular meetings between head teachers and Finance who also provide regular budget monitoring reports. In addition, in line with grant funding conditions, the Council reported on outcomes and plans relevant to PEF in its annual National Improvement Framework report to Education Operational Delivery Committee, in September 2022. Also, separately the Education and Children's Services Committee receive regular attainment performance updates.

However, the review identified some areas of weakness where the framework of control could be strengthened, specifically:

- **Intervention Planning** – All nine schools reviewed had PEF plans in place. However, the consistency and quality of the nine plans regarding analysis of need and impact measurement details directly linked to PEF varied, with three schools (33%) only briefly covering their PEF plans within their Standards and Quality Improvement Plan (SQIP) three (33%) providing reasonable detail, while three (33%) provided in depth analysis of the spend and outcomes. Where PEF needs and performance measures are not clearly planned and costed in a consistent manner, there is a greater risk desired PEF outcomes will not be achieved.
- **Accountability** – All relevant stakeholders were consulted on seven (78%) plans in place, although two (22%) had no documentary evidence of the process, while two (22%) had only consulted with the Parent Council. In terms of reporting, all schools reviewed had published their SQIP. However, it was noted that the quality of outcome reporting varied, with two (22%) providing a high level of detail, whilst the remaining seven (78%) provided less. In addition, only six (75%) of eight schools reviewed with a parent council had reported on outcomes to the

parent council during the academic year. Where relevant stakeholder engagement of PEF plans and outcomes does not take place, there is a greater risk desired PEF outcomes will not be achieved.

- **Financial Planning** – A review of the financial plans for the academic year 2022/23 returned by the nine schools in the sample found that five (56%) had not budgeted to spend their total funds available without an explanation for the use of the balance (unallocated budget of between £14k and £42k). Failure to plan to fully spend funds available appropriately in the academic year to which they relate increases the risk of PEF funding being recovered by the Scottish Government.
- **Procurement** – A review of PEF expenditure over the current and previous three financial years found 19 suppliers with total PEF spend of £6.85m, where aggregate individual supplier expenditure exceeded £50k. However, the statutory requirement to include 12 (63%) of these contracts on the Council's contracts register was not complied with and there was no evidence of adherence to the Council's Scheme of Governance for procurement approval. This risks Best Value and challenge by alternative suppliers, which may lead to reputational damage for the Council and financial loss.
- **Staffing** – For the financial year 2022/23 43 schools had staff costs charged to PEF totalling £1.1m. As at 27 July 23 there were 39 staff in posts charged to 21 schools funded by PEF. Four (10%) non promoted staff have exceeded two years in their fixed term post and therefore are entitled to redundancy costs. Eight (21%) non promoted staff have gone beyond four years in post meaning they are entitled to be treated as a permanent member of staff. One (3%) secondment has lasted over three years and is for a teacher acting up into a Principal Teacher post. Due to the promoted nature of the secondment and the fact the secondment had lasted over 23 months the member of staff is now entitled to three years cash conservation when they return to their substantive post, an annual cost to the school's staffing budget of £12k. Although PEF funding was extended after the last Scottish parliamentary election this cannot be guaranteed beyond 2025/26. In the absence of adequate planning for funding ceasing, associated staff costs may not be sustainable and schools may have insufficient funds to manage any potential severance costs.
- **IR35 Compliance** – Where it is assessed that an individual falls within the scope of the off-payroll working legislation, the Council must deduct tax and employee national insurance contributions (NICs) from payments made, and account for employer's NIC. In the financial year 2022/23 Internal Audit identified 13 suppliers which should have been assessed under the IR35 requirements. 21 schools had incurred expenditure with these suppliers and five had been used by schools within the sample - none had an assessment carried out. It was noted that there are no central corporate monitoring arrangements to ensure IR35 compliance. Failure to correctly apply the IR35 rules can lead to unexpected tax and national insurance costs for the Council as well as possible financial penalties.

Recommendations have been made to address the above risks, including establishing systems of control to ensure: PEF plans are consulted on, established in line with national and Council guidance; that PEF plans are fully costed with appropriate contingency arrangements; that PEF procurement processes comply with the Council's Scheme of Governance and IR35; that the budgeted saving for central support costs funded by PEF is verified for accuracy before being applied, and that performance reporting is established. In addition, it was recommended that consideration be given to PEF funds ceasing and the associated impact on staffing funded by PEF.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.6	IR35 Compliance – Off-Payroll Working legislation (IR35) requires public bodies to undertake an employment status assessment for all identified suppliers who provide	Yes	Major	13

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>services to them either as individuals or through their own limited companies or other third parties (often referred to as Personal Service Companies or PSCs).</p> <p>In each case, an IR35 self-assessment must be undertaken to determine whether the IR35 legislation applies to their engagement. Where it is assessed that an individual falls within the scope of the legislation, the public body must deduct tax and employee National Insurance contributions (NICs) from payments made, and account for employer's NIC.</p> <p>In the financial year 2022/23 IA identified 13 suppliers that should have been assessed under the IR35 requirements. 21 schools had incurred expenditure with these suppliers and five had been used by schools within the sample, none had an assessment carried out and the administrative staff at the schools indicated they were unaware of this requirement.</p> <p>It was noted that there are no central corporate monitoring arrangements to ensure IR35 compliance.</p> <p>Failure to correctly apply the IR35 rules can lead to unexpected tax and national insurance costs for the Council as well as possible financial penalties.</p>			

Management response

The Service welcomes this review of Pupil Equity Funding which has provided the Service with a clear set of priorities to help strengthen our arrangements. The Service has already progressed a number of agreed actions.

The PEF guidance will be updated to ensure the schools full budget is allocated in their plan. Costed school Pupil Equity Plans have already been linked to our Power BI tool, this approach will help support improved reporting of progress to stakeholders.

PEF guidance will be updated to clarify expectations around consultation and necessary steps to take in line with procurement regulations, consideration will be given to how best to gain assurance that these processes are followed across all city schools with remedial action already progressing where vulnerabilities have been identified by Internal Audit.

The risk of removal of Scottish Attainment Challenge funding has been added to the service risk register. Schools continue to consider the risks associated with utilising PEF funding to establish fixed term contracts and the service will now consider this risk more fully and ensure that information held in Core HR is accurate.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Planning – The Scottish Government (SG) issues annual National Operational Guidance for various aspects of PEF. It includes:</p> <p><i>“Schools must have plans in place at the outset to evaluate the impact of the funding. These plans should outline clear outcomes to be achieved and how progress towards these, and the impact on closing the poverty-related attainment gap, will be measured. If, as a result of this ongoing monitoring, the plans are not achieving the results intended, these plans should be amended. “</i></p> <p>The Council’s internal guidance does not provide a standard PEF reporting template however it does provide a checklist to assist schools in their planning process which includes:</p> <ul style="list-style-type: none"> • Planning has a strong rationale, clear outcomes and measures and approaches which are evidence based. • It takes account of the four-year allocation of PEF we ensure we consider longer-term approaches and make effective use of our full allocation. • Our plans and reports outlining the use and impact of PEF are publicly available so that our stakeholders have clarity on how funding is used and the impact it is having. <p>A sample of nine schools was selected to review PEF planning arrangements, including processes for identifying children in need of PEF support, with planned spend eligible under PEF criteria.</p> <p>Whilst all schools had processes in place for identifying pupils in need, and plans identifying the interventions to be applied, the consistency and quality of the nine plans with regard to analysis of need and impact measurement details directly linked to PEF varied, with three schools (33%) only briefly covering their PEF plans within their SQIP while three (33%) provided in depth analysis of the spend and outcomes. The remaining three (33%) provided reasonable detail in this regard.</p> <p>Where PEF needs and performance measures are not clearly planned and costed in a consistent manner, there is a greater risk desired PEF outcomes will not be achieved.</p>		
IA Recommended Mitigating Actions			
A system of control should be established to ensure schools prepare PEF plans in accordance with national and Council PEF guidance, including analysis of need, and performance measures. This should include consideration of development of a pro-forma PEF plan for schools to complete, covering relevant PEF planning considerations.			
Management Actions to Address Issues/Risks			
<i>This action has already been partially addressed by linking a costed school Pupil Equity Plan to the Power BI tool in June 23 to support the on-going monitoring of the impact of interventions through common performance measures. This will enable analysis at individual school and Local Authority level.</i>			
<i>Action – The need for consistently robust analysis undertaken at school level will be built into PEF Guidance and quality assurance systems for the next cycle of Planning in June 2024.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Quality Improvement Manager	September 2024

