**ABERDEEN**
CITY COUNCIL

<u>To</u>:     Councillor Malik, <u>Convener</u>; Councillor Houghton, <u>Vice-Convener</u>; and Councillors Alphonse, Bonsell, Bouse, McLellan, McRae, Nicoll and Massey.

Town House,
ABERDEEN 18 September 2024

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# AUDIT, RISK AND SCRUTINY COMMITTEE

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The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Committee Room 2 - Town House on <u>THURSDAY, 26 SEPTEMBER 2024 at 2.00 pm</u>.**

ALAN THOMSON
INTERIM CHIEF OFFICER – GOVERNANCE

## <u>B U S I N E S S</u>

### <u>NOTIFICATION OF URGENT BUSINESS</u>

1.1    <u>There are no items of urgent business at this time</u>

### <u>DETERMINATION OF EXEMPT BUSINESS</u>

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

### <u>DECLARATIONS OF INTEREST</u>

3.1    <u>Members are requested to intimate any declarations of interest</u>

### <u>DEPUTATIONS</u>

4.1    <u>There are no requests at this time</u>

**MINUTE OF PREVIOUS MEETING**

**COMMITTEE PLANNER**

**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 times.

**COMMITTEE BUSINESS**

**Risk Management**

**Legal Obligations**

**Scrutiny**

**Internal Audit**

**External Audit**

<u>**EXEMPT/CONFIDENTIAL BUSINESS**</u>

Integrated Impact Assessments related to reports on this agenda can be viewed here

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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, 27 June 2024.   Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE.   Present:- Councillor Malik, Convener; Councillor Houghton, Vice-Convener;   and Councillors Alphonse, Bonsell, Clark (as substitute for Councillor McRae), Greig (as substitute for Councillor Bouse), McLellan, Nicoll and Massey.

**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.**

**NOTIFICATION OF URGENT BUSINESS**

**1.**     The Convener advised that he had agreed to accept items 9.4 (External Audit Annual Report 2023-24 – article 8 of this minute) and 9.5 (Audited Annual Accounts 2023/24 – article 9 of this minute) to the agenda as a matter of urgency in terms of Section 50B(4)(b) of the Local Government (Scotland) Act 1973 to enable the Council to have its audited accounts available by the 30 June 2024, to meet its reporting requirements to the London Stock Exchange.

**The Committee resolved:-**
to note the position.

**DETERMINATION OF EXEMPT BUSINESS**

**2.**     The Convener proposed that the Committee consider item 10.1 (Internal Audit Report AC2419 – Prevent) with the press and public excluded from the meeting.

**The Committee resolved:-**
in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of item 10.1 (Internal Audit Report AC2419 - Prevent).

**DECLARATIONS OF INTEREST OR TRANSPARENCY STATEMENTS**

**3.**     There were no declarations of interest or transparency statements.

**MINUTE OF PREVIOUS MEETING OF 9 MAY 2024**

**4.**     The Committee had before it the minute of its previous meeting of 9 May 2024.

**AUDIT, RISK AND SCRUTINY COMMITTEE**
27 June 2024

**The Committee resolved:-**
(i)     in relation to article 13, resolution (i) to note the change to the minute to reflect that Councillor Bouse was in receipt of senior renumeration for his position as Vice Convener of the Anti Poverty and Inequality Committee from 18 March 2024; and
(ii)    to otherwise approve the minute as a correct record.


## COMMITTEE BUSINESS PLANNER

**5.**     The Committee had before it the Committee Business Planner prepared by the Interim Chief Officer – Governance.

**The Committee resolved:-**
(i)     to note that future meetings would be in person only; and
(ii)    to otherwise note the content of the business planner.


## ALEO ASSURANCE HUB UPDATE - CORS/24/198

**6.**     With reference to article 5 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which provided 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.

**The report recommended:-**
that the Committee -
(a)    note 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
(b)    note that the ALEO Assurance Hub would 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.

**The Committee resolved:-**
to approve the recommendations as contained in the report.


## SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATIONS COMPLAINT DECISIONS - CORS/24/199

**7.**     With reference to article 7 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which provided information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Cremations decisions made in relation to Aberdeen City Council since the last reporting

**AUDIT, RISK AND SCRUTINY COMMITTEE**
27 June 2024

cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

**The report recommended:-**
that the Committee note the details of the report.

In response to a question relating to the feedback provided by the SPSO, the Revenues and Benefits Manager advised that where there was an application to the Scottish Welfare Fund, that the reason why the applicant had applied was not relevant. He further advised that training for staff had taken place.

**The Committee resolved:-**
to approve the recommendation contained in the report.

> **The Committee considered items 9.3 (External Audit ISA 260 Report) and 9.4 (External Audit Annual Report 2023-24) together.**

**EXTERNAL AUDIT - ISA 260 REPORT - EA/24/006**

**8.**     The Committee had before it a report by the External Audit Director which presented External Audit's Annual Audit Report on the 2023/24 audit.

**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 the materiality level and how this related to day to day matters, the External Audit Director advised that the materiality concept was based on professional audit judgement. He further advised that on receipt of the draft accounts a further assessment of materiality is undertaken to determine if appropriate.

In response to a comment relating to unspent grants, the External Audit Director advised that as part of their process, the creditors balances were tested to ensure that the amounts were correct and that unspent funds were accrued correctly providing a full evidence trail to confirm the amounts unspent. The Chief Officer – Finance advised that the grants process was complex where it was important that the Council were claiming all that they were entitled to whilst making sure that funding was used for specific purposes and identifying whether funds could be retained for future years.

In response to a request for more information on service concession savings and increased investment in the joint venture with BP, the Chief Officer – Finance advised that the service concession savings had provided flexibility in the application of debt repayments for the 3Rs schools to extend the borrowing over the life of the asset and that a decision was made in March 2024 to use some of the funds for capital projects.

**AUDIT, RISK AND SCRUTINY COMMITTEE**
27 June 2024

He further advised that the reference to BP should refer to the Sports Village, where he asset was valued each year and held as an investment asset.

In response to a question relating to whether there was a figure for bus lane enforcement charges, the Chief Officer – Finance advised that there had been a significant value collected during 2022-23 and 2023-24 which a remaining balance in the accounts of £4.2m. He further advised that the monies collected were used for roads infrastructure improvements across the city with reports presented to the Finance and Resources Committee.

In response to a question relating to the definition of committed and uncommitted reserves, the Chief Office – Finance advised that uncommitted reserves were the minimum amount of funds held for resilience purposes and not set aside for any specific purpose which was supported by the Reserves Policy which was proved annually and committed reserves were made up of grant funding held for future years, to be spent on specific projects and second home income for Council Tax to be used for affordable homes.

In response to a question relating to the reasons why the borrowing levels had increased and whether the increase in the general fund reserves could be used to reduce the need for borrowing, the Chief Officer – Finance advised that the reserves were not always useable funds due to funds set aside for specific purposes and that during the budget process the value of the reserves were used to determine where funds could be used. He further advised that rising debt was a mixture of long term and short term borrowing and linked to the significant investment in housing projects and capital projects.

In response to a question relating to whether the Committee could get assurance that the use of service concession monies this year would not add increased debt in future years, the External Audit Director advised that external audit were content with the application of the policy that allowed the greater flexibility to spread the debt over the life of the asset.

**The Committee resolved:-**
to note the content of the report and the attached ISA 260 report to those charged with governance – 2023-24 Annual Accounts Audit.


**AUDITED ANNUAL ACCOUNTS 2023-24 - CORS/24/200**

9.      With reference to article 13 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which sought approval of the Council's Audited Annual Accounts 2023/24 and the Registered Charities Audited Annual Report and Accounts 2023/24.

**The report recommended:-**
that the Committee -

**AUDIT, RISK AND SCRUTINY COMMITTEE**
27 June 2024

(a)     approve the Council's audited Annual Accounts for the financial year 2023/24 as presented, subject to (i) above and the final amendments being agreed between the external auditors and the Chief Officer – Finance as highlighted in their report, following circulation of those final amendments to the Corporate Management Team and political group leaders; and

(b)     approve the audited Annual Accounts 2023/24 for those registered charities where the Council is the sole trustee, with the Chief Officer – Finance and Councillor Alex McLellan, as Convener of Finance & Resources Committee, to sign the accounts, subject to the final amendments being agreed as detailed in (a) above.

**The Committee resolved:-**

(i)     to note that the request from the previous meeting to amend table 4 on page 42 of the draft annual accounts, to reflect that from 18 March 2024, Councillor Bouse was no longer Vice Convener of Planning Development Management Committee and was in receipt of senior renumeration for his role as Vice Convener of the Anti-Poverty and Inequality Committee had not been included in the accounts before the Committee and that this would be included in the final version; and

(ii)    to otherwise approve the recommendations contained in the report.


**INTERNAL AUDIT UPDATE REPORT - IA/24/009**

**10.**     With reference to article 16 of the minute of it's 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 whether Internal Audit had capacity to carry out additional work in relation to the City Region Deal Audit if further actions were required, the Chief Internal Auditor advised that resources were available.

In response to a question relating to the outstanding audit recommendation for the Adults with Capacity audit and when this was likely to be completed, the Chief Officer – Adults Social Work advised that the outstanding element related to the mechanism for joining two systems to obtain the assurance required that the client had received payments. She further advised that the Short Life Working Group were due to meet so it was hoped that a solution would be progressed and reported back to internal audit.

**The Committee resolved:-**
to approve the recommendations contained in the report.

**AUDIT, RISK AND SCRUTINY COMMITTEE**
27 June 2024

**CREDITORS SYSTEM - AC2407**

**11.** The Committee had before it a report by the Chief Internal Auditor which presented an audit on the Creditors System which was undertaken to ensure that appropriate control was being exercised over the Creditors System, including contingency planning and disaster recovery, and that interfaces to and from other systems were accurate and properly controlled.

**The report recommended:-**
that the Committee the review, discuss and comment on the issues raised within this report and the attached appendix.

**The Committee resolved:-**
to note the report and the attached internal audit report.

**PRIVATE SECTOR HOUSING - AC2421**

**12.** The Committee had before it a report by the Chief Internal Auditor which presented an audit on Private Sector Housing, which was undertaken to ensure adequate control was exercised over private sector housing income and expenditure.

**The report recommended:-**
that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**The Committee resolved:-**
to note the report and the attached internal audit report.

**CITY REGION DEAL - AC2422**

**13.** The Committee had before it a report by the Chief Internal Auditor which presented an audit on the City Region Deal which was undertaken to provide assurance over the governance and financial spend of the City Region Deal.

**The report recommended:-**
that the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

In response to questions relating to why management did not agree with the major risk rating, the Interim Chief Officer – City Development and Regeneration advised that for Benefits realisation, the Council were working with Government to ensure that the correct processes were in place for collecting data and that this would not be completed within three months. The Chief Internal Auditor advised that the internal audit methodology

**AUDIT, RISK AND SCRUTINY COMMITTEE**
27 June 2024

states that major risks should be addressed within three months and that extensions can be granted where necessary for works to be completed.

In response to questions relating to the legal agreement in place for the City Region Deal and whether there was the ability to request documents for assurance purposes, the Interim Chief Officer – City Development and Regeneration advised that this was included in the legal agreement and that financial information was sent to Aberdeenshire Council as they governed the finance. It was further noted that a monthly progress report on each of the projects was submitted that contained actual spend and forecasted spend.

In response to questions relating to why Internal Audit did not receive the governance documentation they requested from external partners, the Interim Chief Officer – City Development and Regeneration advised that the audit was undertaken on the region deal processes therefore some of the requested information may be out of scope for the audit. She further advised that she would work with Internal Audit to identify what information was not provided.

**The Committee resolved:-**
(i)     to agree the contents of the report including the Major risk rating;
(ii)    to note that Delivery partners had not shared all data required to allow Internal Audit to evidence progress with the Aberdeen City Region Deal;
(iii)   to instruct the Chief Executive to write to all parties to ensure our Internal Auditor received the information requested, reminding partners that the signed legal agreement ensured that all governance arrangements were to be the sole responsibility of the Aberdeen City Region Deal Joint Committee which allowed the Partners to commit to the Aberdeen City Region Deal;
(iv)    to instruct the Chief Internal Auditor to provide a verbal update at the next committee as to the progress or otherwise of Internal Audit obtaining the requested information; and
(v)     to note of the seven recommendations, two were complete, three were ongoing and required sign-off from Internal Audit, and two required input from external partners.


**INTERNAL AUDIT ANNUAL REPORT 2023-24 - IA/24/010**

**14.**    The Committee had before it a report by the Chief Internal Auditor which presented Internal Audit's Annual Report for 2023/24.

**The report recommended:-**
that the Committee -
(a)    note the Annual Report for 2023/24;
(b)    note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
(c)    note that there had been no limitation to the scope of Internal Audit work during 2023/24:

**AUDIT, RISK AND SCRUTINY COMMITTEE**
27 June 2024

(d)     note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards: and

(e)     note the content of Internal Audit's Quality Assurance and Improvement Plan.

**The Committee resolved:-**
to approve the recommendations contained in the report.

**In accordance with the decision taken at Article 1 of this minute, the following items were considered with the press and public excluded.**

**PREVENT AC2419**

**15.**     The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Prevent which was undertaken to ensure the Council had adequate arrangements in place to deliver requirements under the Prevent duty.

**The report recommended:-**
That the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**The Committee resolved:-**
to note the report and the attached internal audit report.

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

| | A | B | C | D | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|
| 1 | AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER<br>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 | 26 September 2024 | | | | | | | | |
| 4 | Use of Investigatory Powers Quarter 3 Report CORS/24/251 | to present the use of investigatory powers during Q3 | A report is on the agenda | Jessica Anderson | Governance | Corporate Services | 5.2 | | |
| | SPSO Decisions, Inspector of Crematoria Complaint Decisions CORS/24/252 | In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle. | A report is on the agenda | Lucy McKenzie | People and Citizens | Corporate Services | 6.4 | | |
| | Internal Audit Update Report IA/24/011 | To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee. | A report is on the agenda | Jamie Dale | Governance | Corporate Services | 2.2 | | |
| 7 | Procurement Compliance AC2412 | The objective of this audit is to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations. | A report is on the agenda | Jamie Dale | Governance | Corporate Services | 2.2 | | |
| 8 | Social Care Financial Assessments AC2414 | The objective of this audit is to obtain assurance that adequate arrangements are in place to undertake social care financial assessments in an accurate and efficient manner, with a focus on the systems used. | A report is on the agenda | Jamie Dale | Governance | Corporate Services | 2.2 | | |
| 9 | Recruitment AC2422 | The objective of this audit is to evaluate the adequacy and effectiveness of internal controls over the recruitment processes. | A report is on the agenda | Jamie Dale | Governance | Corporate Services | 2.2 | | |
| 10 | Allowances AC2501 | The objective of this audit is to consider whether appropriate control is being exercised over assessing entitlement and other relevant factors for allowances, and to assess controls over making payments. | A report is on the agenda | Jamie Dale | Governance | Corporate Services | 2.2 | | |

| | A | B | C | D | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|
| 1 | **AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER** <br> **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** |
| 11 | National Fraud Initiative AC2403 | The objective of this audit is to review the Council's engagement and controls for actioning outputs of the National Fraud Initiative, specifically looking at the utilisation of information to gain assurance over areas such as Council Tax and Business Rates. | A report is on the agenda | Jamie Dale | Governance | Corporate Services | 2.2 | | |
| 12 | Informarmation Governance Management Annual Report 2023-24 CORS/24/253 | to present the annual report for the Council's Information Governance | A report is on the agenda | Caroline Anderson | Data Insights | Corporate Services | 1.4 | | |
| 13 | Procurement and Commercial Improvement Programme (PCIP) Assessment 2024 CORS/24/279 | to present the Committee with assurance on procurement performance following the Procurement and Commercial Improvement Programme (PCIP) assessment which focussed on the policies and procedures driving procurement performance and, the results delivered. | A report is on the agenda | Mel Mackenzie | Commercial and Procurement | Corporate Services | 6.4 | | |
| 14 | Best Value thematic report: Workforce Innovation – 2023/24 audit EA/24/007 | to present the Best Value Thematic Review on Workforce Innovation. | A report is on the agenda | Anne Macdonald | Governance | Corporate Services | 3.1 | | |
| 15 | **28 November 2024** | | | | | | | | |
| 16 | Use of Investigatory Powers Quarter 4 Report | to present the use of investigatory powers during Q4 | | Jessica Anderson | Governance | Corporate Services | 5.2 | | |
| 17 | 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 | People and Citizens | Corporate Services | 6.4 | | |

| | 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 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | | **AUDIT, RISK AND SCRUTINY COMMITTEE BUSINESS PLANNER**<br>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. | | | | | | | |
| 18 | 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 | Corporate Services | 2.2 | | |
| 19 | Internal Audit Reports | Reports which have been finalised will be presented to the Committee. | | Jamie Dale | Governance | Corporate Services | 2.2 | | |
| 20 | Annual Committee Effectiveness Report | To report on the annual effectiveness of the committee | | Karen Finch | Governance | Corporate Services | GD 8.5 | | |
| 21 | 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 | Corporate Services | 1.3 | | |
| | 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 | Corporate Services | 4.1 | | |
| | | **Date to be Confirmed** | | | | | | | |

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**ABERDEEN CITY COUNCIL**

| COMMITTEE | Audit, Risk and Scrutiny |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Information Governance Management Annual Statement 2023-2024 |
| REPORT NUMBER | CORS/24/253 |
| EXECUTIVE DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Martin Murchie |
| REPORT AUTHOR | Caroline Anderson |
| TERMS OF REFERENCE | 1.4 |

**1.    PURPOSE OF REPORT**

1.1    To provide Committee with an annual report on the Council's Information Governance Performance, including information about the changes implemented through the Council's information assurance improvement plan.

**2.    RECOMMENDATION**

2.1    It is recommended that Committee:

Note the information provided about the Council's information governance performance at sections 3.1 – 3.5 and in the Information Governance Report at Appendix 1.

**3.    CURRENT SITUATION**

3.1    The Council's Audit, Risk and Scrutiny Committee agreed the Council's revised and updated Information Governance Management & Reporting Framework in September 2016; as part of this the Committee agreed to receive an annual report in relation to the Council's information governance performance.

3.2    Ensuring the proper use and governance of the Council's information and data is an ongoing activity. New and changing legislation, systems, staff, and ways of doing business, as well as new and emerging cyber threats all shape and change the environment within which the Council operates in relation to effective use and governance of its information and data.

3.3    Keeping up means a careful balancing between the requirement to monitor and be adaptable to our changing environment, and the requirement to agree and implement assurance improvements over the medium term.

3.4     To this end, actions to improve assurance in the medium term are identified, actioned and monitored through the Information Governance risks on the Cluster Risk Register and the Cyber Security risks on the Corporate Risk Register; regular updates on which are reported separately to the Council's Communities, Housing and Public Protection and Audit, Risk and Scrutiny Committees.

3.5     Please refer to Appendix 1 for the consolidated Annual Report on the Council's Information Governance Performance from April 2023-March 2024.


**4.     FINANCIAL IMPLICATIONS**

4.1     There are no direct financial implications arising from this report. There are potential indirect financial implications related to penalties for non-compliance, as outlined at section 5.3, below.


**5.     LEGAL IMPLICATIONS**

5.1     The Council's use and governance of its information is subject to a variety of legislation including: The UK General Data Protection Regulation, the Data Protection Act 2018, the Public Records (Scotland) Act 2011, the Freedom of Information (Scotland) Act 2002, the Environmental Information (Scotland) Regulations 2004, and the Re-use of Public Sector Information Regulations 2015.

5.2     The Annual Information Governance Performance Report at Appendix 1 forms part of the Council's wider Information Governance Management and Reporting Framework and is a key component of ensuring that the Council is undertaking adequate monitoring of its compliance with the above legislation.

5.3     The General Data Protection Regulation and the Data Protection Act 2018 came into force on 25 May 2018 and brought significantly increased penalties for non-compliance with data protection law than was previously the case. The maximum penalty for non-compliance is now 4% of turnover, or €20 million, whichever is higher.

5.4     The approach taken to date has been focussed on ensuring that the Council has a robust framework in place to enable compliance with Data Protection legislation, to reduce the risk that the Council would be subject to enforcement action and financial penalty.

5.5     The UK left has now left the EU, and so applicable Data Protection legislation in the UK is now the UK GDPR, and the Data Protection Act 2018. The UK has now received an 'Adequacy Decision' from the EU in respect of its data protection arrangements, which simplifies the arrangements in relation to data flows between the UK and the EU, now that the transition period has ended.

## 6. ENVIRONMENTAL IMPLICATIONS

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

## 7. RISK

| 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** | Strategic Risk | There are no risks arising directly from the presentation of this report. This report is part of the Council's wider Information Assurance framework which mitigates against information related risk as presented in the Corporate Risk Register | See controls column | Yes |
| **Compliance** | Compliance | As above | As above | Not applicable |
| **Operational** | Operational | As above | As above | Not applicable |
| **Financial** | Financial | As above | As above | Not applicable |
| **Reputational** | Reputational | As above | As above | Not applicable |
| **Environment / Climate** | Environment/Climate | As above | As above | Not applicable |

## 8. OUTCOMES

| Council Delivery Plan 2024 | |
|---|---|
| | **Impact of Report** |
| **Aberdeen City Council Policy Statement** **Working in Partnership for Aberdeen** | The Council's Information Governance arrangements are a vital part of enabling the Council to realise its aims across its policy statement. |

| | Local Outcome Improvement Plan |
|---|---|
| Prosperous Economy Stretch Outcomes | Information and data are key assets of the Council and recognised in the Aberdeen City Local Outcome Improvement Plan 2016-26 and the Aberdeen City Council Strategic Business Plan as critical enablers of the Council achieving its priorities for people, place and economy. The activities outlined in Appendix 1 of this report framework are focussed on ensuring that the Council's information is good quality, accurate, and up to date to inform decision-making, that it is used and governed in a way which is effective and lawful, that the Council has the right arrangements in place to enable data to be shared appropriately and safely with partners, where this is necessary, and to ensure that our information can effectively evidence our decisions and actions so the Council can demonstrate accountability. |
| Prosperous People Stretch Outcomes | As above |
| Prosperous Place Stretch Outcomes | As above |
| | |
| **Regional and City Strategies** | The Council's Information Governance arrangements are vital to the implementation of regional and city strategies. |

## 9.    IMPACT ASSESSMENTS

| Assessment | Outcome |
|---|---|
| **Integrated Impact Assessment** | Not required. |
| **Data Protection Impact Assessment** | Not required. |
| **Other** | Not required. |

## 10.    BACKGROUND PAPERS

None

**11. APPENDICES**

Appendix 1: Annual Information Governance Annual Statement 2023-2024

**12. REPORT AUTHOR CONTACT DETAILS**

| Name | Dr Caroline Anderson |
|---|---|
| Title | Information and Data Manager |
| Email Address | Canderson@aberdeencity.gov.uk |

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# Information Governance Management

## Annual Report 2024

**Senior Information Risk Owner**



April 2023 - March 2024

# 1 Introduction

1.1     The Council's Audit, Risk and Scrutiny Committee agreed the Council's revised and updated Information Governance Management & Reporting Framework in September 2016; as part of this the Committee agreed to receive an annual report in relation to the Council's information governance assurance.

1.2     This report collates, analyses and monitors the Council's performance in relation to freedom of information, data protection and information security, to give assurance that trends, issues, incidents, and breaches are dealt with appropriately as they arise.

1.3     Ensuring the proper use and governance of the Council's information and data is an ongoing activity. New and changing legislation, systems, staff, and ways of doing business, as well as new and emerging cyber threats, all shape and change the environment within which the Council operates in relation to effective use and governance of its information and data.

1.4     Keeping up means a careful balancing between the requirement to monitor and be adaptable to our changing environment, and the requirement to agree and implement assurance improvements over the medium term.

1.5     To this end, actions to improve assurance in the medium term are identified, actioned and monitored through the Information Governance risks on the Cluster Risk Register and the Cyber Security risks on the Corporate Risk Register; regular updates on which are reported separately to the Council's Communities, Housing and Public Protection and Audit, Risk & Scrutiny Committees.

1.6     The Council's Data Protection arrangements were subject to Internal Audit, reported in November 2023. The object of the audit was to provide an assurance review that the Council has adequate controls in place to mitigate the risks identified in the Cluster Risk Register and that these controls are operating as expected. The Audit found a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied. The level of risk assessed was minor with the control framework deemed to provide substantial assurance over the Council's approach to Data Protection.

1.7     The National Records of Scotland, Public Records (Scotland) Act (PRSA) 2011 Assessment Team, assessed the Council's annual update of its arrangements under the Act in May 2020. The Assessment Team found that the Council continues to take its statutory obligations seriously and maintains the required records management arrangements in full compliance with the Act.

# 2. Information Governance Performance Information April 2023 - March 2024

## 2.1 Data Protection Rights Requests

Fig 1: Annual number of requests received

| Type of Request ▲ | 2022/23 | 2023/24 |
|---|---|---|
| Subject Access | 298 | 316 |
| Third Party | 395 | 569 |
| Other Rights Request | 23 | 27 |

**Data Protection Rights Requests**

Data protection law gives people certain rights about their data, including the right to access their data.

**Third Party Requests**

Other organisations (for example, Police Scotland, or the Care Inspectorate) can also request a customer's personal data under certain circumstances.

**Other Rights Requests**

In certain circumstances individuals have other rights around their data: including the right to object, to erasure, to restrict processing and to data portability.

Fig 2: Requests received in the 12 month to end March 2024
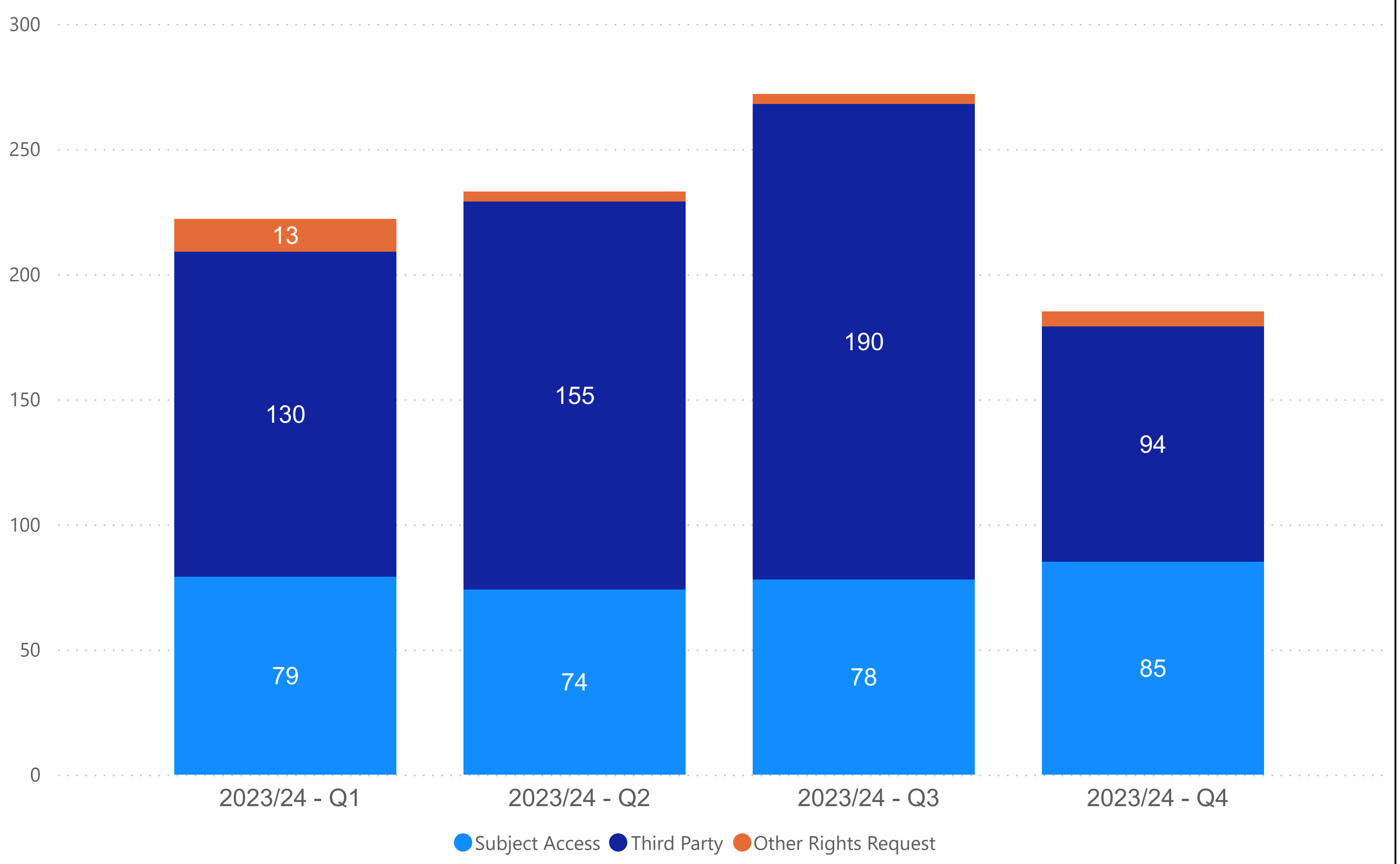


Legend: ● Subject Access ● Third Party ● Other Rights Request

# 2. Information Governance Performance Information April 2023 - March 2024

## 2.1 Data Protection Rights Requests cont'd

Fig 3: Corporate compliance with timescales for requests

| Type of Request | 2022/23 | 2023/24 |
|---|---|---|
| Subject Access | 68% | 71% |
| Third Party | 83% | 91% |
| Other Rights Request | 91% | 93% |

**Timescales for responding**

The statutory timescales for responding to data protection requests is between 30 and 90 days, depending on the complexity of the information being requested. The Council's service standards for responding to Subject Access Requests (SARs) within statutory timescales is 80% of all non complex SARs within 1 month of receipt and 70% of all complex SARs within 3 months of receipt. For other Rights Requests the service standard is 100% within 1 month of receipt.  There are no statutory timescales for responding to third party requests for personal data.

## Commentary

In the last year, we have made significant changes to our Subject Access process to improve our compliance. We have centralised the handling and processing of all data protection rights requests into the Access to Information team and have been liaising closely with the Information Commissioners Office to implement an improvement action plan.  This includes increasing resource dedicated to handling requests from care experienced individuals and the streamlining of internal processes to maximise efficiency.  We continue to work with applicants to refine requests and reduce handling time.  We have seen an increase in compliance for Subject Access requests from 68% in 2022/23 to 71% in 2023/24.  There was also an improvement in third party access requests from 82% in 2022/23 to 91% in 2023/24.

The majority of complex SARs continue to be care experienced which are challenging to fulfil within timescales due to the specialist resource required. The handling of these requests has been centralised under the remit of the Access to Information team and the overall management of these cases has improved. The action plan developed towards the end of 2022/23 has now been implemented to improve compliance. This included a process for identifying complex requests as soon as possible. Additional resource has been allocated to handling requests from care experienced individuals to ensure a better experience for those requesting their records. Improvement in performance is now evident and it is expected that this will continue through 2024/25.

The volume of care experience related SARs has remained high as a result of the Scottish Child Abuse Inquiry.  This increased demand has been challenging to absorb, especially during periods of influxes which occur when individuals are encouraged to access their records or seek redress.

## 2.2 Data Protection Breaches

Fig 4: Annual number of reported data breaches

| Year | Data Protection Breaches | Near Misses | Reports to the ICO |
|---|---|---|---|
| 2022/23 | 216 | 33 | 4 |
| 2023/24 | 205 | 32 | 2 |

### Data Protection Breaches

All information security incidents should be reported. The action taken will depend on the nature of the incident or breach. Incidents will either be classified as:

• A data protection breach
• Not a data protection breach
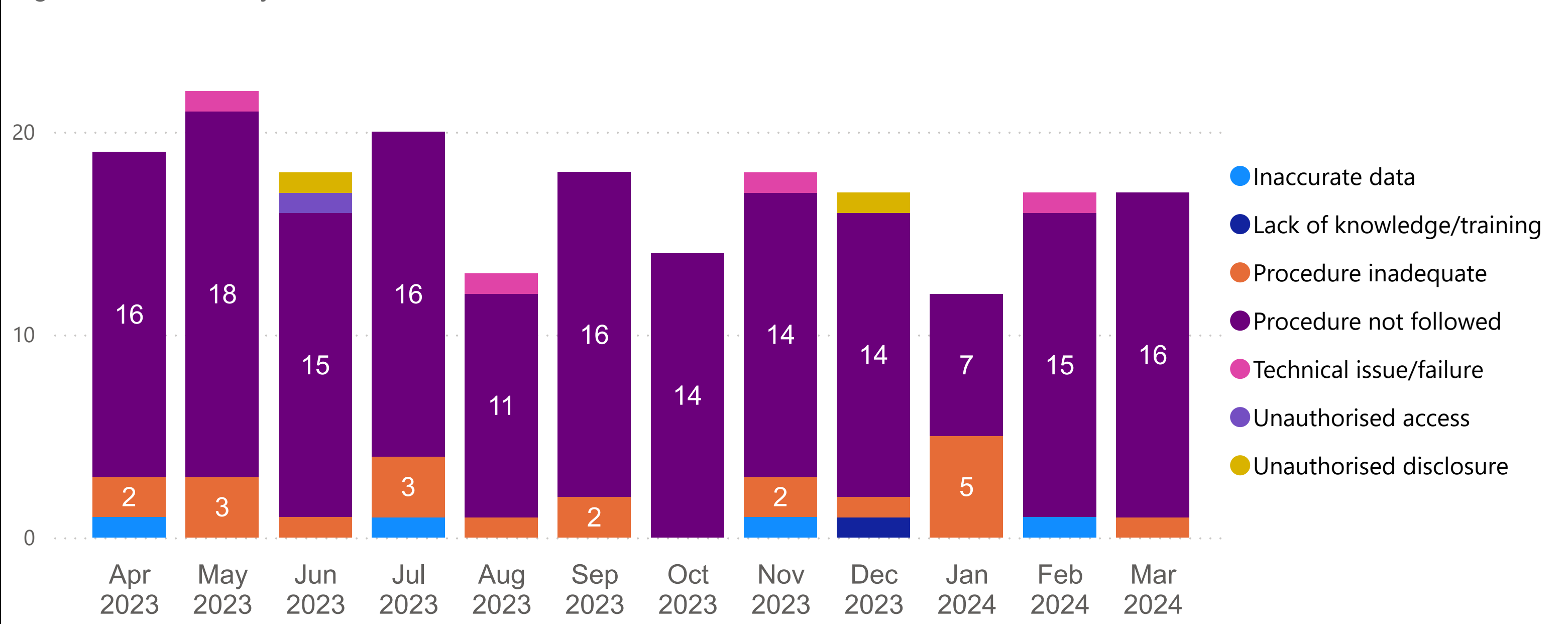• Not a data protection breach but a near miss

Where a breach is likely to pose a risk to the rights and freedoms of affected individuals then the Council must also notify the Information Commissioner's Office (ICO).