Ref	Description	Risk Rating	Moderate
1.2	<p>Accountability – The SG Operational Guidance 2022 has two key principles relating to accountability as follows:</p> <ul style="list-style-type: none"> Teachers, parents and carers, children and young people and other key stakeholders should be meaningfully involved throughout the processes of planning, implementing, and evaluating approaches. The operation of the Pupil Equity Funding should be included within existing planning e.g. through School Improvement Planning and Standards and Qualities reports or equivalent reports, which should be easily accessible to stakeholders, providing clarity on how Pupil Equity Funding is being used and the expected impact. <p>In addition, Council PEF guidance requires the following:</p> <ul style="list-style-type: none"> Closely monitor and track the impact of our work so that we can make changes where necessary to ensure positive outcomes for children and young people impacted by poverty. Within our SQIP reports we explicitly report on how PEF has improved outcomes for children and young people impacted by poverty. <p>The same sample of nine plans described in 1.1 above were reviewed to determine levels of consultation with stakeholders (as explained above):</p> <ul style="list-style-type: none"> Five schools reviewed (56%) had consulted fully in advance of finalising their plan while a further two (22%) consulted only with the parent council. However, two (22%) schools indicated they where they did consult informally, this was not documented. In terms of reporting, all schools sampled had published their SQIP. However, it was noted that the quality of outcome reporting varied, with two (22%) providing a high level of detail, whilst the remaining seven (78%) provided less on outcomes. Six (67%) schools reported to their parent council on outcomes during the 2022/23 academic year while two (22%) indicated they would be presenting the outcomes early in the 2023/24 academic year and one (11%) had no parent council in place during the academic year. <p>Where relevant stakeholder engagement of PEF plans and outcomes does not take place, there is a greater risk desired PEF outcomes will not be achieved.</p>		
IA Recommended Mitigating Actions			
Head teachers should ensure they evidence consultation undertaken with stakeholders in advance of the PEF plan being implemented. Head teachers should also ensure stakeholders are updated regularly on the progress of PEF plans and results being achieved via an appropriate forum and via the school Standards and Quality Report and Improvement Plan.			
Management Actions to Address Issues/Risks			
<i>Head Teachers will be asked to routinely report PEF Plan progress via an appropriate Forum (Parent Council, school newsletter etc.) at least twice a year with outcome data reported through the end of year SQIP report. Head Teachers will be asked to include details of their consultation on proposed Plans with stakeholders, and the outcome of that consultation, in the SQIP.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Quality Improvement Manager	June 2024

Ref	Description	Risk Rating	Moderate
1.3	<p>Financial Planning – At the end of financial year 2021/22, 53 schools had unspent funds totalling approximately £1.26m carried forward into 2022/23. Such carry forwards are allowed under the national guidance that states:</p> <p><i>“Where schools are unable to spend their full allocation during the financial year, any unspent funds can be carried forward to the new financial year. The expectation is that other than in exceptional circumstances, it should be spent within that same academic year.”</i></p> <p>The Council’s own PEF planning guidance reiterates this point.</p> <p>As the schools spend plans are prepared based on an academic year, Internal Audit analysed the underspends at the end of July 23, being the end of the 22/23 academic year. This found 36 schools with an underspend totalling £483k.</p> <p>The Quality Improvement Manager indicated such underspends are followed up with Head Teachers in consultation with the Education Scotland Attainment Advisor to offer support and challenge to improve planning for best use of this funding.</p> <p>A review of the financial plans for 2022/23 returned by the nine schools in the sample found that three (33%) had budgeted to spend their total funds available (2022/23 allocation + 2021/22 carry forward). Five (56%) provided a costed plan but with unallocated budget of between £14k and £42k. The remaining school (11%), while having a plan, had not detailed the costs of the provision. In all instances the schools’ plans were based on the academic year.</p> <p>The Council’s grant award letter states:</p> <p><i>“In the event that the amount of the grant paid....is found to exceed the amount of the expenses reasonably and properly incurred by the Grantee in connection with the Programme, the Grantee shall repay to the Scottish Ministers the amount of such excess within 14 days on receiving a written demand for it from or on behalf of Scottish Ministers.”</i></p> <p>Whilst the national guidance permits carry forwards to the end of an academic year, underspends beyond this should only be in exceptional circumstances as explained above. Therefore, failure to plan to fully spend funds available at the beginning of a financial year increases the risk of a material level of PEF funding being recovered by the Scottish Government.</p>		
IA Recommended Mitigating Actions			
School PEF plans should be fully costed based on available budget.			
Management Actions to Address Issues/Risks			
For academic year 2023/24 schools are required to input their Plan data into a consolidated Equity planner/tracker detailing their costed interventions. The spreadsheet also holds the allocated financial budget for the current school year along with any carry forward from the previous. The data is linked to the PowerBi reporting tool which will allow comparison of school budgets against costed plans as well as on-going monitoring of the impact of interventions through common performance measures. This will enable analysis at individual school and Local Authority level.			
Risk Agreed	Person(s)	Due Date	
Yes	Quality Improvement Manager	March 2024	

Ref	Description	Risk Rating	Minor
1.4	<p>Sustainability – The Scottish Government Pupil Equity Funding National Operational Guidance 2022 requires sustainability to be covered by PEF plans. Head Teachers for the sample of nine schools reviewed provided a mixed response as to whether ongoing interventions would be sustainable especially where extra staff or third-party provision was being funded. All schools indicated they were endeavouring to build capacity through staff training and upskilling and purchase of resources which will endure. Currently there is no corporate planning for how the attainment challenge will be addressed should funding cease as expected in 2026. Failure to plan for this eventuality risks associated support for relevant pupils ending, potentially affecting the attainment prospects of relevant pupils.</p>		
IA Recommended Mitigating Actions			
Removal of Scottish Attainment Challenge funding should be risk assessed by the Education Service.			
Management Actions to Address Issues/Risks			
<i>The risk of removal of Scottish Attainment Challenge funding has been added to the service risk register and will be reported to ECS Committee in November.</i>			
Risk Agreed	Person(s)	Due Date	
Yes	Interim Chief Education Officer	Implemented	

Ref	Description	Risk Rating	Moderate
1.5	<p>Procurement – Whilst the PEF budget is delegated by the Scottish Government to Head teachers to spend, National Guidance requires the budget holders to comply with local procurement governance requirements.</p> <p>As part of the audit, head teachers were asked if they had undertaken training on Council financial regulations and procurement and if they were aware of the governance issues relating to procurement where £10k and £50k expenditure thresholds were exceeded. All indicated they were.</p> <p>In the financial year 2022/23 schools processed 1,863 invoices totalling £1.81m relating to PEF supplies and services.</p> <p>The Council's Procurement Regulation 7.1 states: <i>"No supplies, services or works shall be ordered or instructed except on an official order form, which shall be in an approved format. Where, by reason of urgency or necessity, a verbal order is issued, it must be confirmed within 3 working days with the issue of an official order form from the ordering system. The supplier shall be requested to quote order numbers on all invoices. The budget holder risks disciplinary action for noncompliance".</i></p> <p>Testing found 44 invoices (2%) from 27 Suppliers for 28 schools totalling £195k(10.76%), appeared not to have a PO raised.</p> <p>The Scheme of Governance also requires any individual spend exceeding £10k to have a business case approved and details recorded on the Councils contracts register along with the supporting documentation. In the financial year 2022/23, 33 orders (£660k) had been raised to 13 suppliers for > £10k. Testing found:</p> <ul style="list-style-type: none"> Seven suppliers had no entry on the contracts register £386k (21.3% of total PEF spend) 		

Ref	Description	Risk Rating	Moderate
	<ul style="list-style-type: none"> • One had an entry in the contract register but spend had exceeded the contract value and there was no supporting documentation on the register - £14k (1% of total PEF spend). • One had a direct award with a quote exemption signed by a Chief Officer but not approved by the Head of Commercial and Procurement - £12k (1% of total PEF spend). • A set of business cases covering three PEF contracts (13%) was approved by the Strategic Commissioning Committee on 16 June 2021, however all of these had approval to September 2022 and no business cases to extend have been submitted. <p>The Council's Procurement Regulation 3.6 states:</p> <p><i>"When determining the Contract Value for the purchase of goods or services, or for the execution of works, the Delegated Procurer must take into account the aggregate value of the particular requirement for supplies, services or works across the whole Council and any contract extension option."</i></p> <p>Further testing of expenditure over the current and previous three financial years found 19 suppliers with which aggregate PEF spend exceeded £50k. Testing of these spends found:</p> <ul style="list-style-type: none"> • Five suppliers £574k (8% of total PEF spend in the last 4 years) did not appear on the contracts register . • Two suppliers £2.04m (30% of total PEF spend last 4 years) had an entry but no documentation or confirmation the contract had been agreed/awarded. • Two suppliers £127k (2% of total PEF spend last 4 years) where contract agreed term had ended but spend was still being incurred without subsequent approval. • One Supplier £86k (1%) where approved contract value had been exceeded. <p>Failure to comply with the Council's Procurement Regulations risks Best Value and challenge by alternative suppliers, which may lead to reputational damage for the Council and financial loss.</p> <p>Internal Audit report AC2019 Procurement Compliance included twelve recommendations covering the compliance with Financial and Procurement Regulations, all of which have been marked complete based on assurances over enhancements to procurement controls. However, there still appears to be issues with PEF expenditure where it exceeds relevant Scheme of Governance expenditure thresholds, risking breaches of the Council's Financial Regulations and Procurement Regulations.</p>		
IA Recommended Mitigating Actions			
Education should review the current PEF procurement process and ensure it is in line with Children's & Family Services procurement processes and the Council's Scheme of Governance.			
Management Actions to Address Issues/Risks			
<i>PEF guidance will be updated to provide greater clarity around procurement processes and the Council's Scheme of Governance including IR35 guidance.</i>			
Risk Agreed	Person(s)	Due Date	
Yes	Quality Improvement Manager	October 2023	

Ref	Description	Risk Rating	Major
1.6	<p>IR35 Compliance – Off-Payroll Working legislation (IR35) requires public bodies to undertake an employment status assessment for all identified suppliers who provide services to them either as individuals or through their own limited companies or other third parties (often referred to as Personal Service Companies or PSCs).</p> <p>In each case, an IR35 self-assessment must be undertaken to determine whether the IR35 legislation applies to their engagement. Where it is assessed that an individual falls within the scope of the legislation, the public body must deduct tax and employee National Insurance contributions (NICs) from payments made, and account for employer's NIC.</p> <p>In the financial year 2022/23 IA identified 13 suppliers that should have been assessed under the IR35 requirements. 21 schools had incurred expenditure with these suppliers and five had been used by schools within the sample, none had an assessment carried out and the administrative staff at the schools indicated they were unaware of this requirement.</p> <p>It was noted that there are no central corporate monitoring arrangements to ensure IR35 compliance.</p> <p>Failure to correctly apply the IR35 rules can lead to unexpected tax and national insurance costs for the Council as well as possible financial penalties.</p>		
IA Recommended Mitigating Actions			
IR35 assessments should be undertaken for the suppliers identified by Internal Audit.			
Management Actions to Address Issues/Risks			
As indicated in para 1.5 PEF guidance will be updated to inform those undertaking the administrative function relating to IR35.			
IR35 assessments will be undertaken by the schools using the suppliers for the suppliers identified by Internal Audit			
Risk Agreed		Person(s)	Due Date
Yes		Quality Improvement Manager	December 2023

Ref	Description	Risk Rating	Moderate
1.7	<p>Staffing – Since PEF funding is not part of the Council's General Revenue Grant and is not guaranteed to continue between parliamentary terms, any additional staffing funded by PEF requires to be sourced on a fixed term contract basis.</p> <p>For the financial year 2022/23 43 schools had staff costs charged to PEF totalling £1.1m. As at 27 July 2023 there were 39 staff in posts recorded on CoreHR, charged to 21 schools, funded by PEF. Testing was undertaken on these staff to ensure:</p> <ul style="list-style-type: none"> • Staff had been employed on a fixed term contract. • Staff had not gone beyond their fixed term end date. • Where staff had a contract which was expected to go beyond two years entitling that employee to statutory redundancy pay, schools budgeted for any possible exit costs. • Where the two year threshold of employment was to be exceeded it had been approved in line with the Councils PEF guidance. <p>The testing of the 39 staff found the following:</p>		

Ref	Description	Risk Rating	Moderate
	<p>20 (51%) were permanent of which nine (23%) were in permanent posts but with either additional hours or seconded for PEF purposes. Of these</p> <ul style="list-style-type: none"> • Four (10%) had no targeted end date and all had been in receipt of four additional hours (currently recharged to PEF) per week for eight years. • Two (5%) showed on CoreHR as permanent while their contracts indicated fixed term. • One (3%) secondment has lasted over three years. This secondment is for a teacher acting up into a Principal Teacher post. Due to the promoted nature of the secondment and the fact the secondment had lasted over 23 months the member of staff is now entitled to three years cash conservation based on the difference between their promoted pay and the substantive posts pay when they return to their substantive post. At current pay rates this would result in an annual cost to the school's staffing budget of £12k. <p>19 (49%) of the staff were recorded as being in temporary posts on CoreHR of which:</p> <ul style="list-style-type: none"> • Four (10%) non promoted staff have exceeded the two years in post threshold and therefore are entitled to redundancy costs and some entitlements of permanent staff such as redeployment. • Eight (21%) non promoted staff have gone beyond four years in post meaning they are entitled to be treated as permanent with all the entitlements this provides. <p>All the temporary staff who had exceeded two years had been approved by the QIM as had the secondment. The four additional hours posts showed no such approval, but these hours had been instigated in 2015, prior to PEF funding.</p> <p>Currently plans do not include possible exit costs should PEF funding cease. Although the funding was extended after the last Scottish parliamentary election this cannot be guaranteed beyond 2025/26. In the absence of adequate planning for funding ceasing, associated staff costs may not be sustainable., and schools may have insufficient funds to manage any potential severance costs.</p>		
IA Recommended Mitigating Actions			
<p>a) Schools should plan for exit costs for staff expected to go beyond two years continuous fixed term service and conserved salary costs / ongoing additional hours costs to ensure sufficient funds are available.</p> <p>b) The two fixed term contracts should be reviewed which show as permanent on CoreHR.</p>			
Management Actions to Address Issues/Risks			
<p>a) <i>Planning at individual school level is already in place, the Education Service will collate all of this information at Local Authority Level and consider this as part of their assessment of risk.</i></p> <p>b) <i>The Education Service will work with People and Organisation to ensure that the information held in CoreHR on the two fixed term contracts identified by Internal Audit is accurate.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Quality Improvement Manager	December 2023

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance review scoping document

5.1 Area subject to review

Pupil Equity Funding (PEF) is Scottish Government funding to deliver the Scottish Government's Scottish Attainment Challenge policy. The funding is allocated directly to schools and targeted at closing the poverty related attainment gap. This funding is to be spent at the discretion of Head Teachers (HTs) working in partnership with each other and their local authority. In 2022/23 Aberdeen City schools received a total of £3.264m with the allocation fixed through to financial year 2025/26. The allocation per school was based on £1,225 per pupil, in primary 1 to secondary 3, estimated by the Scottish Government as being registered for free school meals (FSM).

The key principles of the funding as set out in the Pupil Equity Fund national guidance 2022 are:

- Headteachers will have access to their school's full allocated amount of Pupil Equity Funding and should work in partnership with each other, and their local authority, to agree the use of the funding.
- Pupil Equity Funding must enable schools to deliver activities, approaches or resources which are clearly additional to universal local improvement plans.
- Teachers, parents and carers, children and young people and other key stakeholders should be meaningfully involved throughout the processes of planning, implementing and evaluating approaches.
- Funding must provide targeted support for children and young people (and their families if appropriate) affected by poverty to achieve their full potential, focusing on targeted improvement activity in literacy, numeracy and health and wellbeing.
- Although the Pupil Equity Funding is allocated on the basis of free school meal registration, headteachers can use their professional judgement to identify children in their school who may benefit from the targeted interventions and approaches, with the aim of closing the poverty-related attainment gap.
- Schools must take account of the statutory responsibilities of the authority to deliver educational improvement, secure Best Value, and the authority's role as employer. Local Guidance will set out more detail on how this will operate. The contributions of wider services supporting children and young people and their families are vital to supporting pupils' readiness to learn. Collaboration across services is crucial in tackling the poverty related attainment gap.
- The operation of the Pupil Equity Funding should be included within existing planning procedures e.g. through School Improvement Plans and Standards and Quality reports, or equivalent report if appropriate, each of which should be easily accessible to stakeholders. This must provide clarity to stakeholders on how Pupil Equity Funding is being used and its expected impact.
- Headteachers must develop a clear rationale for use of the funding, based on a robust contextual analysis of relevant data which identifies the poverty-related attainment gap in their schools and learning communities and plans must be grounded in evidence of what is known to be effective at raising attainment for children affected by poverty.
- Schools must have plans in place at the outset to evaluate the impact of the funding. These plans should outline clear outcomes to be achieved and how progress towards these, and the impact on closing the poverty-related attainment gap, will be measured. If, as a result of this ongoing monitoring, the plans are not achieving the results intended, these plans should be amended. Plans for sustainability must be considered as part of this.