## Commentary on number and type of breaches

There has been a decrease in the number of reported information security incidents recorded as personal data breaches at the Council this year. The figures indicate that there is a strong organisational awareness of what constitutes a breach and how to report one. The number of reported breaches remains consistent with comparable organisations based on what we know about data protection breach trends across the UK and in particular, across local government. The strong trend is that reported numbers of data protection breaches has risen year on year since GDPR came into force in May 2018, and therefore the increased reported data protection breaches at the Council is consistent with that.

Not following existing procedures continues to be main cause of incidents. As part of incident handling, we always look at any underlying factors which may have contributed to staff not following procedures and recommended actions to reduce the likelihood or recurrence. The Council has a baseline of controls in place which include mandatory training for all staff, regular communication in the form of the Data Protection blog and targeted support where necessary.

Figure 5: Breaches by root cause in 12 months to end of March 2024



Legend:
- Inaccurate data
- Lack of knowledge/training
- Procedure inadequate
- Procedure not followed
- Technical issue/failure
- Unauthorised access
- Unauthorised disclosure

## ICO Reported Breaches

The number of data breaches reported to the ICO has decreased in 2023/2024. In each case the Council has been able to evidence organisational controls sufficient to ensure that the ICO have closed all with no further action being taken.

## 2.2 Data Protection Breaches (cont'd)

Figure 6: Breaches by Function in 12 months to end March 2024



Legend: AHSCP, Commissioning, Customer, ICFS, Resources
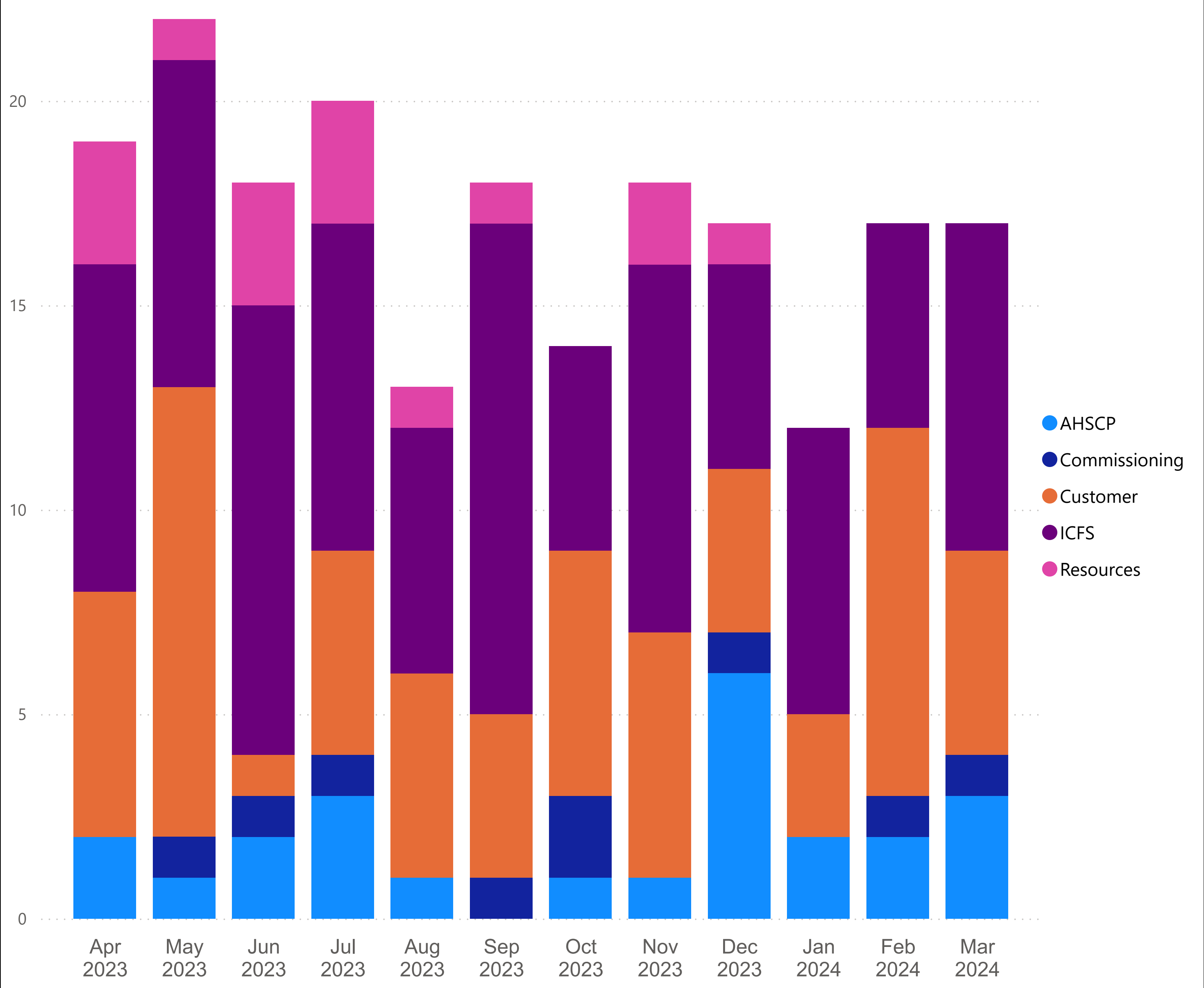
## Lessons Learned

The Council's incident handling framework means that lessons learned are identified for each incident with Service Managers, who take forward any actions identified to strengthen controls and help prevent a re-occurrence. Data protection breach data is regularly considered by Chief Officers through the Council's network of Data Forums. Lessons learned data has been made available via a real-time dashboard within the Managers Portal so it can be used across the organisation for wider learning and improvement.

## 2.3 FOISA and EIR Information Requests

Fig 7: Annual number of requests received in the period

| Number of requests received | 2022/23 | 2023/24 |
|---|---|---|
| Number of FOISA Requests | 1399 | 1280 |
| Number of EIR Requests | 251 | 374 |

### FOISA and the EIRs in brief

The Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIR) give anyone the right to request information held by the Council, subject to certain exceptions.

### Timescales for responding

The Council must respond to any request we receive within 20 working days. The Council's service standard for responding to FOISA and EIR requests within statutory timescales is 85%.

## Commentary on requests received

The number of requests has increased during 2023/24. Analysis has highlighted trends in requests such as RAAC, bus gates, LEZ preparations, library and swimming closures which relate to budget decisions.  An increase in media requests is also evident, for example, relating to violence in schools and other high profile areas.

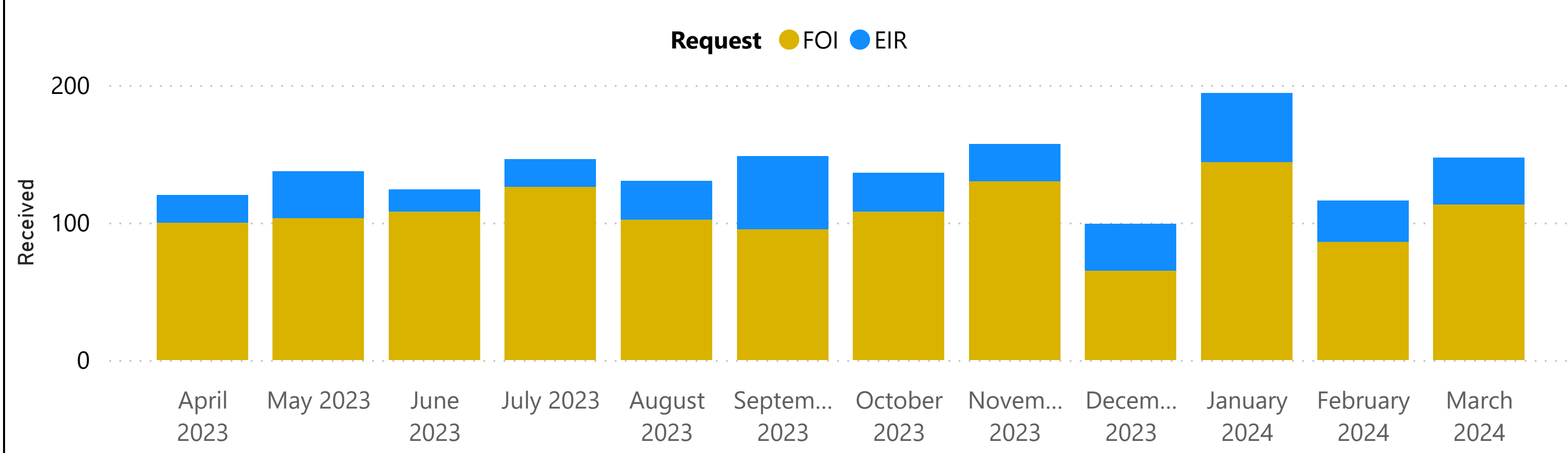Fig 8: Request numbers in 12 months to end March 2024



Fig 9: Compliance with timescales in the period

| Report_Type | 2022/23 | 2023/24 |
|---|---|---|
| FOISA Requests | 84% | 86% |
| EIR Requests | 83% | 89% |

## Commentary on compliance

Compliance is slightly above target (87%). There is still scope for improvement and we are planning additional training and awareness sessions.  A review of internal processes has also commenced in preparation for the implementation of a new system to manage requests.

## 2.4 FOISA and EIR Request Internal Reviews

Fig 10: Internal Reviews received by type in the period

| Type of review received | 2022/23 | 2023/24 |
|---|---|---|
| No response received | 18 | 19 |
| Unhappy with response | 31 | 22 |

### Internal Reviews in Brief

If the Council does not provide a response to a FOISA or EIR request within 20 working days, or if the requester is unhappy with the response we have given, they can ask the Council to review it.

Where a requester is unhappy with our response, an internal review panel will decide whether or not to uphold the original response or overturn it.

Fig 11: Internal Review Panel outcomes in the period

| Type of review outcome | 2022/23 | 2023/24 |
|---|---|---|
| Response overturned or amended | 30 | 26 |
| Response Upheld | 19 | 15 |

### Commentary on Internal Reviews

There has been a slight decrease in the number of reviews received this year. Half of the reviews received are due to services failing to meet response times. The Access to Information Team are continuing to focus on engaging with individuals at the earliest opportunity to avoid escalation to review stage and services are reminded of their duty to respond to FOI/EIR requests on time. It has been challenging to resource Review Panel members and activity is being undertaken to recruit additional panellists going forwards.

## 2.5 FOISA and EIR Request Appeals

Fig 12: FOISA and EIR Appeals received and closed in the period

| Type | 2022/23 | 2023/24 |
|---|---|---|
| Received | 2 | 6 |
| Closed | 3 | 4 |

### Right to Appeal

Where a requester remains unhappy with a response to a FOISA or EIR request after an internal review, they have the right to appeal to the Scottish Information Commissioner for a decision.

## Commentary on Appeals

OSIC are experiencing a large volume of appeals and this is impacting the time it takes for them to action appeals. All ongoing appeals are with OSIC for action and there is currently no action for the Council to take. It should be noted that OSIC have implemented a new approach to appeals which allows less time for ACC to respond.

## 2.6 Cyber Incidents

Fig 13: Annual number of internal cyber incidents

| Incident Type | 2022/23 | 2023/24 |
|---|---|---|
| Internal Cyber Incident Attempts Prevented | 0 | 0 |
| Internal Cyber Incidents | 3 | 0 |

### Internal Cyber Incidents

These are risks or threats to the Council's information software, infrastructure or computer network that originate from within the premises or organisation.

### Commentary on Internal Cyber Incidents

Three internal cyber incidents were flagged by security defences and quickly resolved. There was no negative impact on the network.

### External Cyber Incidents

These are risks or threats to the Council's information software, infrastructure or computer network that originate from outside the premises or from the public (e.g. hackers).

Fig 14: Annual number of external cyber incidents

| Incident Type | 2022/23 | 2023/24 |
|---|---|---|
| External Cyber Incident Attempts Prevented | 7,568,417 | 7,053,507 |
| External Cyber Incidents | 0 | 0 |

## 2.7 Lost ID Badges

Fig 15: Annual number of lost ID Badges in the period

| Incident Type | 2022/23 | 2023/24 |
|---|---|---|
| No. lost ID badges | 137 | 147 |

### Lost ID Badges

These are tangible and material risks or threats to the Council's information assets that originate from within the premises or organisation.

### Commentary on Lost ID Badges

Steps are being taken through internal communications, to remind all employees about the importance of looking after their ID Badge, the processes they must immediately follow should they lose their ID Badge and consequences employees may face if they repeatedly lose their ID Badge. We hope that this action will see a downturn in the figures which will be reported in future cycles.

Fig 16: Lost ID Badges in the period

**Incident Type** ● No. lost ID badges
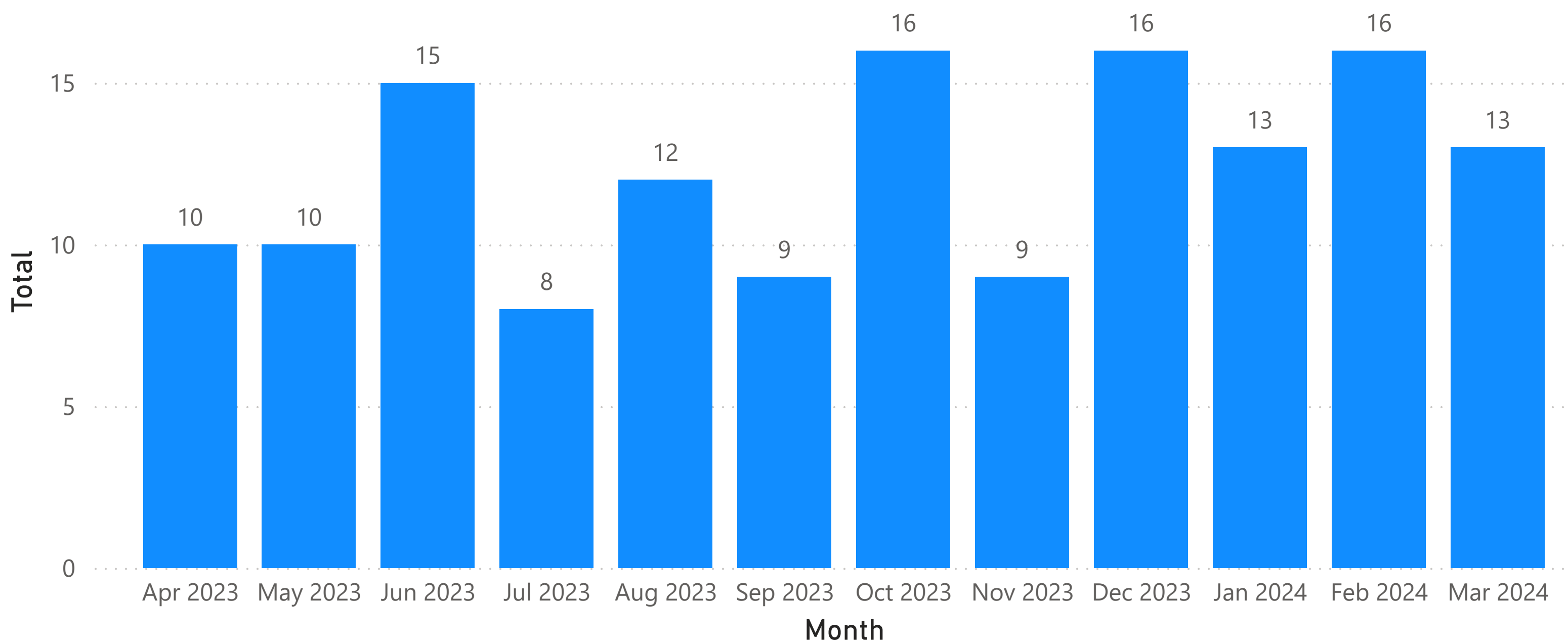
**ABERDEEN CITY COUNCIL**

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Use of Investigatory Powers - Q3, 2024 |
| REPORT NUMBER | CORP/24/251 |
| DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Alan Thomson/Vikki Cuthbert – Interim Chief Officer - Governance |
| REPORT AUTHOR | Vicki Johnstone, Solicitor - 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 the Council's use of covert surveillance activity during this reporting period.

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 RIPSA 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 Practice[1]. 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 reviewed in April 2024 and no amendments were made.

3.3 The Investigatory Powers Commissioner (IPCO) has oversight of both RIPSA and IPA and as such, the Council's use and management of powers under these will form part of the normal inspection process. The Council's next inspection is due on or around Spring 2026.