5.2 Rationale for review

The objective of this audit is to provide assurance that schools are spending in accordance with their plans, and these are developed as required, to close the poverty related attainment gap.

Since the beginning of the funding in 2017/18 Aberdeen City Council have been awarded £18.6million in funding which has been provided directly to Head Teachers.

This review has been included in the agreed 2023/24 Internal Audit plan to ensure the monies being provided by the Scottish Government are being appropriately applied in order to try and bridge the attainment gap.

This area was last subject to review in April 2019. Recommendations were made to enhance controls in relation to procurement Governance, Off Payroll Working (IR35), budget monitoring, and performance monitoring arrangements.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Function level.
- Individual **net risk** ratings for findings.

Please see Appendix 1 – Assurance Terms and Rating Scales on page 19 for details of our risk level and net risk rating definitions.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered during the visits are:

- Written Procedures
- PEF spending plans, including formation and consultation
- Expenditure
- Budget monitoring
- Performance monitoring (school attainment)

5.4 Methodology

To support our work, we will review relevant legislation, codes of practice, policies, procedures and guidance.

This review will be undertaken through reviewing the actual expenditure undertaken in a sample of schools against their plan, testing spend on supplies and services against the procurement scheme of governance, spend on staffing against HR policies and guidelines, reviewing underspends / overspends to ensure there are acceptable reasons and a plan in place to address them and to establish how the spend undertaken is being measured against the attainment being achieved for the cohort of pupils the spend is being applied to.

5.5 IA outputs

The IA outputs from this review will be:

- School level memos detailing the findings of the visit and any areas for improvement.
- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Graeme Flood, Auditor (**audit lead**)
- Andrew Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Eleanor Sheppard, Interim Director Children's & Family Services
- Shona Milne, Chief Education Officer
- Caroline Johnstone, Quality Improvement Manager (**process owner**)

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	16/05/23
Scope agreed	23/05/23
Fieldwork commences	29/05/23
Fieldwork completed	14/07/23 ¹
Draft report issued	28/07/23
Process owner response	18/08/23
Director response	25/08/23
Final report issued	01/09/23

¹ Extended to accommodate leave. Will be discussed with Process Owner during the review.

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2405 – Care Management System
REPORT NUMBER	IA/AC2405
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Care Management System.

2. RECOMMENDATION

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

3. CURRENT SITUATION

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

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 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, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 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.

8.2 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.

9. IMPACT ASSESSMENTS

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

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2405 – Care Management System

12. REPORT AUTHOR CONTACT DETAILS

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Tel	(01467) 530 988



Internal Audit

Assurance Review of the Care Management System

Status: Final

Report No: AC2405

Date: 17 October 2023

Assurance Year: 2023/24

Risk Level: Programme and Project level

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

Report Tracking	Planned Date	Actual Date
Scope issued	04-Jul-23	04-Jul-23
Scope agreed	11-Jul-23	27-Jul-23
Fieldwork commenced	24-Jul-23	31-Jul-23
Fieldwork completed	18-Aug-23	15-Sep-23
Draft report issued	08-Sep-23	18-Sep-23
Process owner response	29-Sep-23	13-Oct-23
Director response	06-Oct-23	17-Oct-23
Final report issued	13-Oct-23	17-Oct-23
Audit Committee	AR&S Committee (23-Nov-23) and RAP Committee (28-Nov-23)	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Director of Customer Services
Process Owner	Steve Roud, Chief Officer - Digital and Technology
Stakeholders	Sandra MacLeod, H&SCP Chief Officer
	Eleanor Sheppard, Interim Director Children's & Family Services
	Claire Wilson, Chief Officer - Social Work Adults
	Graeme Simpson, Chief Officer – Integrated Children's & Family Services
	Paul Mitchell, H&SCP Chief Finance Officer
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer - Finance*
Final Only	External Audit
Lead auditor	Farai Magodo, Auditor

1 Introduction

1.1 Area subject to review

Aberdeen City Health and Social Care Partnership (H&SCP) and Integrated Children's and Family Services (IC&FS) provide or commission care and support to a variety of individuals who are identified as requiring it following assessment of their social care needs.

The Council's Care Management System Microsoft Dynamics 365 for Social Work (D365) was developed in 2020 in partnership with Microsoft and Hitachi and went live in October 2022, replacing the CareFirst system. D365 brings relevant social care data and workflows together in one place, where staff can record, share, and analyse information relating to clients' needs assessments and follow-up care management reviews. In addition, the system enables the management of associated care related payments to clients (£134.599m 2022/23), suppliers (£4.593m 2022/23), and foster carers (£1.553m 2022/23) as well as any client charges (£9.534m 2022/23).

D365 uses a set of intelligent business applications, with a view to delivering greater results across services, through predictive artificial intelligence driven insights. The vision for D365 more generally is to create a single, secure record for each Council customer, so whether registering a birth, seeking housing support, or benefiting from social care, a single record will be updated within D365 for each customer, giving Council staff the right access to the relevant data for the services provided to customers and customers more involvement and interaction over the services they receive.

Previously a large proportion of social care data was managed out with the care management system using various customer record management systems. D365 aims to address this by enabling all case management data to be captured within one system for efficient case management purposes. In addition, the intention is for this to improve access control and data sharing arrangements beyond the H&SCP and Integrated Children's and Family Services, for example where Council housing officers require access to relevant data for the delivery of housing support and partner organisations, including Bon Accord Care and the NHS, require access for their respective service delivery needs.

1.2 Rationale for review

The objective of the review is to consider whether appropriate control is being exercised over the care management system, including contingency planning, and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.

This has been included in the 2023-24 Internal Audit Plan due to this being a newly implemented key Council system for the management of sensitive data concerning vulnerable clients and due to the material value of care related expenditure managed using the system.

The project management arrangements for the development of D365 were considered in July 2022 as part of Internal Audit report AC2212 Care Management. A full system review was last undertaken by Internal Audit in November 2016 in report AC1709 when CareFirst was in operation. In general CareFirst was found to be adequately controlled with some recommendations made to enhance controls in relation to procurement; software licences; system access; data quality retention; system interfaces; business continuity planning; and system performance reporting.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

2.2 Assurance assessment

The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's approach to the care management system.

The following governance, risk management and control measures were sufficiently robust and fit for purpose:

- **System maintenance and development** – System maintenance and development is being adequately tested prior to system upgrades / updates. Digital and Technology (D&T) maintain oversight of user testing of 'wave releases' issued by the system supplier to fix and improve system functionality where necessary. In addition, since the 'go-live' date, D&T has worked with the H&SCP and IC&FS to develop the system through a 'Sprint Backlog' process of light touch change management, meaning changes are incremental and can be easily rolled back.
- **Procurement** – The Council's Care Management System was appropriately procured through an approved UK Government framework agreement (G Cloud 11) in accordance with the Council's Scheme of Governance.
- **Business Continuity and Disaster Recovery** – The system supplier indicates within their Statement of Work agreed with the Council that the supplier is responsible for associated costs for disaster recovery and that they have 'best-in-class' service levels for disaster recovery within their cloud services, with inbuilt redundancy and failover within its service. The supplier is also compliant with ISO 22301 Business Continuity Management covering adequacy of business continuity and disaster recovery arrangements.

Security updates (patching) was out of scope for the review due to resourcing constraints for the Cluster and management assurance that the adequacy of system patching arrangements has been covered by the most recent IT health check (ITHC) for Public Services Network (PSN) compliance and Cyber Essentials Plus. This will be considered as part of the planned 2023/24 Cyber Action Plan Internal Audit review.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Written Procedures and Training** – D&T has set a mandatory requirement within ServiceNow for line managers approving system access requests to ensure appropriate system and data protection training has been completed prior to use of the system. In addition, 'Click Learn' guidance is available on the system covering various user tasks. Furthermore, comprehensive Children's Social Work guidance is available on the use of the system and checklists are in place for what training is expected to be delivered to H&SCP users by system coaches.