3.4 The Council determined that the Use of Investigatory Powers Policy was fit for purpose when it considered the Annual Report in February 2024. This policy governs compliance with both RIPSA 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 17 June to 16 September 2024.

**Quarter 3- 2024**

**Covert Surveillance – RIPSA**

3.6 During the period 17 June to 16 September 2024 (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 There have been no authorisations for Communications Data within this quarter.

**Authorising Officers (AO)**

3.9     There was an AO meeting on 27 August 2024. Attendees were given an update on covert surveillance activity this quarter and future training needs were raised and feedback requested.

**Training**

3.10    In person and remote training was delivered to another Scottish Local Authority this quarter. All attendees who gave feedback said they enjoyed the course and would recommend it others.

**4.      FINANCIAL IMPLICATIONS**

4.1     There are no financial implications arising from this report.

**5.      LEGAL IMPLICATIONS**

5.1     The Scottish Government Code of Practice on Covert Surveillance sets an expectation that elected members review and monitor the use of RIPSA on a quarterly basis. 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 RIPSA 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 use of RIPSA is not legally compliant. The Council's acquisition of communications data does not comply with the Home Office Code of Practice. | This Committee receives quarterly and annual reports on its use of investigatory powers under RIPSA and the IPA and related policy mitigates this risk highlighted in this Section. | L | **Yes** |
| **Operational** | 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. | 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. Reporting to Committee occurs quarterly on surveillance activity. | L | **Yes** |
| **Financial** | There are no financial risks | | L | **Yes** |

| | | | | |
|---|---|---|---|---|
| | arising from this report | | | |
| **Reputational** | Failure to update Committee on RIPSA activity would mean that the Council would be at risk of reputational damage when this is raised by the IPCO in their inspection. | External inspections on RIPSA activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSA. Further, whilst there is no requirement to report to Committee about the Council's use of Communication Data, the broader reporting of both demonstrates 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. | L | **Yes** |
| **Environment / Climate** | There are no environmental or climate impacts arising from this report. | | L | **Yes** |

## 8.    OUTCOMES

| COUNCIL DELIVERY PLAN 2023-2024 | |
|---|---|
| | **Impact of Report** |
| **Aberdeen City Council Policy Statement**<br><br>**Working in Partnership for Aberdeen** | 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 RIPSA, 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. |

## 9. IMPACT ASSESSMENTS

| Assessment | Outcome |
|---|---|
| **Integrated Impact Assessment** | No assessment required. I confirm this has been discussed and agreed with Vikki Cuthbert, Interim Chief Officer – Governance on 16 August 2024. 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 | Vicki Johnstone |
|---|---|
| Title | Solicitor, Regulatory and Compliance, Legal Services, Governance, Corporate Services. |
| Email Address | vjohnstone@aberdeencity.gov.uk |

**ABERDEEN CITY COUNCIL**

| COMMITTEE | Audit Risk and Scrutiny |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Scottish Public Services Ombudsman Decisions and Inspector of Cremations Complaint Decisions |
| REPORT NUMBER | CORS/24/252 |
| DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Isla Newcombe |
| 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 2024 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.spso.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 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 no SPSO Second Tier Reviews in relation to Aberdeen City Council Scottish Welfare Fund application decisions since the last reporting period.

**Inspector of Cremations Decisions**

3.8     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 receive full training to ensure they have the necessary knowledge to undertake assessments. | L | Yes |
| **Operational** | Staff morale may be lowered as a result of a | Whilst it is not pleasant to receive a | L | Yes |

| | | | | |
|---|---|---|---|---|
| | negative outcome of a SPSO decision. | complaint, officers are encouraged to view complaints in a positive light, as a learning point going forwards. | | |
| **Financial** | Each time a complaint escalates it is more costly to the council then 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 Scottish Welfare Fund applications are not handled correctly. | There is a centralised Customer Feedback Team responsible for ensuring that complaints are being handled consistently and appropriately across the council. Staff within the Scottish Welfare Fund Team receive comprehensive training to ensure applications are | L | Yes |

| | | 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

| **COUNCIL DELIVERY PLAN** | |
|---|---|
| | **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


**11. REPORT AUTHOR CONTACT DETAILS**

Lucy McKenzie
Customer Services Manager
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 |
|---|---|---|---|---|---|---|
| 22 April 2022 | 13 November 2023 | The council have failed to handle planning application 200938 reasonably. | Strategic Place Planning | Upheld, action | https://www.spso.org.uk/decision-reports/2024/june/decision-report-202106027-202106027 | 16 January 2024 |

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**ABERDEEN CITY COUNCIL**

| COMMITTEE | Audit, Risk & Scrutiny |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Procurement and Commercial Improvement Programme (PCIP) Assessment 2024 |
| REPORT NUMBER | CORS/24/279 |
| EXECUTIVE DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Craig Innes |
| REPORT AUTHOR | Mel Mackenzie |
| TERMS OF REFERENCE | 6.4 |

## 1.    PURPOSE OF REPORT

1.1    The purpose of this report is to present the Committee with assurance on procurement performance following the Procurement and Commercial Improvement Programme (PCIP) assessment which focussed on the policies and procedures driving procurement performance and, the results delivered.

## 2.    RECOMMENDATION

That the Committee:-

2.1    Notes the assurance provided by the assessment as detailed in Appendix 1.

## 3.    CURRENT SITUATION

Background

3.1    The Procurement and Commercial Improvement Programme (PCIP) was introduced in 2015 and is a maturity model designed to assess Scottish public sector procurement performance in a common format.   The assessment focuses on the policies and procedures driving procurement performance and, more importantly, the results they deliver. The model consists of eleven mandatory questions and nine discretionary questions. Each question has four levels that an organisation may indicate it has achieved and will be assessed on the day, the levels are developing, improving, good and advanced.

3.2    On 14th May 2024 Scotland Excel the national centre of procurement expertise for Local Authorities in Scotland, carried out a Procurement and Commercial Improvement Programme (PCIP) Pulse Check assessment with Aberdeen City Council as part of the third round of such assessments of local authorities in Scotland.

Performance

3.3 Prior to the assessment the Council carried out a self-assessment and advised Scotland Excel of the level the Council was aiming for on each assessment area. During the assessment a range of evidence was presented against each area and the level achieved determined. The table shows what level was aimed for prior to the assessment and the levels that were achieved on the day. Further details on how that compares to sector performance can be found in Appendix 1.

| Question Title | Level Council Aiming for | Level Achieved |
|---|---|---|
| Procurement Influence | Advanced Practice | Advanced Practice |
| Procurement Strategy | Advanced Practice | Advanced Practice |
| Learning & Skills – Capability | Good Practice | Improving |
| Risk Management | Good Practice | Good Practice |
| Commercial Awareness & Acumen | Advanced Practice | Advanced Practice |
| Continuous Improvement | Good Practice | Good Practice |
| Climate Change | Good Practice | Good Practice |
| Implementation & Exit Strategies, Life Cycle Planning | Advanced Practice | Advanced Practice |
| Contract and Supplier Management | Good Practice | Good Practice |
| Contractual Obligations & Additional Benefits | Good Practice | Good Practice |
| Lessons Learned | Good Practice | Advanced Practice |

3.4 The report highlighted key areas of strengths and opportunities for further improvement, these areas will be considered further by the Strategic Procurement Board for the three Councils the Commercial and Procurement service support under the collaboration agreement and any actions monitored by the board to progress improvement.

## 4. FINANCIAL IMPLICATIONS

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

## 5. LEGAL IMPLICATIONS

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

## 6. ENVIRONMENTAL IMPLICATIONS

6.1.1 T*here are no direct environmental implications arising from the recommendations of 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** | No significant strategic risk. | Policies and procedures are in place and provide assurance on delivery against strategic aims and objectives. | L | Yes |
| **Compliance** | Failure to comply with internal procurement regulations and procurement legislation | Policies and Procedures support compliance ensuring the Council is meeting legislative procurement duties, along with mandatory procurement training for staff. | M | Yes |
| **Operational** | No significant operational risk. | Mandatory procurement training for staff involved in procurement activity supplemented with documented guidance & support offers assurance. | L | Yes |

| Financial | No significant financial risk. | Performance against savings targets reported on annually. | L | Yes |
|---|---|---|---|---|
| Reputational | Impact of performance on reputation of ACC. | Reporting performance to committee and annual procurement reports published in the public domain ensures transparency and accountability. | L | Yes |
| Environment / Climate | No significant environment or climate risk | Policies and procedures are in place and provide assurance on delivery against strategic aims and objectives. | L | Yes |

## 8.    OUTCOMES

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

## 9.    IMPACT ASSESSMENTS

| Assessment | Outcome |
|---|---|
| Integrated Impact Assessment | No assessment required. I confirm this has been discussed and agreed with Chief Officer Commercial and Procurement. |
| Data Protection Impact Assessment | Not Required |
| Other | N/A |

## 10.    BACKGROUND PAPERS

None

## 11.    APPENDICES

11.1    Appendix 1_PCIP Report 2024 - Aberdeen City Council

## 12.    REPORT AUTHOR CONTACT DETAILS

| Name | Mel Mackenzie |
|---|---|
| Title | Strategic Commercial Manager |
| Email Address | MeMackenzie@aberdeencity.gov.uk |
| Tel | 07795 316388 |

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# Aberdeen City Council
## PCIP Pulse Check Assessment Report 2024

**SCOTLAND EXCEL**

# Introduction

On 14th May 2024 Scotland Excel carried out a Procurement and Commercial Improvement Programme (PCIP) Pulse Check assessment with Aberdeen City Council as part of the third round of such assessments of local authorities in Scotland.

This document sets out:

- The questions assessed and levels achieved.
- The key strengths and opportunities for development that the assessors identified from the PCIP
- Qualitative narrative that identifies positive changes in local practice.

**Supporting you to improve**

As the national centre of expertise for local government procurement, Scotland Excel is responsible for working with Scottish councils to improve procurement performance and practice. Working across the sector, and with individual councils, we can provide a range of support.

*Workshops –* *covering a range of issues identified as key challenges across the sector, including input from experts and practitioners.*

*Accredited work based learning and development –* *delivered in person and online through the Scotland Excel Academy (academy.scotland-excel.org.uk)*

*Tailored change support – bespoke change support, delivered by our Project and Account Managers, to enable the change you need.*

**SCOTLAND EXCEL**

# Overview of PCIP

**Background**

The Procurement and Commercial Improvement Programme (PCIP) was introduced in 2015 and is a maturity model designed to assess Scottish public sector procurement performance in a common format.

The annual assessments set out to build foundations of good public sector procurement and to signpost good practice. The assessments were demonstrably at the heart of procurement improvements across Scotland.

The PCIP is a continuation of the work undertaken by the Procurement Capability Assessment (PCA) carried out on an annual basis since 2008 until introduction of the PCIP.

PCIP Pulse Check commenced in 2023, with the offer of a new approach to further support the sector. The PCIP Pulse Check focuses on the policies and procedures driving procurement performance and, more importantly, the results they deliver. These pulse checks were undertaken with the assumption that the foundation elements identified and implemented since The McClelland report remain in place within organisations.

For PCIP Pulse Check, the assessment model developed offers a reduced question set and streamlined process for organisations whilst still assessing and supporting current procurement priorities. This hybrid model allows for greater flexibility and consists of a blended question set that can be tailored to the organisation and the sectoral context.

The model consists of eleven mandatory questions and nine discretionary questions.

Each question has four levels that an organisation may indicate it has achieved and will be assessed on the day. The levels are:

1. Developing Area
2. Improving Area
3. Good Practice
4. Advanced Practice

Further information on the PCIP can be obtained at the Scottish Government website:
https://www.procurementjourney.scot/pcip/pcip-overview

**SCOTLAND EXCEL**

# Overview of PCIP

**PCIP Assessments 2023/2024**

Scotland Excel worked with colleagues within Scottish Government and in conjunction with other public sector centres of expertise and our own Procurement Improvement Programme Steering Group, made up of local government procurement managers to consider the assessment route for 2023/24.

Of the thirty-two councils, twelve opted to not participate in this tranche of assessments. Irrespective of participation, all good practice and learning gathered as a result of the assessments will be shared with all members.

A number of councils volunteered to undertake pilot assessments. Output from these pilot sessions was shared with the wider community.

Prior to the commencement of assessments, Scotland Excel undertook a series of workshops across the sector to review typical evidence and to discuss each of the eleven mandatory questions as a group to achieve a common understanding.

The sector agreed to proceed with assessments on the understanding that council level results will not be shared beyond individual councils. Sector reporting, where possible, will be shared beyond individual councils.

Unlike previous PCIPs, there is no overall score that an organisation can compare with other organisations or sectors. Any comparisons will have to be undertaken based on the four levels indicated within this document.

One of the main benefits of sectoral assessment is the location and signposting of good practice. This will be a key aim of this assessment cycle.

**A note on the assessment approach and judgments**

Scotland Excel assessors have made the judgements and recommendations in this report based on evidence presented to them by your council, either in the form of documentation or verbal evidence.

PCIP is not an audit. Restraints on time and resources, coupled with a desire to ensure a proportionate approach to the assessments, means it is not possible for assessors to independently verify the evidence submitted as part of the assessment day. Instead, evidence is assessed in good faith with the onus on the council to be open and transparent.

**SCOTLAND EXCEL**

# Summary of overall performance

**Overall performance**

Aberdeen City Council undertook the PCIP assessment in May 2024. The table shows what level your organisation thought they would achieve for each question prior to the assessment and the levels that were achieved on the day.

| Question | Level Council Requested | Level Council Achieved |
|---|---|---|
| 1 – Procurement Influence | Advanced Practice | Advanced Practice |
| 2 – Procurement Strategy | Advanced Practice | Advanced Practice |
| 3 – Learning & Skills | Good Practice | Improving Area |
| 4 – Risk Management | Good Practice | Good Practice |
| 5 – Commercial Acumen | Advanced Practice | Advanced Practice |
| 6 – Continuous Improvement | Good Practice | Good Practice |
| 7 – Climate Change | Good Practice | Good Practice |
| 8 – Implementation & Exit Strategies | Advanced Practice | Advanced Practice |
| 9 – Contract & Supplier Management | Good Practice | Good Practice |
| 10 – Contractual Obligations | Good Practice | Good Practice |
| 11 – Lessons Learned | Good Practice | Advanced Practice |

# Q1: Procurement influence

This question focuses on what level of influence the procurement function has over routine and major procurement activity and what the procurement function delivers to the organisation:

- Procurement professionals set all sourcing procedures.
- Procurement procedures and national policy are being adhered to.
- All influenceable spend has had procurement input helping to deliver sustainable and wider socio-economic outcomes.
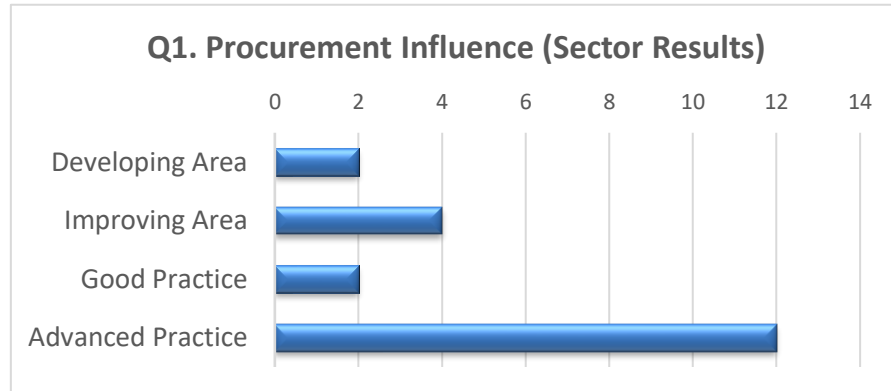
# Q2: Procurement Strategy

This question focuses on links between the organisation's procurement strategy and its corporate strategy. It also considers if the procurement strategy is delivering the sectors strategic objectives.

In particular it looks at:

- Does the procurement function understand their sector environment.
- How procurement helps the organisation deliver its objectives, embedding wider national ambitions, such as climate.

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## Q1. Procurement Influence

| Level Achieved | | | |
|---|---|---|---|
| Developing Area | Improving Area | Good Practice | Advanced Practice |



Q1. Procurement Influence (Sector Results)

## Q2. Procurement Strategy

| Level Achieved | | | |
|---|---|---|---|
| Developing Area | Improving Area | Good Practice | Advanced Practice |
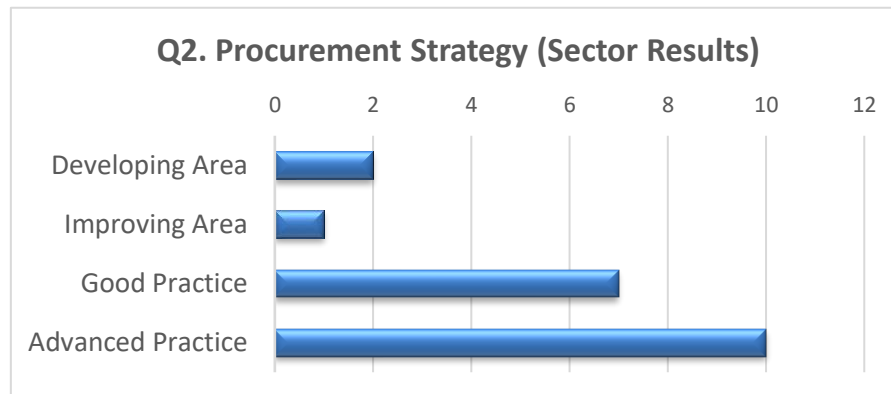


Q2. Procurement Strategy (Sector Results)

## Q3: Learning & Skills

This question focuses on what the organisation does to develop existing procurement individuals and future talent:

- Development of existing professionals including undertaking a formal assessment of skills.
- Utilises a range of development methods including coaching and mentoring.
- Supports the development of future talent.
- Skills are recorded and tracked.