However, unlike Children's Social Work, currently Adults Service and Justice Service specific guidance on the use of the system is absent from the Council's Digital Workplace (described as "coming soon") and there are no online videos available on the use of the system like for Children's Social Work. Management however advised that although guidance is absent from the Digital Workplace, guidance is circulated regularly to staff and for Justice if contained within the Staff Handbook. Internal Audit sought views from 10 system users to determine if training had been received prior to use and the adequacy of training delivered. Four (40%) responded¹, two (50%) of which advised that whilst they had received training, they remained unsure of how to navigate the system and that the training did not address their specific service delivery needs. In the absence of adequate online training and guidance for H&SCP users, there is a greater risk these users will be unable to use the system and of cases being mismanaged as a result.

- **Access Control**– A dedicated team within D&T maintains system access based on line manager approved requests and via regular removal of any former employees notified to D&T by Payroll. In addition, system access is adequately controlled for employees via Active Directory single sign on through a Council device coupled with the Council's Access Control policy and Password Standard. In addition, D&T advised that all data access is logged. However, whilst the support and maintenance supplier contract covers Data Protection, this supplier currently has access to special category data held in the live 'production' system environment, rather than access restricted to when new system developments are pushed out into the production environment. Where access to special category data is not suitably controlled, this contravenes the UK GDPR data minimisation principle and the Council risks enforcement action by the ICO, potentially financial loss and reputational damage. Discussions with Management have highlighted the rationale behind this approach but recognise the opportunities to tighten control around this area.
- **Interfaces** – At the time of the review, it was noted that the interface to ensure agreement of child protection in both the CPR and care management system was not functional and a manual workaround was required involving ad hoc data exports from the care management system which are reconciled to the CPR. Whilst this system ensures accuracy of the CPR, the manual nature of the data transfer process could be made more efficient (i.e. single point of data entry and deletion), and is contrary to the Council's transformation ambitions to automate processes where appropriate.

Recommendations have been made to address the above risks including reviewing system access restrictions, ensuring mandatory training is robust, and establishing an automated interface for Child Protection Register updates.

2.3 Severe or major issues / risks

No severe or major issues/risk were identified as part of this review.

2.4 Management response

The Social Work system has been developed using modern agile development methodologies. Management is grateful to the internal audit team for their collaborative approach to the audit that has ensured a shared understanding of the differences in approach versus traditional line of business systems. The balance of continuous delivery against risk has been assessed ensuring that Aberdeen City Council manages the ongoing risks through the recommendations made.

The nature of the continuous delivery process and the prioritisation of business needs by Social Work Product Owners means that the system remains current and relevant for Social Work practitioners. In addition system architecture and the centralised nature of the data creates opportunities for the Council and the Health and Social Care Partnership to improve the effectiveness of our care services.

¹ Where it is recognised that this is a small population, with an even lower response rate, Internal Audit made efforts to gain responses and wider feedback. The views relied upon for this report have been substantiated where possible through further discussion and audit testing.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>System Procedures, Training and Access – Comprehensive written procedures and their effective communication are an essential element in any system of control. This is the same for training provided to users. The care management system holds sensitive records with special category personal data concerning vulnerable adults and children and it is therefore also essential that access is appropriately controlled to ensure compliance with Data Protection legislation.</p> <p><u>Procedures and Training</u></p> <p>D&T has set a mandatory requirement within ServiceNow for line managers authorising system access requests to ensure appropriate system and data protection training has been completed prior to use of the system. In addition, 'Click Learn' guidance is available on the system covering various user tasks. Furthermore, comprehensive Children's Social Work guidance is available on the use of the system and checklists are in place for what is expected to be delivered to H&SCP users by system coaches. However, unlike Children's Social Work, currently Adults Service and Justice Service specific guidance on the use of the system is absent from the Council's Digital Workplace (described as "coming soon") and there are no online videos available on the use of the system like for Children's Social Work. Management however advised that although guidance is absent from the Digital Workplace, guidance is circulated regularly to staff and for Justice if contained within the Staff Handbook.</p> <p>Internal Audit sought views from 10 system users to determine if training had been received prior to use and the adequacy of training delivered. Four (40%) responded, two (50%) of which advised that whilst they had received training, they remained unsure of how to navigate the system and that the training did not address their specific service delivery needs.</p> <p><u>Access</u></p> <p>A dedicated team within D&T maintains system access based on, line manager approved requests and via regular removal of any former employees notified to D&T by Payroll. In addition, system access is adequately controlled for employees via Active Directory single sign on through a Council device coupled with the Council's Access Control policy and Password Standard.</p> <p>The UK General Data Protection Regulation (GDPR) requires personal data to be adequate, relevant, and limited to what is necessary in relation to the purposes for which they are being processed (data minimisation principle). Furthermore, the care management system holds special category personal data relating to vulnerable Council clients, with Article 9 of the UK GDPR further restricting legal processing of such data.</p> <p>Whilst the support and maintenance supplier contract covers data processing under data protection legislation, this supplier currently has access to special category data held in the live 'production' system environment, rather than access being restricted to when it is required by this supplier when "pushing out" new system developments into the production environment.</p> <p>In addition, feedback provided during the audit suggested care management records were available to teams who did not require the level of access granted. This was considered during system development and the decision on access to data was made by the Chief Officer Integrated Children and Families and the Chief Officer Social Work Adults in order to support effective delivery. The decisions made, including the access exclusions to restricted</p>		

Ref	Description	Risk Rating	Moderate
	<p>records are recorded in the Data Privacy Impact Assessment. The Service advised staff access permissions were designed to ensure a holistic approach to supporting a family irrespective of Social Work area (Children's, Adults, CJ).</p> <p>In the absence of suitable system user guidance and training there is a greater risk users will be unable to use the system efficiently to manage cases. Furthermore, where third party access to special category data is not suitably controlled, the Council risks enforcement action by the ICO, potentially financial loss and reputational damage.</p>		
IA Recommended Mitigating Actions			
<p>a) The H&SCP and IC&FS should review the governance in place for service users. This should look to formalise the role of product owner, which will ensure user needs and training needs continue to be met. A key focus area will be the need for system guidance and wider operational support.</p> <p>b) Access to system records by third-party users should be reviewed to ensure access to documentation is restricted where necessary.</p>			
Management Actions to Address Issues/Risks			
<p>a) <i>The role Product Owners is new to the Council structure. Work is nearing completion to formally define this role and job size it. The Product Owner role will ensure a close and continuous alignment between the operational needs of the social work system and the development of the D365 system – adjust to new legislation or policy drivers. The role will include ensuring staff are supported to maximise the potential of the D365 system, through induction, developing system guidance and ensuring feedback loops that identify ongoing improvement and embedding practice change.</i></p> <p>b) <i>The system is developed using agile methods and relies on the principles of continuous development to ensure the enhancements are managed effectively. The approach to pipeline deployment requires appropriate levels of access to all environments. The system developers will review current levels of access and recommend areas for improvement.</i></p>			
Risk Agreed		Person(s)	Due Date
a) Yes		CO – C&FS and CO – ASW, H&SCP	31 January 2024
b) Yes		CO Digital & Technology	31 January 2024

Ref	Description	Risk Rating	Minor
1.2	<p>Interfaces – Interfaces help automate the transfer of data between systems, reducing the need for manual intervention and human errors.</p> <p>A form-based system is used to maintain the North East Child Protection Register (CPR) by the CPR team. Separately, social workers update the care management system to record the inclusion or removal of a child from the CPR following the related case conference.</p> <p>At the time of the review, it was noted that the interface to ensure agreement of child protection in both the CPR and care management system was not functional and a manual workaround was required involving ad hoc data exports from the care management system which are reconciled to the CPR.</p>		

Ref	Description	Risk Rating	Minor
	Whilst this system ensures accuracy of the CPR, the manual nature of the data transfer process is inefficient, and contrary to Council's transformation agenda ambitions to automate processes where appropriate.		
	IA Recommended Mitigating Actions		
	D&T should automate the interface between the care management system and the North East Child Protection Register.		
	Management Actions to Address Issues/Risks		
	<i>The existing extract requires amendment to address changes made in the system. These changes have been scoped and will be delivered as part of broader changes in CP practice being recommended by the North East Child Protection Partnership.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	CO Digital & Technology	31 Dec 2023

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance review scoping document

5.1 Area subject to review

Aberdeen City Health and Social Care Partnership (H&SCP) and Integrated Children's and Family Services (IC&FS) provide or commission care and support to a variety of individuals who are identified as requiring it following assessment of their social care needs.