## Q4: Risk Management

This question focuses on the organisation's approach to managing risk and contingency planning within procurement activity. In particular it looks at:

- The corporate level understands how procurement risks affect the organisation and manages them well.
- There is a clear understanding of why a Counter Fraud Strategy (CFS) is required, with controls in place.

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### Q3. Learning & Skills

| Level Achieved | | | |
|---|---|---|---|
| Developing Area | Improving Area | Good Practice | Advanced Practice |

**Q3. Learning & Skills (Sector Results)**

| | Value |
|---|---|
| Developing Area | 3 |
| Improving Area | 8 |
| Good Practice | 2 |
| Advanced Practice | 7 |
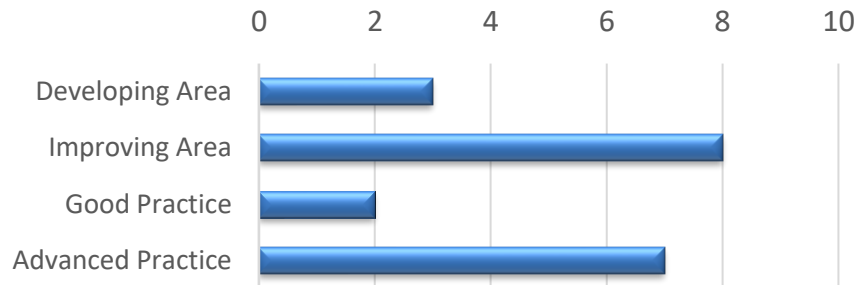
### Q4. Risk Management

| Level Achieved | | | |
|---|---|---|---|
| Developing Area | Improving Area | Good Practice | Advanced Practice |

**Q4. Risk Management (Sector Results)**

| | Value |
|---|---|
| Developing Area | 5 |
| Improving Area | 3 |
| Good Practice | 8 |
| Advanced Practice | 4 |
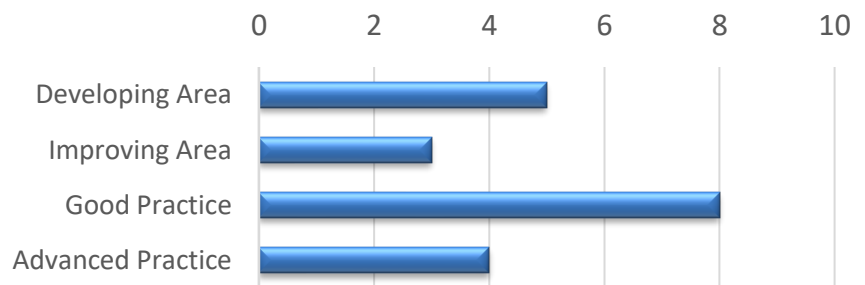
## Q5: Commercial Awareness & Acumen

This question focuses on the organisation's approach to promote commercial competence and ensure it is embedded within its organisation and culture. In particular it looks at:

- Procurement focus on commercial acumen; judgement and negotiation skills.
- When making commercial decisions, there is clear evidence of data and information gathering to create an informed assessment of costs, benefits and risks to manage the commercial risk and exposure to customers.

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## Q6: Continuous Improvement of Procurement activity

This question focuses on the organisation's approach to drive continuous improvement in its procurement activity.

In particular it looks at:

- How the organisation measures performance.
- Does the organisation seek to improve procurement activities, processes and procedures.

### Q5. Commercial Acumen

| Level Achieved | | | |
|---|---|---|---|
| Developing Area | Improving Area | Good Practice | **Advanced Practice** |

**Q5. Commercial Acumen (Sector Results)**
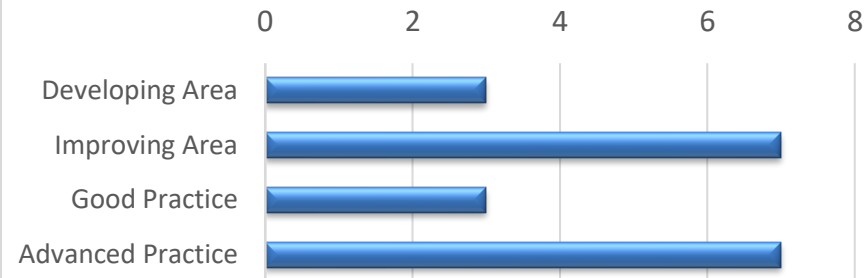


### Q6. Continuous Improvement

| Level Achieved | | | |
|---|---|---|---|
| Developing Area | Improving Area | **Good Practice** | Advanced Practice |

**Q6. Continuous Improvement (Sector Results)**



8
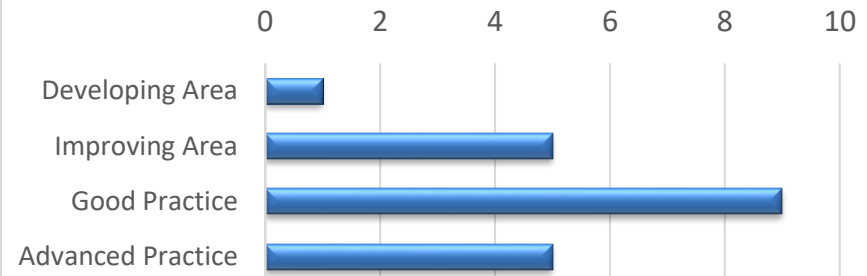
# Q7: Climate Change

This question focuses on the organisation's approach to embedding climate and circular economy considerations into its corporate procurement strategy and delivery.

In particular it looks at:

- Does senior management actively measure and recognise the positive environmental impact that procurement can make in a planned, organisational approach?

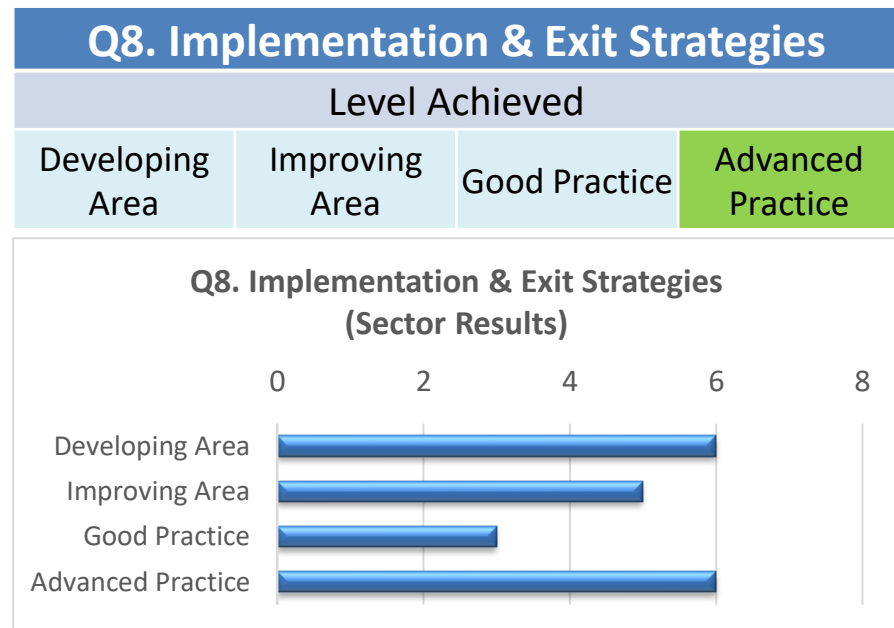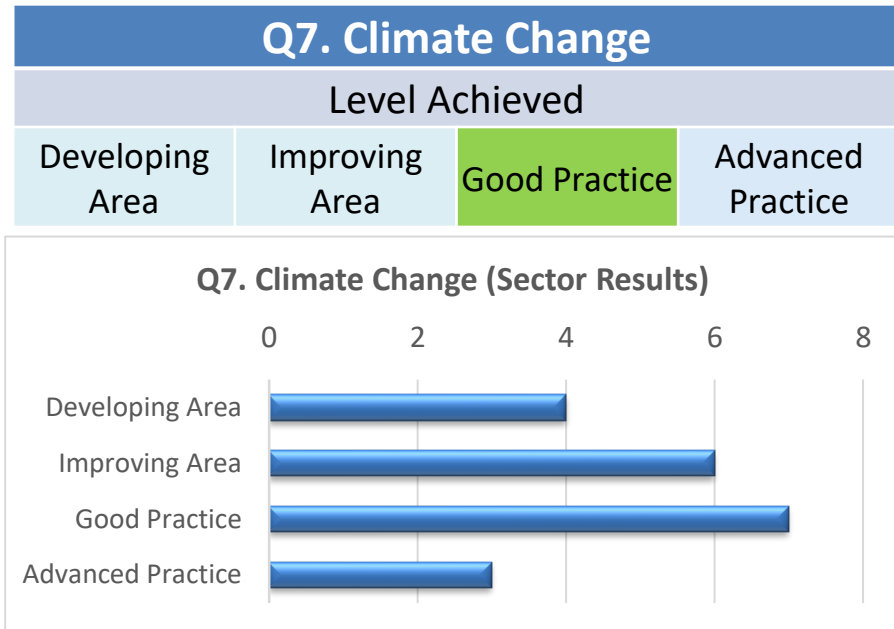- Are progress and achievements included in the organisation's annual procurement reports?

## Q7. Climate Change

| | Level Achieved | | |
|---|---|---|---|
| Developing Area | Improving Area | Good Practice | Advanced Practice |

**Q7. Climate Change (Sector Results)**



# Q8: Implementation & Exit Strategies

This question focuses on the how the organisation uses implementation plans and exit strategies efficiently.

In particular it looks at:

- how procurement will ensure new contracts will be successfully implemented and drive maximum benefits, timescales, uptake etc.

- Show consideration has been given to the end of an agreement - processes for implementation and exit plans.

## Q8. Implementation & Exit Strategies

| | Level Achieved | | |
|---|---|---|---|
| Developing Area | Improving Area | Good Practice | Advanced Practice |

**Q8. Implementation & Exit Strategies (Sector Results)**



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# Q9: Contract and Supplier Management

This question focuses on the organisation's approach to managing contracts and suppliers. In particular it looks at:

- The organisation has an understanding of who its key suppliers are, how suppliers should be managed and the benefits from contract and supplier management.
- CSM being used to drive compliance with Ts & Cs and delivery of targeted outcomes – i.e. prompt payment through the supply chain; climate etc.

# Q10: Contractual Obligations

This question focuses on what the organisation does to work with suppliers throughout the life of a contract.
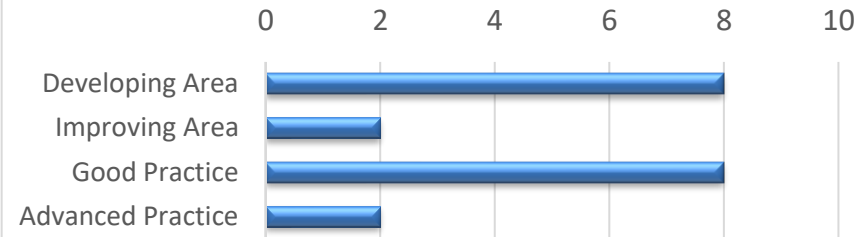
In particular it looks at:

- Ensure suppliers are delivering what has been agreed and the process to ensure contractual obligations are met.
- How additional benefits are identified and delivered to both parties through continuous improvement and partnership models to drive additional value.

## Q9. Contract & Supplier Management

### Level Achieved

| Developing Area | Improving Area | Good Practice | Advanced Practice |
|---|---|---|---|

**Q9. Contract & Supplier Management (Sector Results)**

| | 0 | 2 | 4 | 6 | 8 | 10 |
|---|---|---|---|---|---|---|
| Developing Area | | | | | 8 | |
| Improving Area | | 2 | | | | |
| Good Practice | | | | | 8 | |
| Advanced Practice | | 2 | | | | |

## Q10. Contractual Obligations

### Level Achieved

| Developing Area | Improving Area | Good Practice | Advanced Practice |
|---|---|---|---|

**Q10. Contractual Obligations (Sector Results)**

| | 0 | 2 | 4 | 6 | 8 | 10 |
|---|---|---|---|---|---|---|
| Developing Area | | | | | 8 | |
| Improving Area | | | 4 | | | |
| Good Practice | | | 4 | | | |
| Advanced Practice | | | 4 | | | |

10
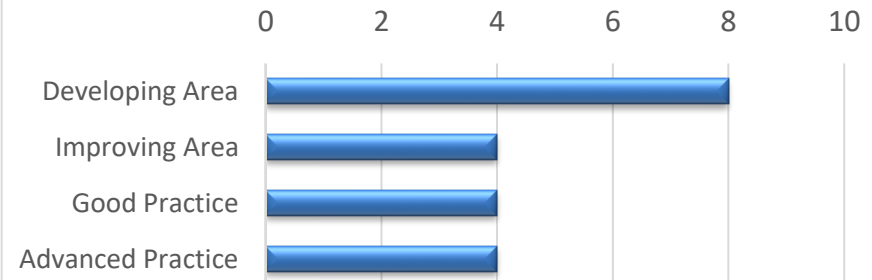
# Q11: Lessons Learned

This question focuses on what benefits have been delivered through reviewing lessons learned from procurement exercises.

In particular it looks at:

- The process for reviewing, collating and distributing lessons learned as part of continuous improvement.
- That lessons learned have been applied and shared across similar organisations to maximise cross sectoral benefits.

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| Q11. Lessons Learned | | | |
|---|---|---|---|
| Level Achieved | | | |
| Developing Area | Improving Area | Good Practice | Advanced Practice |



Q11. Lessons Learned (Sector Results)

11
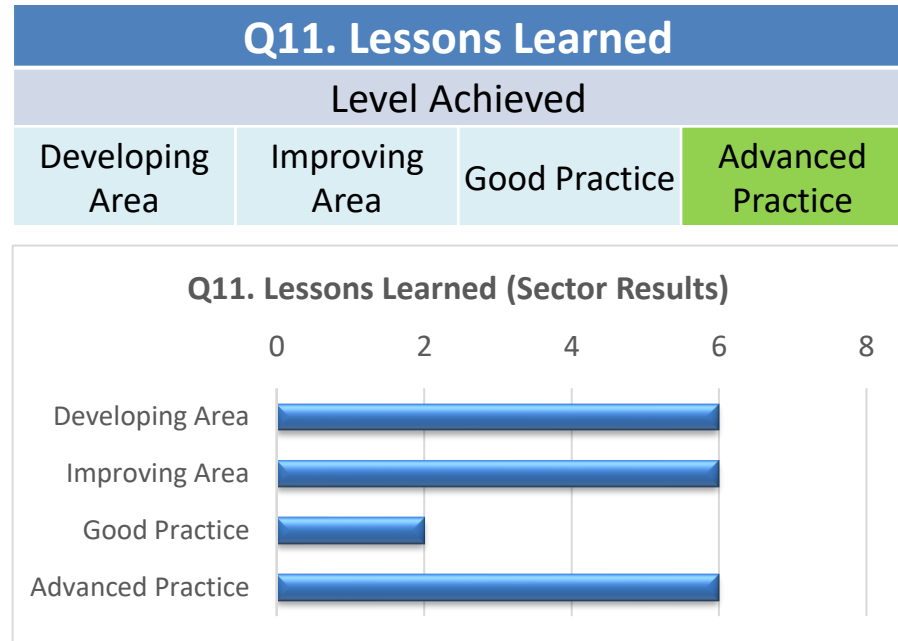
# Key areas of strength

The PCIP assessment identified the following key areas of strength based on the evidence provided. Please note it is not intended to be an exhaustive list.

| Ref | Description |
|-----|-------------|
| S1 | • The council has a very robust mechanism for strategic direction and reporting through the Strategic Procurement Board. This evidenced the highest level of senior management leadership and support. |
| S2 | • The team evidenced a number of service and process innovations across the organisation including the Hydrogen project, gain share methodology and exploring commercial opportunities for electrical vehicle charging. |
| S3 | • The team lead on thematics relating to Climate Change/Net Zero across the council. |
| S4 | • The council has a well-defined Delegated Procurement Officer (DPO) process and regime. This ensures procurement reach goes beyond the shared service in a structured way. |
| S5 | • The council is a sector leader in its commercial practices. Commercial acumen is evident in the numerous examples evidenced during the assessment. The team has agreed to support best practice workshops to support wider sector development. |
| S6 | • Social Care Commissioning demonstrated an approach to incorporating feedback from users of lived experiences in the support at home framework. This feedback allowed benchmarking across providers to target improvements. |

# Key opportunities for further improvement

The PCIP assessment also highlighted the following key opportunities for further improvement. Please note it is not intended to be an exhaustive list.

| Ref | Description |
|---|---|
| *I1* | • Whilst the shared service has been recognised as having significant leadership and governance, it still has three separate council approval mechanisms. It may be beneficial to explore the possibility of simplification of this model |
| *I2* | • The council should consider undertaking a structured assessment of individual Procurement Competency beyond the shared service and in particular any DPOs. This assessment would allow further training and development to be targeted to appropriate resources. |
| *I3* | • The council explore the use of procurement based modern apprenticeships, work placements and graduate schemes to promote future talent. In developing this area external promotion should include but not be limited to schools, universities and colleges, job fairs, conferences, social media etc. |
| *I4* | • The council has developed its own climate literacy e-modules tailored to DPA levels. It is recommended that the councils eLearning is reviewed periodically against the latest Scottish Government climate literacy e-learning to ensure all aspects are covered and any updates are reflected. |

# Further information

Scotland Excel would like to thank you for completing the PCIP Pulse Check Assessment 2023/24. We appreciate your organisation's professionalism and are grateful for the preparation and hard work that was provided to support the assessment.