The Council's Care Management System Microsoft Dynamics 365 for Social Work (D365) was developed in 2020 in partnership with Microsoft and Hitachi and went live in October 2022, replacing the CareFirst system. D365 brings relevant social care data and workflows together in one place, where staff can record, share, and analyse information relating to clients' needs assessments and follow-up care management reviews. In addition, the system enables the management of associated care related payments to clients (£134.559m 2022/23), suppliers (£4.593m 2022/23), and foster carers (£1.553m 2022/23) as well as any client charges (£9.534m 2022/23).

D365 uses a set of intelligent business applications, with a view to delivering greater results across services, through predictive artificial intelligence driven insights. The vision for D365 more generally is to create a single, secure record for each Council customer, so whether registering a birth, seeking housing support, or benefiting from social care, a single record will be updated within D365 for each customer, giving Council staff the right access to the relevant data for the services provided to customers and customers more involvement and interaction over the services they receive.

Previously a large proportion of social care data was managed out with the care management system using various customer record management systems. D365 aims to address this by enabling all case management data to be captured within one system for efficient case management purposes. In addition, the intention is for this to improve access control and data sharing arrangements beyond the H&SCP and Integrated Children's and Family Services, for example where Council housing officers require access to relevant data for the delivery of housing support and partner organisations, including Bon Accord Care and the NHS, require access for their respective service delivery needs.

5.2 Rationale for review

The objective of the review is to consider whether appropriate control is being exercised over system, including contingency planning, and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.

This has been included in the 2023-24 Internal Audit Plan due to this being a newly implemented key Council system for the management of sensitive data concerning vulnerable clients and due to the material value of care related expenditure managed using the system.

The project management arrangements for the development of D365 were considered in July 2022 as part of Internal Audit report AC2212 Care Management. A full system review of the system was last undertaken by Internal Audit in November 2016 in report AC1709 when CareFirst was in operation. In general CareFirst was found to be adequately controlled with some recommendations made to enhance controls in relation to procurement; software licences; system access; data quality retention; system interfaces; business continuity planning; and system performance reporting.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Programme and Project level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Written Procedures
- Procurement
- System Maintenance
- System Access
- Interfaces
- Business Continuity and Disaster Recovery

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, and guidance.

Due to hybrid working arrangements, this review will be undertaken remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Farai Magodo, Auditor (**audit lead**)
- Andy Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Director – Customer Services
- Eleanor Sheppard, Interim Director Children’s & Family Services
- Sandra MacLeod, Chief Officer H&SCP
- Steve Roud, Chief Officer - Digital and Technology (**process owner**)
- Graeme Simpson, Chief Officer – Integrated Children’s & Family Services
- Jonathan Belford, Chief Officer – Finance
- Paul Mitchell, H&SCP Chief Finance Officer
- Claire Wilson, Chief Officer - Social Work Adults

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	4-Jul-23

Milestone	Planned date
Scope agreed	11-Jul-23
Fieldwork commences	24-Jul-23 <i>(extended due to holiday period)</i>
Fieldwork completed	18-Aug-23
Draft report issued	8-Sep-23
Process owner response	29-Sep-23
Director response	6-Oct-23
Final report issued	13-Oct-23

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2406 – Data Protection
REPORT NUMBER	IA/AC2406
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on Data Protection.

2. RECOMMENDATION

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

3. CURRENT SITUATION

3.1 Internal Audit has completed the attached report which relates to an audit of Data Protection.

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. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 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, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 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.

8.2 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.

9. IMPACT ASSESSMENTS

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

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2406 – Data Protection

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Assurance Review of Data Protection

Status: Final

Report No: AC2406

Date: 17 October 2023

Assurance Year: 2023/24

Risk Level: Corporate

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

Report Tracking	Planned Date	Actual Date
Scope issued	14-Jun-23	14-Jun-23
Scope agreed	23-Jun-23	30-Jun-23
Fieldwork commenced	03-Jul-23	03-Jul-23
Fieldwork completed	21-Jul-23	14-Sep-23
Draft report issued	11-Aug-23	20-Sep-23
Process owner response	01-Sep-23	11-Oct-23
Director response	08-Sep-23	17-Oct-23
Final report issued	15-Sep-23	17-Oct-23
Audit Committee	23-Nov-23	

Distribution	
Document type	Assurance Report
Director	Gale Beattie, Director - Commissioning
Process Owner	Catriona Sim, Data Protection Officer
Stakeholder	Martin Murchie, Chief Officer – Data and Insights
	Caroline Anderson, Information and Data Manager
	Susan Sim, Information Governance Officer
	Sandie Scott, People Development Manager
	Alice Goodrum, Customer Feedback & Access to Information Ops Lead
	Deirdre Nicolson, Solicitor
	Sarah Clubley, Solicitor
	Lindsay MacInnes, Interim Chief Officer – People & Organisational Development*
	Vikki Cuthbert, Interim Chief Officer - Governance*
	Jonathan Belford, Chief Officer - Finance*
Final only	External Audit
Lead auditor	Lyndsay Jarvis, Auditor

1 Introduction

1.1 Area subject to review

The General Data Protection Regulation (GDPR) and most of the provisions of the Data Protection Act 2018 (the 2018 Act) came into force on 25 May 2018. Upon the UK's exit from the European Union the EU GDPR was replaced domestically by the UK GDPR; the key principles, rights and obligations remain the same.

The UK GDPR regulates the processing of personal data from which a living individual could be identified. Processing of data includes collection, recording, organisation, structuring, storage, alteration, retrieval, consultation, use, disclosure by transmission, dissemination, combining with other data, restriction, erasure, or destruction. The UK GDPR applies to any computerised or manual records containing personal information about living and identifiable people and requires that appropriate technical and organisational measures are taken to ensure compliance with the Regulation.

No personal data may be processed unless the Data Controller (organisation alone or jointly with others, determining the purposes and means of processing of personal data e.g., the Council) has identified an appropriate legal basis or bases, which meets the requirements of the UK GDPR. The legislation includes accountability and transparency requirements, rights for individuals in relation to their own personal data, and penalties can be issued by the UK Regulator, the Information Commissioner's Office (ICO) for breaching the requirements of the Data Protection legislation up to a maximum of €20 million or 4% of turnover. For instance, in November 2021, the ICO fined the Cabinet Office £500,000 for disclosing postal addresses of the 2020 New Year Honours recipients online.

The UK GDPR sets out seven principles:

1. Lawfulness, fairness, and transparency (privacy notices)
2. Purpose limitation (personal data collected for specific, explicit, and legitimate purposes)
3. Data minimisation (personal data should be adequate, relevant, and limited)
4. Accuracy (personal data should be accurate and kept up to date)
5. Storage limitation (do not retain for longer than necessary for purpose collected)
6. Integrity and confidentiality (security of personal data)
7. Accountability (must have measures and records to demonstrate compliance)

Under the UK GDPR an individual has eight defined rights in relation to the processing of their personal data:

1. The right to be informed (privacy notices)
2. The right of access (subject access)
3. The right to rectification
4. The right to erasure
5. The right to restrict processing
6. The right to data portability
7. The right to object
8. Rights in relation to automated decision making and profiling.

1.2 Rationale for review

The objective of this review is to ensure the Council has adequate arrangements in place, which are understood throughout the organisation, to protect the Council's information.

The area was last audited in 2018 and arrangements were found to be adequate based on training; data protection impact assessments; records of processing activities; data breach monitoring; data retention guidance; freedom of information requests; postage guidance and confidential waste arrangements.

In order to enhance controls, Governance agreed to establish detailed procedures relating to individual's rights to data portability, and automated decision making and profiling. Other recommendations were made to update certain forms and notices, to review Information Sharing Agreements and data processor contracts, and to update the Surplus Property procedures to require documents containing personal data to be removed from vacated premises.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's approach to data protection.