**PCIP assessment information**

Aberdeen City Council Procurement and Commercial Improvement Programme (PCIP) Pulse Check assessment was carried out on 14th May 2024.

The assessment team were:

- Stephen Brannagan
- Peter Barnes

**What's next**

It is proposed that all organisations will undertake a fourth assessment within two to three years. Scotland Excel will be in touch in due course.

In the meantime, Scotland Excel will work with councils to share and discuss examples of best practices by facilitating workshops sessions during August 2024. This will also be supported via the PiP Steering group.

Scotland Excel will continue to work across the sector, and with individual councils to provide a range of support. If you need help with any of the identified opportunities for improvement, please contact us.

**Further information on PCIP**

You can find out more about PCIP on the Procurement Journey website here:

https://www.procurementjourney.scot/pcip/pcip-overview

**Contact details**

For support and further information, please contact your account manager:

> **Your account manager: Peter Barnes**
> **Email: Peter.Barnes@scotland-excel.org.uk**

**Further information about Scotland Excel**

To find out more about Scotland Excel, please visit our website:

www.scotland-excel.org.uk

SCOTLAND EXCEL

**Internal Audit**

**Audit, Risk and Scrutiny Committee
Internal Audit Update Report
September 2024**

# Contents

# 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 2023/24 and 2024/25 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:

- Six reviews have been completed.
- Work is underway with regards to delivery of the 2024/25 Internal Audit Plan, the 2023/24 Plan now completed.
- 15 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 2023/24 Audits

| Service | Audit Area | Position |
|---|---|---|
| Commissioning | Procurement Compliance | **Final Report Issued** |
| Council Led HSCP Services | Social Care Financial Assessments | **Final Report Issued** |
| Customer | Recruitment | **Final Report Issued** |

## 2.2 2024/25 Audits

| Service | Audit Area | Position |
|---|---|---|
| Families and Communities | Resettlement Governance | **Review in Progress** |
| Families and Communities | Allowances | **Final Report Issued** |
| Families and Communities | SEEMiS | **Final Report Issued** |
| Corporate Services | National Fraud Initiative | **Final Report Issued** |
| Corporate Services | Councillors Induction and Development | **Review in Progress** |
| Families and Communities | Family Placement Services | **Review Scheduled** |
| Corporate Services | Creditors Sub-System Payments | **Review Scheduled** |
| Integration Joint Board | Counter Fraud | **Review in Progress** |
| Corporate Services | Procurement Fraud Controls | **Review Scheduled** |
| Families and Communities | Pre-School Commissioned Places | **Review in Progress** |
| Corporate Services | Trusts / Common Good Funds | **Review in Progress** |
| Council Led HSCP Services | HSCP Commissioning | **Review Scheduled** |
| NESPF | Pension Fund Payroll | **Review Scheduled** |
| Corporate Services | Group Structure Assurance | **Review Scheduled** |
| Corporate Services | Risk Management | **Review in Progress** |
| Families and Communities | Housing Allocations and Choice Based Letting | **Review Scheduled** |
| Corporate Services | Right to Work in the UK | **Review Scheduled** |
| Corporate Services | Freedom of Information and Subject Access Requests | **Review Scheduled** |
| Corporate Services | Prevention of Fraud, Bribery and Corruption | **Review Scheduled** |
| Families and Communities | Corporate Landlord Responsibilities | **Review Scheduled** |
| Integration Joint Board | IJB Budget Setting and Monitoring | **Review in Progress** |

## 2.3 Audit reports presented to this Committee

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| AC2412 – Procurement Compliance | 2023/24 | **Major** | The level of net risk is assessed as **MAJOR**, with the control framework deemed to be providing **LIMITED** assurance that adequate control is being exercised over the Council's compliance with procurement legislation and internal regulations. |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | Policy, guidance, and training is available to promote compliance, however it is spread across a multitude of documents, not all of which are up to date, complete and consistent in terms of the requirements to be applied. Delegated Procurement Authority is assigned based on training completion, but there is limited assurance that only officers with this authority are involved in specified procurement activities. Chief Officers in particular, whose key role in ensuring procurement compliance is set out in the Scheme of Governance, had limited records of completing the required training. A lack of understanding is evident, due to the complexity and volume of information, and varying levels and frequency of involvement by officers and Procurement staff, leading to inconsistencies in application. |
| | | | Full documentation to record the application of governance requirements is rarely being retained on the contracts register system and approvals are not well evidenced within the contract register system. Contracts are being let without formal procurement exercises being undertaken, and there are instances where officer and Committee approvals have been exceeded without formal recorded consent. |
| | | | Whilst procurement is generally being planned in advance, this is being presented for approval via the Demand Management Control Board and Finance and Resources Committee on a phased basis throughout the year, and on a Cluster by Cluster basis. This is intended to facilitate a steadier throughput of procurement activity, avoiding potential bottlenecks, however, is in contrast to the Council's Procurement Regulations which require forward plans to be prepared in advance of each new financial year. |
| | | | Direct awards and non-competitive action make up a substantial proportion of recorded procurement activity (over 69%), including single sourcing, direct awards within frameworks[1], and exemptions from the requirement to obtain four quotations. Annual contracts are also being let for recurring requirements, reducing the level of procurement governance being applied. Whilst justifications are often recorded, these are not referenced to specific legislative exceptions, and approvals and explicit consideration of risks to compliance and Best Value are not consistently evidenced. |
| | | | Contract opportunities and awards for regulated procurements must be published on the Public Contracts Scotland website within 30 days. Delays and omissions were identified, in breach of the Procurement (Scotland) Regulations 2015. |

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[1] Direct awards from a framework are still a complaint route to market, which is compliant with legislation.

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | Recommendations have been made to address these risks, including reviewing and updating procedures to ensure they are sufficiently clear and concise; establishing a system of control to ensure all procurements are appropriately planned, completed by suitably trained officers and are fully supported with contractual and governance documentation on the contracts database, before they can progress to awarding contracts; and to implement reviews of the continued suitability and propriety of non-competitive action. |
| AC2411 – Social Care Financial Assessments | 2023/24 | **Major** | The level of net risk is assessed as **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the Council's arrangements for completing social care financial assessments.<br><br>The Non-Residential Charging Policy: "Contributing to your care", was agreed by the Council (City Growth and Resources Committee) on 6 June 2019, updating a previously approved policy from 2015 which had not been implemented pending health and social care integration. The 2019 Policy, which was to be implemented from 1 July 2019, is published on the Health and Social Care Partnership's website, and sets out defined methods of calculating required contributions to the cost of service users' care. However, this Policy has not been implemented in practice. The Service has referenced the impact of COVID-19 (March 2020 onwards) and implementing a new Care Management System (October 2022), and bases current practice on Policy originally determined in 2011, amended for changes in costs and benefits. The Service commenced a review of charging policy implementation in November 2023 with a view to implementing further agreed charges, developing training and practice to support its application, and to update the Policy again to reflect current requirements. It is intended to report to the Finance and Resources Committee in August 2024 with a proposed new Non-Residential Charging Policy. In the interim, and since July 2019, service users continue to be charged based on historic practices rather than published policy. There is a risk this will have an unintended impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation.<br><br>The implementation of a new Care Management System in October 2022 was a major shift in working practices and development of the system functionality has continued since then, with further development planned. Whilst there are generic practical procedures, and controls built in to the system, there are only limited notes on local application, reducing assurance over the application of internal controls throughout the process. The small size of the financial assessment team presents risk to consistent application of working practices in the |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | event of changes.  Procedures and training for Social Care practitioners supporting service users in the completion of application forms are still under development, presenting a risk of inconsistent application. |
| | | | As part of its budget approved in March 2024, the Integration Joint Board agreed a saving of £1.5 million related to clearing a backlog of financial assessments. Additional staff resource has been identified to address this.  At the time of the audit, data indicated there were 996 overdue assessments.  Whilst this is being tracked, further data was not available to assist in prioritising this workload.  The Service has noted this has increased to 1237, including 248 non-residential and 989 residential assessments. |
| | | | Although calculations are largely carried out by the System itself, reducing the risk of manual error, this is wholly reliant on the accuracy of the data input. Variations between application form data and system records indicate there are further calculations and adjustments being completed prior to data entry.  These further calculations, and the sources of further information, are not being retained along with other supporting documentation on the system. Adjustments are being made regularly to change the values recorded on the system, to effect a desired outcome (e.g. to apply anticipated changes to allowances or capital values in advance, to avoid having to re-perform another assessment in the short term.)  Whilst in individual instances the impact would have been minimal, it means a different threshold is being applied to that required, and accurate data is not being recorded.  If this is occurring regularly, the financial impact may be more material, and it impacts on transparency and equitable treatment. Given that the Charging Policy being applied does not match what has been published it is unlikely that service users or their representatives will be able to independently confirm the accuracy of what they are being charged. |
| | | | Recommendations have been made to implement and consistently apply the agreed Charging Policy, seeking formal approval for any changes; to develop and implement written procedures clarifying the key controls to be applied; to set priorities for addressing overdue assessments; and to ensure all supporting evidence is reviewed and retained. |
| AC2422 – Recruitment | 2023/24 | **Moderate** | The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the adequacy and effectiveness of internal controls over the Council's recruitment processes. |

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| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | In general there is clear guidance on the required process, which has recently been reviewed and rationalised to more clearly and concisely set out key roles and tasks, and following which should provide assurance over officers meeting relevant obligations in respect of employment legislation relating to recruitment and selection. |
| | | | Whilst it was not possible to gain full assurance, due to a lack of responses from recruiting managers contacted as part of the audit (14 (47%) did not respond), where responses were provided positive assurance over the application of the process was obtained. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Employee Files, Recruitment Checklists, Interviews and PVG Dispensation. |
| | | | Recommendations have been made to address the above risks including reviewing the layout of employee files, and administration of checklists, to ensure all required documentation is in place and has been satisfactorily checked (particularly in respect of PVG checks) in advance of employment being confirmed; and ensuring recruitment panels record that they comprise suitably trained staff. |
| AC2501 – Allowances | 2024/25 | Minor | The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's approach to allowances. |
| | | | Substantial assurance was available over the following aspects of governance and control: Eligibility, Scottish Government Returns, Advertisement, Budget Monitoring, Committee Reporting, and Cashless Catering Systems. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Written Procedures and Guidance, Payment Control, EMA Documentation Retention, and School Holiday Meal Voucher Uptake. |
| | | | Recommendations have been made to address the above risks including formalising written procedures over allowances where absent, enhancing payment controls, revising EMA documentation retention periods in line with national guidance, and addressing low uptake of school holiday meal vouchers. |
| AC2503 – National Fraud Initiative | 2024/25 | Moderate | 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 National Fraud Initiative. |

Internal Audit

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| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | Reasonable assurance was available over the following areas reviewed: Governance and Lessons Learned. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Operational Procedures, Security checks (Users of NFI Web Application), Data Upload Quality, March Review and Closure, Payment Fraud Controls, Data Protection and Information Management, Oversight Enhancements, Fraud Risk Management, and Publishing Fraud Investigation Achievements (Internally and Externally). |
| | | | Recommendations have been made to address the above risks, including formalising written operational procedures; establishing control over system access and data quality; enhancing oversight by Risk Board; resolving match report access issues; and ensuring match data exported from the NFI web app is handled in compliance with data protection legislation and classified correctly. In addition, recommendations were made to ensure emerging fraud risks are monitored; additional NFI services are assessed and if appropriate procured; and fraud outcomes are advertised as a deterrent. |
| | | | Furthermore, recommendations were made to address fraud risks presented by Council payment systems that are outwith the scope of the NFI process, by ensuring system level controls enforce segregation of duties where necessary, via privileged user access monitoring, and by establishing exception reports covering other relevant risks. |
| AC2502 - SEEMiS | 2024/25 | Moderate | The level of risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to the SEEMiS system. |
| | | | The Management Information System (MIS) Support team is responsible for access control and day-to-day user administration whilst the system supplier is responsible for ensuring system availability, data security and backup, system maintenance, incident resolution and performance reporting. |
| | | | Reasonable assurance was available over the following areas reviewed: User Guidance and Training, System Data Accuracy, Cyber Resilience, and Back-ups and Disaster Recovery. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: System Access, Business Continuity Planning, and Contract Register. |
| | | | Recommendations have been made to address the above risks, including minimising personal data recorded for system access; standardising system access profiles by job type and monitoring access; reviewing and |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
|  |  |  | updating business continuity plans where necessary; reviewing and updating the contracts register; and risk assessing interfaces to determine if any additional controls are required over data completeness and accuracy. |

## 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 July 2024 (the baseline for our exercise), 28 audit recommendations were due and outstanding:

- One rated as Major
- 22 rated as Moderate
- Five rated as Minor

As part of the audit recommendations follow up exercise, 15 recommendations were closed:

- One rated as Major
- 10 rated as Moderate
- Four rated as Minor

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 recommendations 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 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 and the response from Management is included at Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity. Internal Audit has worked with Management and can confirm that only one action remains in progress.

### 2.4.2  2422 – Assurance Review of City Region Deal – Further Action

The June 2024 Audit Risk and Scrutiny Committee received Internal Audit Report 2422 – Assurance Review of City Region Deal and made the decision:

- To agree the contents of the Report including the Major risk rating;
- To note that delivery partners have not shared all data required to allow Internal Audit to evidence progress with the Aberdeen City Region Deal;
- To instruct the Chief Executive to write to all parties to ensure our Internal Auditor receives the information requested, reminding partners that the signed legal agreement ensured that all governance arrangements were to be the sole responsibility of the Aberdeen City Region Deal Joint Committee which allowed the Partners to commit to the Aberdeen City Region Deal.
- To instruct the Chief Internal Auditor to provide a verbal update at the next committee as to the progress or otherwise of Internal Audit obtaining the requested information; and
- To note of the seven recommendations, two were complete, three were ongoing and required sign-off from Internal Audit, and two required input from external partners.

With regards to points three and four above, the Chief Executive wrote to partners in July 2024, with the Chief Internal Auditor carrying out follow up work in the succeeding weeks, specifically around gaining the information and assurances not provided by partners during the original fieldwork.

These have now been received. Where this provides further assurance, there is no change the assessments of Internal Audit contained within the final report.

With regards to the final point above, recommendations will be followed up as part of the standard process and reported to Committee as they fall due.

# 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 |
|---|---|---|---|---|---|---|---|
| AC2402 – IJB Complaints Handling | **Moderate** | 1.4 | SPSO mandatory public reporting should take place as required for the H&SCP. | Jul-24 | Sep-24 | In advance of the Governance Dashboard being completed, we will receive the latest quarterly reports on ACHSCP complaints from ACC and NHSG and publish them on our website, with a start date of 2nd September 2024. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.1a | The Service should review the refreshed guidance to see where more practical guidance can be provided in application, including use of visual aids for example flow charts to assist in breaking down complex information to aid ease of understanding. | Jun-24 | Sep-24 | Final review of updates in guidance/documents is in progress - publication anticipated in September. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.2 | The Service should include a revised risk matrix within the refreshed guidance, including the addition of a definition around high risk/high value, the contract management elements required for different contract types / levels of risk, and examples of these to provide a reference point for delegated procurers. | Jun-24 | Sep-24 | A risk rating section is now included in the Amelior Contract Register platform with guidance being developed to support. | **In Progress** |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|--------|---------|-----|----------------|-------------------|------------------|-----------------|--------|
| AC2307 – Contract Management | **Moderate** | 3.1.5b | The Service should give consideration to whether a more automated process could be established for contract management and record keeping. | Jun-24 | Dec-24 | A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.5a | The Service should ensure there is clarity regarding the responsibility for and extent of record keeping required for different types of contracts and different levels of contract risk. | Jun-24 | Sep-24 | Review of contract register platform underway to ensure clarity. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.6b | The Service should ensure that key indicators and community benefits, management information requirements, supplier contacts, and review meeting schedules are clearly set out to ensure clarity over Council expectations. | Jun-24 | Dec-24 | A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement. | **In Progress** |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| AC2307 – Contract Management | Moderate | 3.1.6a | The Service should ensure that contract performance reporting is adequate and based on records that are consistent across contracts and held in a suitable shared location, to which CPSS has access. | Jun-24 | Dec-24 | A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement. | In Progress |
| AC2307 – Contract Management | Moderate | 3.1.3b | The Service should ensure that Clusters identify officers who monitor and provide assurance to CPSS and Management Teams regarding compliance with contract management guidance, and ensure this assurance is provided. | Jun-24 | Dec-24 | Work has been undertaken to update the Delegated Procurement Register to include contract management responsibilities. C&PSS will work with colleagues in P&CS to investigate how information on leavers/role moves could be routinely provided to support updates around access and responsibilities. | In Progress |
| AC2307 – Contract Management | Moderate | 3.1.3a | The Service should consider its approach to communicating good practice, sharing information that can increase contract manager experience and awareness, and providing assistance as and when required to develop the Council's procurement and contract management culture. | Jun-24 | Dec-24 | C&PSS have developed a communication plan for a series of blogs over the next 12 months on key elements of the procurement process/contract management. Further work required around developing a mechanism for sharing best practice. | In Progress |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| AC2307 – Contract Management | Minor | 3.1.6c | The Service should consider applying a system of risk rating to contracts for monitoring and management reporting purposes to ensure that high risk contracts are reviewed more frequently by Cluster Management and at a Strategic Management Level. This should look at areas such as performance indicators and receipt of community benefits. | Jun-24 | Sep-24 | A risk rating section is now included in the Amelior Contract Register platform with guidance being developed to support. | In Progress |
| AC2405 – Care Management System | Moderate | 1.2 | D&T should automate the interface between the care management system and the North East Child Protection Register. | Jul-24 | Jan-25 | Not possible as children's services are still finalising the spec of the message transfer. | In Progress |
| AC2111 – Consilium System | Moderate | 2.6.8 | The System Team should ensure the system enforces compliance with the Councils password standard. Current system does not provide this functionality, but it will be raised as part of the system upgrade. | Mar-24 | Dec-25 | All AC2111 actions to move to Dec 2025 which aligns rationalisation into NEC and retirement of Total/ Codeman. | In Progress |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| AC2413 – City Region Deal | Moderate | 1.1 | The City Region Deal partners should ensure up to date agreements are in place with all delivery partners, and are maintained up to date to provide assurance over continued compliance with changes to UK/SG requirements. (Annual review of agreement T&C's to ensure aligned with terms of grant offer). | Jul-24 | Oct-24 | The Scottish Government issued the annual grant offer letter in June. It is now signed off and we are reviewing partners agreements with legal prior to issuing updated grant agreements to partners to reflect any necessary updates to terms and conditions. Partners will then have to follow their own internal governance process to accept the revised agreement and return to us. | In Progress |

# 5 Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity

| Report | Grading | Ref | Recommendation | Due Date | Management Update |
|---|---|---|---|---|---|
| AC2314 - Adults with Incapacity - management of funds | **Major** | 1.4.b | The identity of funds recipients should be verified and documented. Variations should be subject to approval. | May-24 | **Extended to Dec-24.** Internal Audi met with the Service and agreed this wasn't ready yet; claim form needs updating to record who issued to and confirmation of identity and receipt. |

Internal Audit

# Internal Audit

# Audit, Risk and Scrutiny Committee
# Internal Audit Update Report
# September 2024

# Contents

# 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 2023/24 and 2024/25 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:

- Six reviews have been completed.
- Work is underway with regards to delivery of the 2024/25 Internal Audit Plan, the 2023/24 Plan now completed.
- 15 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    2023/24 Audits

| Service | Audit Area | Position |
|---|---|---|
| Commissioning | Procurement Compliance | **Final Report Issued** |
| Council Led HSCP Services | Social Care Financial Assessments | **Final Report Issued** |
| Customer | Recruitment | **Final Report Issued** |

## 2.2    2024/25 Audits

| Service | Audit Area | Position |
|---|---|---|
| Families and Communities | Resettlement Governance | **Review in Progress** |
| Families and Communities | Allowances | **Final Report Issued** |
| Families and Communities | SEEMiS | **Final Report Issued** |
| Corporate Services | National Fraud Initiative | **Final Report Issued** |
| Corporate Services | Councillors Induction and Development | **Review in Progress** |
| Families and Communities | Family Placement Services | **Review Scheduled** |
| Corporate Services | Creditors Sub-System Payments | **Review Scheduled** |
| Integration Joint Board | Counter Fraud | **Review in Progress** |
| Corporate Services | Procurement Fraud Controls | **Review Scheduled** |
| Families and Communities | Pre-School Commissioned Places | **Review in Progress** |
| Corporate Services | Trusts / Common Good Funds | **Review in Progress** |
| Council Led HSCP Services | HSCP Commissioning | **Review Scheduled** |
| NESPF | Pension Fund Payroll | **Review Scheduled** |
| Corporate Services | Group Structure Assurance | **Review Scheduled** |
| Corporate Services | Risk Management | **Review in Progress** |
| Families and Communities | Housing Allocations and Choice Based Letting | **Review Scheduled** |
| Corporate Services | Right to Work in the UK | **Review Scheduled** |
| Corporate Services | Freedom of Information and Subject Access Requests | **Review Scheduled** |
| Corporate Services | Prevention of Fraud, Bribery and Corruption | **Review Scheduled** |
| Families and Communities | Corporate Landlord Responsibilities | **Review Scheduled** |
| Integration Joint Board | IJB Budget Setting and Monitoring | **Review in Progress** |

## 2.3    Audit reports presented to this Committee

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| AC2412 – Procurement Compliance | 2023/24 | **Major** | The level of net risk is assessed as **MAJOR**, with the control framework deemed to be providing **LIMITED** assurance that adequate control is being exercised over the Council's compliance with procurement legislation and internal regulations. |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | Policy, guidance, and training is available to promote compliance, however it is spread across a multitude of documents, not all of which are up to date, complete and consistent in terms of the requirements to be applied. Delegated Procurement Authority is assigned based on training completion, but there is limited assurance that only officers with this authority are involved in specified procurement activities. Chief Officers in particular, whose key role in ensuring procurement compliance is set out in the Scheme of Governance, had limited records of completing the required training. A lack of understanding is evident, due to the complexity and volume of information, and varying levels and frequency of involvement by officers and Procurement staff, leading to inconsistencies in application. |
| | | | Full documentation to record the application of governance requirements is rarely being retained on the contracts register system and approvals are not well evidenced within the contract register system. Contracts are being let without formal procurement exercises being undertaken, and there are instances where officer and Committee approvals have been exceeded without formal recorded consent. |
| | | | Whilst procurement is generally being planned in advance, this is being presented for approval via the Demand Management Control Board and Finance and Resources Committee on a phased basis throughout the year, and on a Cluster by Cluster basis. This is intended to facilitate a steadier throughput of procurement activity, avoiding potential bottlenecks, however, is in contrast to the Council's Procurement Regulations which require forward plans to be prepared in advance of each new financial year. |
| | | | Direct awards and non-competitive action make up a substantial proportion of recorded procurement activity (over 69%), including single sourcing, direct awards within frameworks[1], and exemptions from the requirement to obtain four quotations. Annual contracts are also being let for recurring requirements, reducing the level of procurement governance being applied. Whilst justifications are often recorded, these are not referenced to specific legislative exceptions, and approvals and explicit consideration of risks to compliance and Best Value are not consistently evidenced. |
| | | | Contract opportunities and awards for regulated procurements must be published on the Public Contracts Scotland website within 30 days. Delays and omissions were identified, in breach of the Procurement (Scotland) Regulations 2015. |

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[1] Direct aw ards from a framew ork are still a complaint route to market, w hich is compliant w ith legislation.

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | Recommendations have been made to address these risks, including reviewing and updating procedures to ensure they are sufficiently clear and concise; establishing a system of control to ensure all procurements are appropriately planned, completed by suitably trained officers and are fully supported with contractual and governance documentation on the contracts database, before they can progress to awarding contracts; and to implement reviews of the continued suitability and propriety of non-competitive action. |
| AC2411 – Social Care Financial Assessments | 2023/24 | Major | The level of net risk is assessed as **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the Council's arrangements for completing social care financial assessments.

The Non-Residential Charging Policy: "Contributing to your care", was agreed by the Council (City Growth and Resources Committee) on 6 June 2019, updating a previously approved policy from 2015 which had not been implemented pending health and social care integration. The 2019 Policy, which was to be implemented from 1 July 2019, is published on the Health and Social Care Partnership's website, and sets out defined methods of calculating required contributions to the cost of service users' care. However, this Policy has not been implemented in practice. The Service has referenced the impact of COVID-19 (March 2020 onwards) and implementing a new Care Management System (October 2022), and bases current practice on Policy originally determined in 2011, amended for changes in costs and benefits. The Service commenced a review of charging policy implementation in November 2023 with a view to implementing further agreed charges, developing training and practice to support its application, and to update the Policy again to reflect current requirements. It is intended to report to the Finance and Resources Committee in August 2024 with a proposed new Non-Residential Charging Policy. In the interim, and since July 2019, service users continue to be charged based on historic practices rather than published policy. There is a risk this will have an unintended impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation.

The implementation of a new Care Management System in October 2022 was a major shift in working practices and development of the system functionality has continued since then, with further development planned. Whilst there are generic practical procedures, and controls built in to the system, there are only limited notes on local application, reducing assurance over the application of internal controls throughout the process. The small size of the financial assessment team presents risk to consistent application of working practices in the |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | event of changes. Procedures and training for Social Care practitioners supporting service users in the completion of application forms are still under development, presenting a risk of inconsistent application. |
| | | | As part of its budget approved in March 2024, the Integration Joint Board agreed a saving of £1.5 million related to clearing a backlog of financial assessments. Additional staff resource has been identified to address this. At the time of the audit, data indicated there were 996 overdue assessments. Whilst this is being tracked, further data was not available to assist in prioritising this workload. The Service has noted this has increased to 1237, including 248 non-residential and 989 residential assessments. |
| | | | Although calculations are largely carried out by the System itself, reducing the risk of manual error, this is wholly reliant on the accuracy of the data input. Variations between application form data and system records indicate there are further calculations and adjustments being completed prior to data entry. These further calculations, and the sources of further information, are not being retained along with other supporting documentation on the system. Adjustments are being made regularly to change the values recorded on the system, to effect a desired outcome (e.g. to apply anticipated changes to allowances or capital values in advance, to avoid having to re-perform another assessment in the short term.) Whilst in individual instances the impact would have been minimal, it means a different threshold is being applied to that required, and accurate data is not being recorded. If this is occurring regularly, the financial impact may be more material, and it impacts on transparency and equitable treatment. Given that the Charging Policy being applied does not match what has been published it is unlikely that service users or their representatives will be able to independently confirm the accuracy of what they are being charged. |
| | | | Recommendations have been made to implement and consistently apply the agreed Charging Policy, seeking formal approval for any changes; to develop and implement written procedures clarifying the key controls to be applied; to set priorities for addressing overdue assessments; and to ensure all supporting evidence is reviewed and retained. |
| AC2422 – Recruitment | 2023/24 | Moderate | The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the adequacy and effectiveness of internal controls over the Council's recruitment processes. |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | In general there is clear guidance on the required process, which has recently been reviewed and rationalised to more clearly and concisely set out key roles and tasks, and following which should provide assurance over officers meeting relevant obligations in respect of employment legislation relating to recruitment and selection. |
| | | | Whilst it was not possible to gain full assurance, due to a lack of responses from recruiting managers contacted as part of the audit (14 (47%) did not respond), where responses were provided positive assurance over the application of the process was obtained. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Employee Files, Recruitment Checklists, Interviews and PVG Dispensation. |
| | | | Recommendations have been made to address the above risks including reviewing the layout of employee files, and administration of checklists, to ensure all required documentation is in place and has been satisfactorily checked (particularly in respect of PVG checks) in advance of employment being confirmed; and ensuring recruitment panels record that they comprise suitably trained staff. |
| AC2501 – Allowances | 2024/25 | Minor | The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's approach to allowances. |
| | | | Substantial assurance was available over the following aspects of governance and control: Eligibility, Scottish Government Returns, Advertisement, Budget Monitoring, Committee Reporting, and Cashless Catering Systems. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Written Procedures and Guidance, Payment Control, EMA Documentation Retention, and School Holiday Meal Voucher Uptake. |
| | | | Recommendations have been made to address the above risks including formalising written procedures over allowances where absent, enhancing payment controls, revising EMA documentation retention periods in line with national guidance, and addressing low uptake of school holiday meal vouchers. |
| AC2503 – National Fraud Initiative | 2024/25 | Moderate | 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 National Fraud Initiative. |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | Reasonable assurance was available over the following areas reviewed: Governance and Lessons Learned. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Operational Procedures, Security checks (Users of NFI Web Application), Data Upload Quality, March Review and Closure, Payment Fraud Controls, Data Protection and Information Management, Oversight Enhancements, Fraud Risk Management, and Publishing Fraud Investigation Achievements (Internally and Externally). |
| | | | Recommendations have been made to address the above risks, including formalising written operational procedures; establishing control over system access and data quality; enhancing oversight by Risk Board; resolving match report access issues; and ensuring match data exported from the NFI web app is handled in compliance with data protection legislation and classified correctly. In addition, recommendations were made to ensure emerging fraud risks are monitored; additional NFI services are assessed and if appropriate procured; and fraud outcomes are advertised as a deterrent. |
| | | | Furthermore, recommendations were made to address fraud risks presented by Council payment systems that are outwith the scope of the NFI process, by ensuring system level controls enforce segregation of duties where necessary, via privileged user access monitoring, and by establishing exception reports covering other relevant risks. |
| AC2502 - SEEMiS | 2024/25 | Moderate | The level of risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to the SEEMiS system. |
| | | | The Management Information System (MIS) Support team is responsible for access control and day-to-day user administration whilst the system supplier is responsible for ensuring system availability, data security and backup, system maintenance, incident resolution and performance reporting. |
| | | | Reasonable assurance was available over the following areas reviewed: User Guidance and Training, System Data Accuracy, Cyber Resilience, and Back-ups and Disaster Recovery. |
| | | | However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: System Access, Business Continuity Planning, and Contract Register. |
| | | | Recommendations have been made to address the above risks, including minimising personal data recorded for system access; standardising system access profiles by job type and monitoring access; reviewing and |

| Report Title | Assurance Year | Net Risk Rating | Conclusion |
|---|---|---|---|
| | | | updating business continuity plans where necessary; reviewing and updating the contracts register; and risk assessing interfaces to determine if any additional controls are required over data completeness and accuracy. |

## 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 July 2024 (the baseline for our exercise), 28 audit recommendations were due and outstanding:

- One rated as Major
- 22 rated as Moderate
- Five rated as Minor

As part of the audit recommendations follow up exercise, 15 recommendations were closed:

- One rated as Major
- 10 rated as Moderate
- Four rated as Minor

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 recommendations 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 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 and the response from Management is included at Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity. Internal Audit has worked with Management and can confirm that only one action remains in progress.

### 2.4.2  2422 – Assurance Review of City Region Deal – Further Action

The June 2024 Audit Risk and Scrutiny Committee received Internal Audit Report 2422 – Assurance Review of City Region Deal and made the decision:

- To agree the contents of the Report including the Major risk rating;
- To note that delivery partners have not shared all data required to allow Internal Audit to evidence progress with the Aberdeen City Region Deal;
- To instruct the Chief Executive to write to all parties to ensure our Internal Auditor receives the information requested, reminding partners that the signed legal agreement ensured that all governance arrangements were to be the sole responsibility of the Aberdeen City Region Deal Joint Committee which allowed the Partners to commit to the Aberdeen City Region Deal.
- To instruct the Chief Internal Auditor to provide a verbal update at the next committee as to the progress or otherwise of Internal Audit obtaining the requested information; and
- To note of the seven recommendations, two were complete, three were ongoing and required sign-off from Internal Audit, and two required input from external partners.

With regards to points three and four above, the Chief Executive wrote to partners in July 2024, with the Chief Internal Auditor carrying out follow up work in the succeeding weeks, specifically around gaining the information and assurances not provided by partners during the original fieldwork.

These have now been received. Where this provides further assurance, there is no change the assessments of Internal Audit contained within the final report.

With regards to the final point above, recommendations will be followed up as part of the standard process and reported to Committee as they fall due.