The following governance, risk management and control measures were sufficiently robust and fit for purpose:

- Governance Arrangements** – The Council is registered with the ICO and, in line with ICO best practice, has a full-time Data Protection Officer (DPO). Data entity-based Data Forums are meeting monthly and are attended by Information Asset Owners, Chief Officers from relevant Clusters and representatives from the Information and Data Governance Office. In addition, the Information Governance Group (IGG), chaired by the Senior Information Risk Owner (the Interim Chief Officer – Governance) is meeting quarterly to consider relevant information governance performance and compliance matters. Furthermore, AR&SC is receiving annual assurance over data protection and information security trends, issues, incidents, and breaches via the annual information governance management report, most recently in September 2023.
- Incident Response Handling** – Eight data breach incidents reviewed were managed in accordance with procedure, with prompt reporting to the DPO, incidents were fully recorded and investigated, and subsequent reporting to the ICO took place where appropriate. Lessons had been learned and improvement action was taken as required.
- Procurement and Contract Management** – Comprehensive guidance is in place on when and how Data Protection Impact Assessments (DPIAs) should be carried out during the procurement process, and DPIAs were in place for systems reviewed during audit testing. The Council's standard contractual terms and conditions cover data protection legislation requirements relating to data processors. In addition, Governance has advised that all new Council contracts since the introduction of the General Data Protection Regulation (GDPR) in May 2018 cover relevant data protection terms and conditions.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- Staff Policies, Procedures and Training** – Whilst the Council has a suite of Data Protection policies and procedures, most of the documents are past the stated due date for review and some contain obsolete advice and links e.g. reference to obsolete Information Security Officer

post, intranet site and online training platform. A mandatory training course required to be completed annually is in place however the course is not being completed annually as required (compliance rate 35%) indicating Service Managers and line managers are not monitoring training completion. As a result, this has been included on the Council's Performance Board agenda. The ability to report current completion rates at the level of individual staff has recently been added as a report within the Council's Manager's Portal, as a result the Performance Board is now receiving this data regularly and considering how to improve completion rates. Separately, all data sharing agreements are not currently published on the staff intranet, contrary to guidance in the Corporate Information Handbook. These issues reduce assurance over staff understanding of data protection requirements generally and data sharing obligations, increasing the risk of data breaches and inappropriate action in the event of a breach, risking ICO enforcement action and reputational damage.

- **Privacy Notices** – All data processing tasks reviewed had associated privacy notices. However, two (66%) of three paper application forms reviewed did not include the full text of the privacy notice meaning reasons for processing personal data were not being adequately conveyed to users without internet access. Three (60%) of five forms reviewed requesting special category data and one (50%) of two forms requiring criminal conviction data did not provide the necessary legal justifications required by UK GDPR Article 9 and Article 10 respectively. Customers are therefore being inadequately informed of the need for personal data, increasing the risk of ICO enforcement action and reputational damage.
- **Subject Access Requests** – The statutory response times for responding to subject access requests is between one and three months depending on the complexity of the information being requested however the Council is not meeting its targets. Compliance with statutory deadlines in 2022/23 was 68% for subject access requests, with subject access response times down from 77% in 2021/22. Failure to respond within statutory deadlines risks reputational damage for the Council.

Recommendations have been made to address these risks, including reviewing, and updating policies and procedures and improving their accessibility, reviewing accessibility arrangements for hard copy privacy notices, improving mandatory training completion rates through Service Manager and line manager monitoring and publishing data sharing agreements. Subject access request performance was reported to AR&SC in September 2023 as part of the annual information governance management report and action is already being taken to improve response times via a review of procedures, roles and responsibilities, and delivery of training.

2.3 Management response

The Council's Data Protection Officer (DPO) welcomes the improvements identified by the Internal Audit team. In line with the DPO's statutory role to advise the Council on data protection and monitor the Council's compliance, the DPO team will continue to support Information Asset Owners in managing data in line with data protection legislation including ensuring their customers are informed about how and why their data is used by the Council.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Minor
1.1	<p>Policies, Procedures and Training – Comprehensive written procedures and their effective communication are an essential element in any system of control. This is the same for training provided to users. This is particularly important in the case of data protection due to the Council’s legal obligations to process personal data appropriately.</p> <p><u>Policies and Procedures</u></p> <p>Comprehensive policies and procedures governing data protection and information security matters are in place, including the Corporate Information Policy and Corporate Information Handbook (as referred to in the Corporate Information Policy), which cover data processing obligations generally, the Information Asset Owner Handbook, for staff responsible for managing data within systems, and the Information Security Incident Playbook and Reporting Procedure, for managing data protection, cyber security, and any other information security incidents.</p> <p>The documents all contain version control with dates for review. However, all are past due for review. The Corporate Information Policy and Handbook should have been reviewed in July 2021 and January 2021 respectively but were not. In addition, the Handbook is still titled the “Managing Information Handbook” instead of Corporate Information Handbook as per the Corporate Information Policy, and contains obsolete references, for example directing readers to the old staff intranet “the Zone”.</p> <p>The Information Asset Owner Handbook was due for review in May 2019 but was not and refers to the training portal OIL which is no longer in use. The Information Security Incident Reporting Procedure should have been reviewed in May 2019 but was not and directs staff to contact the Information Security Officer, however this role no longer exists. In addition, the Playbook was amended in December 2021 but is still in draft form.</p> <p>If guidance is not kept up to date, there is a risk that activities undertaken by staff will not be compliant with current legislation or Council policies.</p> <p><u>Training</u></p> <p>There is one mandatory training course covering data protection, “Information Governance”, and two optional courses on Cyber Security and Freedom of Information Requests.</p> <p>The Information Governance course is comprehensive and up to date. All employees are required to complete this course and complete a refresh every twelve months. Information Governance training, like all mandatory training is being monitored by the People Development team using the Managers Portal and reported and reviewed monthly at Employee Data Forum (Data & Insights and P&OD).</p> <p>However, the annual completion compliance rate across the Council is poor (35% as at 11 October 2023) and as a result this has been included on the Council’s Performance Board agenda. The ability to report current completion rates at the level of individual staff has recently been added as a report within the Council’s Manager’s Portal, as a result the Performance Board is now receiving this data regularly and considering how to improve completion rates.</p> <p>People and Organisational Development advised that service managers are expected to access the Managers Portal on a regular basis to monitor compliance with mandatory training requirements, but that some managers may be unaware of this responsibility based on completion rates. Separately, the CR&D process is scheduled to be updated to include a</p>		

Ref	Description	Risk Rating	Minor
	<p>self-declaration by employees on mandatory training completion which will require line manager sign off helping to address this.</p> <p>The Council's Data Protection Officer advised that while the monitoring of mandatory training is a line management responsibility, the Council's Data Protection Officer, as part of the incident handling process, seeks assurance that individuals and or teams have completed their training. In addition, the Council's Data Protection Officer issues regular blogs, which included a reminder about completing Information Governance training in March 2023.</p> <p>Monitoring arrangements have been established and are about to be improved. However if course completion rates are inadequate, there is a greater risk that staff will not comply with data protection legislation and the Council may be found liable for data breaches by the ICO, risking financial penalties and reputational damage. Recommendations have been made to track progress with planned improvements.</p>		
IA Recommended Mitigating Actions			
<p>a) Policies and procedures should be reviewed and updated where necessary.</p> <p>b) People and Organisational Development should formalise guidance for Service Managers on the use of the Managers Portal and implement the CR&D development on mandatory training self-declaration.</p>			
Management Actions to Address Issues/Risks			
<p>a) A review and update of policies and procedures had commenced prior to the audit. As per existing governance arrangements, any significant changes to the Policy will require to be approved by the Risk Board and thereafter committee. It is not expected that the changes will be deemed significant. As per existing governance arrangements, the updated Corporate Information Handbook will need to be approved by the Information Governance Group. The action to review and update will be completed by 31 March 2024.</p> <p>b) Agreed.</p>			
Risk Agreed		Person(s)	Due Date
a) Yes		a) Data Protection Officer	a) March 2024
b) Yes		b) People Development Manager	b) March 2024

Ref	Description	Risk Rating	Moderate
1.2	<p>Privacy Notices – In accordance with UK GDPR Article 13, where personal data relating to a data subject is collected, the Council uses privacy notices to explain:</p> <p>4 the purposes of processing</p> <p>5 the legal basis for processing</p> <p>6 the data subjects' rights in relation to their personal data held by the Council</p> <p>7 data sharing with any other parties</p> <p>8 any automated decision making or profiling using the personal data</p> <p>9 the retention period</p> <p>10 the contact details of the Data Protection Officer (DPO).</p>		

Ref	Description	Risk Rating	Moderate
	<p>Staff guidance on identifying the need for Privacy Notices (PNs), is comprehensive and clear. A sample of ten application forms for public use were selected and reviewed to confirm that processing complies with guidance and legislation, including the use PNs.</p> <p>Aberdeen City Council's approach to privacy notices is customer focussed with more than 300 notices available on the Council's website.</p> <p><u>Accessibility</u></p> <p>While PNs are available for all the tasks reviewed, two (66%) of three hard copy application forms (Housing Benefit / Council Tax Reduction application; and Council Tax Severe Mental Impairment Discount / Exemption application) reviewed did not include the full PN but instead had a typed-out web page address where the PN could be found. The Data Protection Officer advised that the Council encourages a "digital first" approach, however there are service users who do not have or cannot use digital devices and therefore have not been given sufficient access to the PN.</p> <p><u>Special Category and Criminal Conviction Data</u></p> <p>UK GDPR requires additional protection measures for sensitive "special category data" such as data revealing political opinions, religious beliefs, and sexual orientation, as well as personal data relating to criminal convictions and offences or related security measures. The latter covers information about offenders or suspected offenders in the context of criminal activity, allegations, investigations, and proceedings. The required legal bases for processing special category and criminal convictions personal data are set out in Article 9 and Article 10 of the UK GDPR respectively.</p> <p>Five (50%) of the tasks reviewed included special category data (Housing Benefit/Council Tax Reduction application [sexual orientation / racial or ethnic origin / health]; Council Tax Severe Mental Impairment application [health]; Free School Meals application [racial or ethnic origin / health]; School Place application [religious or philosophical beliefs]; Blue Badge application [health]). Two (20%) (Housing Benefit/CTR and Personal License to Sell Alcohol) also involved processing of data on criminal convictions. However, the privacy notices for three (60%) of these (Housing Benefit/CTR; CT SMI; School Place application) did not include the required justification under Article 9 for processing special category data and one (50%) of those requiring criminal conviction data (Housing Benefit/CTR) did not provide justification under Article 10.</p> <p>Data processing involving special category data and criminal offence data must have a legal basis that complies with UK GDPR and this must be explained to the affected Council customers or the Council may be found in breach of Data Protection legislation, risking ICO enforcement action and reputational damage.</p>		
	IA Recommended Mitigating Actions		
	<p>a) Privacy notices should be reviewed to ensure special category and criminal conviction data processing is adequately justified.</p> <p>b) The Service should ensure hard copy privacy notices are available where necessary.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>a) As there is a delegated Policy in place for the management of the Council's information, Information Asset Owners are responsible for ensuring privacy notices are in place and available where necessary. There are over 600 active privacy notices with over 300 customer facing notices published on the Council website, with updates and new privacy notices coming online to accommodate changes in policy and legislation. Employee related notices are published on the Council's People Anytime site. The Data Protection Officer will support the review and as appropriate the update of privacy notices through reminders directly to Information Asset Owners and through the Data Forums.</i></p>		

Ref	Description	Risk Rating	Moderate
	<i>b) Where application forms are printed in large batches there is the risk that the privacy notice will become out of date before new batches are printed. In order to ensure customers can access the most up to date privacy information, often service areas refer customers to the Council's website. Where necessary, hard copy privacy notices are available upon request. The Data Protection officer will support Information Asset Owners to adhere to data protection obligations to communicate with customers about customers' rights and how and why we use customer data.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Data & Insights / Information Asset Owners	October 2024

Ref	Description	Risk Rating	Minor
1.3	<p>Data Sharing Arrangements – Data sharing agreements set out the purpose of the data sharing, cover what happens to the data at each stage, set standards and help all the parties involved in sharing to be clear about their roles and responsibilities. ICO guidance indicates that whilst it is not mandatory to establish Data Sharing Agreements (DSA), it is good practice to do so.</p> <p>The Council's procedure for identifying the need for a DSA is held in the Corporate Information Handbook and summarised on the Data Protection internal SharePoint site. The Handbook states that all signed off agreements must be updated on the data sharing agreement register (the register). D&I has advised that guidance on publishing has changed however these arrangements are yet to be formalised.</p> <p>Three DSAs are currently published in the Data Protection SharePoint site. The linked documents are complete, with all parties listed and version control details included. However, the data sharing agreement register included 135 complete data sharing agreements.</p> <p>If DSAs are not adequately published this risks staff being unaware of data sharing arrangements, risking a data breach, and associated reputational damage.</p>		
	IA Recommended Mitigating Actions		
	Council Data Sharing Agreement requirements should be formalised to ensure DSAs are made available to relevant staff.		
	Management Actions to Address Issues/Risks		
	<i>In line with the Corporate Information Policy, Information Asset Owners are responsible for ensuring that they have the correct procedures, training and awareness in place for staff who have access to their information assets. This includes ensuring staff are aware of and are confident with the specific sharing arrangements in their business area. The Data Protection Officer will formalise the guidance in the updated Corporate Information Handbook on publishing DSAs and will remind Information Asset Owners of their responsibility to ensure staff are aware of and have access to the specific data sharing arrangements that relate to the work they do.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Data & Insights	March 2024

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Assurance review scoping document

5.1 Area subject to review

The General Data Protection Regulation (GDPR) and most of the provisions of the Data Protection Act 2018 (the 2018 Act) came into force on 25 May 2018. Upon the UK's exit from the European Union the EU GDPR was replaced domestically by the UK GDPR; the key principles, rights and obligations remain the same.

The GDPR regulates the processing of personal data from which a living individual could be identified. Processing of data includes collection, recording, organisation, structuring, storage, alteration, retrieval, consultation, use, disclosure by transmission, dissemination, combining with other data, restriction, erasure, or destruction. The GDPR applies to any computerised or manual records containing personal information about living and identifiable people and requires that appropriate technical and organisational measures are taken to ensure compliance with the Regulation.

No personal data may be processed unless the Data Controller (organisation alone or jointly with others, determining the purposes and means of processing of personal data e.g. the Council) has identified an appropriate legal basis or bases, which meets the requirements of the GDPR. The legislation includes accountability and transparency requirements, rights for individuals in relation to their own personal data, and penalties can be issued by the UK Regulator, the Information Commissioner's Office (ICO) for breaching the requirements of the Data Protection legislation up to a maximum of €20 million or 4% of turnover. For instance, in November 2021, the ICO fined the Cabinet Office £500,000 for disclosing postal addresses of the 2020 New Year Honours recipients online.

The UK GDPR sets out seven principles:

8. Lawfulness, fairness, and transparency (privacy notices)
9. Purpose limitation (personal data collected for specific, explicit, and legitimate purposes)
10. Data minimisation (personal data should be adequate, relevant, and limited)
11. Accuracy (personal data should be accurate and kept up to date)
12. Storage limitation (do not retain for longer than necessary for purpose collected)
13. Integrity and confidentiality (security of personal data)
14. Accountability (must have measures and records to demonstrate compliance)

Under GDPR an individual has eight defined rights in relation to the processing of their personal data:

- c) The right to be informed (privacy notices)
- d) The right of access (subject access)
- e) The right to rectification
- f) The right to erasure
- g) The right to restrict processing
- h) The right to data portability
- i) The right to object
- j) Rights in relation to automated decision making and profiling.

5.2 Rationale for review

The objective of this review is to ensure the Council has adequate arrangements in place, which are understood throughout the organisation, to protect the Council's information.

The area was last audited in 2018 and arrangements were found to be adequate based on training; data protection impact assessments; records of processing activities; data breach monitoring; data retention guidance; freedom of information requests; postage guidance and confidential waste arrangements.

In order to enhance controls, Governance agreed to establish detailed procedures relating to individual's rights to data portability, and automated decision making and profiling. Other recommendations were made to update certain forms and notices, to review Information Sharing Agreements and data processor contracts, and to update the Surplus Property procedures to require documents containing personal data to be removed from vacated premises.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Corporate level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Policy, Procedures and Training
- Governance
- Compliance with GDPR Principles
- Data Protection Impact Assessments
- Subject Access Requests
- Data Processing Agreements and Data Sharing Agreements
- Data Breaches

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit, Risk and Scrutiny Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Lyndsay Jarvis, Auditor (**audit lead**)
- Andrew Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Director – Customer Services
- Martin Murchie, Chief Officer – Data and Insights
- Caroline Anderson, Information and Data Manager
- Catriona Sim, Data Protection Officer (**process owner**)

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	14/06/2023

Milestone	Planned date
Scope agreed	23/06/2023
Fieldwork commences	03/07/2023
Fieldwork completed	21/07/2023
Draft report issued	11/08/2023
Process owner response	01/09/2023
Director response	08/09/2023
Final report issued	15/09/2023

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