# 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 |
|---|---|---|---|---|---|---|---|
| AC2402 – IJB Complaints Handling | **Moderate** | 1.4 | SPSO mandatory public reporting should take place as required for the H&SCP. | Jul-24 | Sep-24 | In advance of the Governance Dashboard being completed, we will receive the latest quarterly reports on ACHSCP complaints from ACC and NHSG and publish them on our website, with a start date of 2nd September 2024. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.1a | The Service should review the refreshed guidance to see where more practical guidance can be provided in application, including use of visual aids for example flow charts to assist in breaking down complex information to aid ease of understanding. | Jun-24 | Sep-24 | Final review of updates in guidance/documents is in progress - publication anticipated in September. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.2 | The Service should include a revised risk matrix within the refreshed guidance, including the addition of a definition around high risk/high value, the contract management elements required for different contract types / levels of risk, and examples of these to provide a reference point for delegated procurers. | Jun-24 | Sep-24 | A risk rating section is now included in the Amelior Contract Register platform with guidance being developed to support. | **In Progress** |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| AC2307 – Contract Management | **Moderate** | 3.1.5b | The Service should give consideration to whether a more automated process could be established for contract management and record keeping. | Jun-24 | Dec-24 | A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.5a | The Service should ensure there is clarity regarding the responsibility for and extent of record keeping required for different types of contracts and different levels of contract risk. | Jun-24 | Sep-24 | Review of contract register platform underway to ensure clarity. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.6b | The Service should ensure that key indicators and community benefits, management information requirements, supplier contacts, and review meeting schedules are clearly set out to ensure clarity over Council expectations. | Jun-24 | Dec-24 | A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement. | **In Progress** |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| AC2307 – Contract Management | **Moderate** | 3.1.6a | The Service should ensure that contract performance reporting is adequate and based on records that are consistent across contracts and held in a suitable shared location, to which CPSS has access. | Jun-24 | Dec-24 | A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.3b | The Service should ensure that Clusters identify officers who monitor and provide assurance to CPSS and Management Teams regarding compliance with contract management guidance, and ensure this assurance is provided. | Jun-24 | Dec-24 | Work has been undertaken to update the Delegated Procurement Register to include contract management responsibilities. C&PSS will work with colleagues in P&CS to investigate how information on leavers/role moves could be routinely provided to support updates around access and responsibilities. | **In Progress** |
| AC2307 – Contract Management | **Moderate** | 3.1.3a | The Service should consider its approach to communicating good practice, sharing information that can increase contract manager experience and awareness, and providing assistance as and when required to develop the Council's procurement and contract management culture. | Jun-24 | Dec-24 | C&PSS have developed a communication plan for a series of blogs over the next 12 months on key elements of the procurement process/contract management. Further work required around developing a mechanism for sharing best practice. | **In Progress** |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| AC2307 – Contract Management | **Minor** | 3.1.6c | The Service should consider applying a system of risk rating to contracts for monitoring and management reporting purposes to ensure that high risk contracts are reviewed more frequently by Cluster Management and at a Strategic Management Level. This should look at areas such as performance indicators and receipt of community benefits. | Jun-24 | Sep-24 | A risk rating section is now included in the Amelior Contract Register platform with guidance being developed to support. | **In Progress** |
| AC2405 – Care Management System | **Moderate** | 1.2 | D&T should automate the interface between the care management system and the North East Child Protection Register. | Jul-24 | Jan-25 | Not possible as children's services are still finalising the spec of the message transfer. | **In Progress** |
| AC2111 – Consilium System | **Moderate** | 2.6.8 | The System Team should ensure the system enforces compliance with the Councils password standard. Current system does not provide this functionality, but it will be raised as part of the system upgrade. | Mar-24 | Dec-25 | All AC2111 actions to move to Dec 2025 which aligns rationalisation into NEC and retirement of Total/ Codeman. | **In Progress** |

| Report | Grading | Ref | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|---|---|---|---|---|---|---|---|
| AC2413 – City Region Deal | **Moderate** | 1.1 | The City Region Deal partners should ensure up to date agreements are in place with all delivery partners, and are maintained up to date to provide assurance over continued compliance with changes to UK/SG requirements. (Annual review of agreement T&C's to ensure aligned with terms of grant offer). | Jul-24 | Oct-24 | The Scottish Government issued the annual grant offer letter in June. It is now signed off and we are reviewing partners agreements with legal prior to issuing updated grant agreements to partners to reflect any necessary updates to terms and conditions. Partners will then have to follow their own internal governance process to accept the revised agreement and return to us. | **In Progress** |

Internal Audit

# 5 Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity

| Report | Grading | Ref | Recommendation | Due Date | Management Update |
|--------|---------|-----|----------------|----------|-------------------|
| AC2314 - Adults with Incapacity - management of funds | **Major** | 1.4.b | The identity of funds recipients should be verified and documented. Variations should be subject to approval. | May-24 | **Extended to Dec-24.** Internal Audi met with the Service and agreed this wasn't ready yet; claim form needs updating to record who issued to and confirmation of identity and receipt. |

ABERDEEN CITY COUNCIL

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Report AC2412 – Procurement Compliance |
| REPORT NUMBER | IA/AC2412 |
| 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 Procurement Compliance.

## 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 Procurement Compliance.

## 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 AC2412 – Procurement Compliance

## 12.     REPORT AUTHOR CONTACT DETAILS

| | |
|---|---|
| **Name** | Jamie Dale |
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| **Tel** | (01467) 530 988 |

# Internal Audit

# Assurance Review of Procurement Compliance

**Status:** Final
**Date:** 09 August 2024
**Risk Level:** Corporate

**Report No:** AC2412
**Assurance Year:** 2023/24

| 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** |

| Report Tracking | Planned Date | Actual Date |
|---|---|---|
| Scope issued | 01-Dec-2023 | 01-Dec-2023 |
| Scope agreed | 08-Dec-2023 | 08-Dec-2023 |
| Fieldwork commenced | 18-Dec-2023 | 15-Jan-2024 |
| Fieldwork completed | 22-Jan-2024 | 03-May-2024 |
| Draft report issued | 09-Feb-2024 | 31-May-2024 |
| Process owner response | 01-Mar-2024 | 11-Jul-2024 |
| Director response | 08-Mar-2024 | 06-Aug-2024 |
| Final report issued | 15-Mar-2024 | 09-Aug-2024 |
| AR&S Committee | 26-Sep-2024 | |

| Distribution | |
|---|---|
| Document type | Assurance Report |
| Director | Andy MacDonald, Executive Director – Corporate Services |
| Process Owner | Melanie Mackenzie, Strategic Commercial Manager |
| Stakeholder | Craig Innes, Head of Commercial & Procurement |
| | Vikki Cuthbert, Interim Chief Officer – Governance* |
| | Jonathan Belford, Chief Officer – Finance* |
| *Final only | External Audit* |
| Lead auditor | Debbie Steele, Auditor |

# 1 Introduction

## 1.1 Area subject to review

Aberdeen City Council made payments of over £670 million to external bodies in 2022/23. Where this includes the procurement of goods, services and works, legislation and internal rules and regulations set out specific requirements which must be complied with in order to meet the Council's legal obligations, and provide assurance over Best Value in procurement.

The Council's Financial Regulations require that all purchasing and orders for supplies, services and works must be undertaken in accordance with the Council's Procurement Regulations. The Procurement Regulations refer to the Council's Procurement Manual for certain matters including the required procedural detail to ensure Best Value is obtained e.g. quotation and tender requirements.

The Council's Procurement Regulations require workplans with supporting business cases to be submitted by each Function to the Head of Commercial and Procurement Shared Services (C&PSS) for Committee approval, prior to the commencement of each financial year, for all contracts to be procured in the coming year with a Contract Value of £50,000 or more for supplies and services, or £250,000 or more for works. When determining the contract value, the Council's Procurement Regulations require the Delegated Procurer to consider the aggregate value of the requirement for supplies, services or works across the whole Council.

Procurements shall only be undertaken by Delegated Procurers who have been designated as such by the Head of C&PSS and who hold relevant Delegated Procurement Authority (DPA), meaning the officer concerned has completed the necessary DPA training and authority to procure has been granted by the Head of C&PSS as demonstrated by being included on the C&PSS Delegated Procurer register.

## 1.2 Rationale for the review

The objective of this audit is to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations. In the absence of appropriate controls there is a risk to achieving Best Value in procurement, and to compliance with national procurement regulations.

A full internal audit of procurement compliance was last completed in September 2020 (AC2019). Commitment to action was sought to ensure that: contracts will be subject to appropriate procurement, including public tender where they exceed the relevant thresholds individually and in aggregate; procurement intentions and awards will be appropriately published; adherence to Committee approvals will be monitored to ensure they are adhered to; and purchase orders will be raised in advance unless a specific exemption applies. Actions were agreed with Directors to review Procurement Compliance Reports regularly, and C&PSS agreed to review data, training and guidance.

C&PSS reported to the Risk Board in June 2021 that three major recommendations had been closed off and new monitoring processes and reporting arrangements had been put in place to identify gaps and issues with compliance.

In May 2022 Internal Audit reported on support and consultancy work completed with C&PSS in developing its approach to improving compliance with procurement requirements. C&PSS agreed to further review of data, training and guidance, and development of exception reporting to support targeted intervention where further support or training are required.

## 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 2 – 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 |
|---|---|
| Strategic | 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 deemed to be providing **LIMITED** assurance that adequate control is being exercised over the Council's compliance with procurement legislation and internal regulations.

Procurement compliance is reviewed by Internal Audit on a rolling basis. The last audit of this nature was carried out in 2020 (Internal audit report AC2019) which identified areas of non-compliance with the Council's Scheme of Governance and breaches of the Council's Financial and Procurement Regulations. This was generally found to be due to a lack of understanding of the requirements of the Scheme of Governance and the processes to ensure Best Value and compliance with Procurement Legislation. Assurance was provided by CPSS, and actions being implemented in response to the identified risks have recently been implemented but will take time to embed. In some instances, points identified as part of this audit may relate to contracts and records which pre-date implementation of these actions. However, the results identified a lack of preventive controls, and risks that are only partially mitigated by the management and detective controls being implemented when their operation is assessed. Further action is therefore being recommended to avoid repeated breaches of Financial Regulations and procurement legislation and to create a control framework in the longer term that will provide the required level of assurance.

Policy, guidance, and training is available to promote compliance, however it is spread across a multitude of documents, not all of which are up to date, complete and consistent in terms of the requirements to be applied. Delegated Procurement Authority is assigned based on training completion, but there is limited assurance that only officers with this authority are involved in specified procurement activities. Chief Officers in particular, whose key role in ensuring procurement compliance is set out in the Scheme of Governance, had limited records of completing the required training. A lack of understanding is evident, due to the complexity and volume of information, and varying levels and frequency of involvement by officers and Procurement staff, leading to inconsistencies in application. A checklist is available to clarify key stages, requirements, checks and approvals, but this is not regularly used. Updating the checklist and mandating its use would improve assurance over compliance.

Full documentation to record the application of governance requirements is rarely being retained on the contracts register system and approvals are not well evidenced within the contract register system. Contracts are being let without formal procurement exercises being undertaken, and there are instances where officer and Committee approvals have been exceeded without formal recorded consent. If records are not consistently retained and accessible, then in addition to reducing assurance over the application of internal controls, there is a risk to compliance with the documentation requirements of the Public Contracts (Scotland) Regulations 2015. However, Management has advised that additional

recording is held through the use of live documents on SharePoint, with version control which allows the tracking of changes made. Teams chat is also used to facilitate virtual reviews on occasion but still within the context of the live SharePoint document.

Whilst procurement is generally being planned in advance, this is being presented for approval via the Demand Management Control Board and Finance and Resources Committee on a phased basis throughout the year, and on a Cluster by Cluster basis. This is intended to facilitate a steadier throughput of procurement activity, avoiding potential bottlenecks, however, is in contrast to the Council's Procurement Regulations which require forward plans to be prepared in advance of each new financial year. There is a risk that requirements are not always being aggregated corporately as a result. This also puts compliance with statutory requirements at risk. Failure to plan effectively and sufficiently in advance of contract expiry for foreseeable and necessary routine procurement presents a risk to supply and service continuity.

Direct awards and non-competitive action make up a substantial proportion of recorded procurement activity (over 69%), including single sourcing, direct awards within frameworks[1], and exemptions from the requirement to obtain four quotations. Annual contracts are also being let for recurring requirements, reducing the level of procurement governance being applied. Whilst justifications are often recorded, these are not referenced to specific legislative exceptions, and approvals and explicit consideration of risks to compliance and Best Value are not consistently evidenced. Whilst no specific instances of fraud were identified, there is a risk that undue time pressures or other demands on services may be used to justify selection of a specific procurement route, option or supplier, in order to secure business continuity, whether or not that is technically compliant and demonstrates Best Value.

Contract opportunities and awards for regulated procurements must be published on the Public Contracts Scotland website within 30 days. Delays and omissions were identified, in breach of the Procurement (Scotland) Regulations 2015.

Recommendations have been made to address these risks, including reviewing and updating procedures to ensure they are sufficiently clear and concise; establishing a system of control to ensure all procurements are appropriately planned, completed by suitably trained officers and are fully supported with contractual and governance documentation on the contracts database, before they can progress to awarding contracts; and to implement reviews of the continued suitability and propriety of non-competitive action.

## 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. |
|---|---|---|---|---|
| 1.3 | **Delegated Procurement Authority** – The authority to procure is not designated at post level. Training must be completed to the appropriate level and a DPA form must be signed by the officer acknowledging they have read and understood the requirements, approved by their line manager, and then approved by CPSS, following a check that they have completed the necessary training modules. However, there are currently no checks to confirm that officers have the correct level of DPA prior to their taking part in a procurement process.

In breach of Financial Regulations, it was identified through review of a sample of 17 | Y | **Major** | 17 |

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[1] Direct awards from a framework are still a complaint route to market, which is compliant with legislation.

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | procurements, that of 28 officers with a significant role in those procurements, only 12 (43%) had a suitable level of Delegated Procurement Authority. Of six Chief Officers included in this sample, only one had a record of completing procurement training, and none had a recorded DPA level. Given their role in approving procurements and exceptions, it is essential that Chief Officers have a full understanding of the regulatory and ACC requirements.<br><br>There is currently no method by which a user can determine whether someone requesting a Purchase Order has the requisite DPA level – presenting a risk this will be assumed based on job title or seniority of the requestor, which is not automatically the case.<br><br>The ACC Procurement Regulations require that CPSS review DPA annually. CPSS has previously reviewed data from the Purchase Order System to identify and highlight potential breaches of DPA and areas where training may be required. However, due to the nature of the reports, non-compatibility of systems, and because not all Clusters use the Purchase Order System for every purchase, it was not possible to gain full assurance. Whilst an annual check had been planned, due to variations in recording and data, there remains no efficient method to run checks on DPA training against all employees procuring goods/works/services. There is therefore risk of further non-compliance with ACC Procurement and Financial Regulations | | | |
| 1.4 | **Procurement Documentation** – In line with the Procurement (Scotland) Act 2014 provision 35, the Council is obligated to maintain a Contracts Register. Details of the Council's contracts, contract related data, and supporting documentation are held in an online Contract Management System. The System has recently been migrated to a new platform with advanced functionality. An extract from this system is used to publish the Council's official contracts register on the Council's website.<br><br>The Act sets out mandatory information to be held on the Contract Register for each contract. Only 10 of the 18 (56%) contracts | Y | **Major** | 18 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | in our sample were on the published register and fully compliant for data correctness. | | | |
| | The Public Contracts (Scotland) Regulations 2015 include specific documentation requirements. The Council's procurement guidance documents reference a requirement to upload documentation to support contracts register entries, but the listed requirements vary, are incomplete (e.g. they omit 'procurement plans') – and in some cases are vague e.g. *"other documents relating to the management of the contract"*. | | | |
| | Records of procurement activity were inconsistently recorded in the contracts register system. Whilst further detail was available from procuring officers, the lack of a structured approach to filing, retaining, and sharing these records was evident. Where procuring officers had left the role in which procurement had been undertaken, their successors often had difficulty locating documentation and explanations for prior decisions. Where contract information is available, it can be difficult to find it where named individuals have changed, or supplier names and details varied, and this has not been reflected in an updated contract record. | | | |
| | Whilst it was possible for Internal Audit to source original reports and approvals from the Committees database, this is a time consuming task if officers need to verify the approvals to confirm they are acting in line with delegated authority, and in many cases access is restricted due to commercially sensitive data. Officers noted it was not a straightforward process to source confirmation that contract planning stages had reached approval. Adding these plans to the contracts register system would provide a "one-stop" place to find all information, improve time management and mitigate the risk of procurements progressing without (or exceeding) Committee approvals. | | | |
| | In response to previous audit recommendations, CPSS implemented a check process to ensure contracts register entries are complete and up to date. This is however reliant on interrogable data being added to the system in the first instance, and it will be more difficult to identify entries with partially completed supporting | | | |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | documentation. Quarterly monitoring reports indicate that more issues are being identified and addressed. Implementation of the new contracts register system may present opportunities to improve compliance and avoid or identify issues more timeously.<br><br>The Council needs consistent records and filing of procurement documentation, to demonstrate that it is compliant with The Public Contracts (Scotland) Regulations, and internal procurement governance requirements. | | | |
| 1.7 | **Approvals** – Each procurement of £10,000 and over requires formal approval.<br><br>Where the proposed procurement is between £10,000 and £50,000, Chief Officer approval is required. There is no defined corporate method for recording these approvals. Where there is a departure from the process – e.g. proceeding without four quotations, or a technical exemption, approval from the Head of Commercial and Procurement is also required, and is documented on the relevant forms.<br><br>Documentation of approvals and delegations could be improved. Consolidating the approval process into one system would streamline the process and lead to efficiencies in the procurement process with added compliance benefits through having robust approval audit trails.<br><br>Procurements in excess of £50,000 require officers to present a formal business case, in a defined format. The format and content of these changed in 2023. These are further scrutinised by the Demand Management Control Board (DMCB), including Legal, Finance, and CPSS, in advance of submission to the Finance and Resources Committee. Thereafter, a tender evaluation report must be submitted for Chief Officer approval before a contract may be awarded.<br><br>Generally business cases are being completed and subject to review. However, multiple risks were identified in specific cases:<br><br>• In one case officer approvals had not been explicitly recorded prior to Committee approval being sought. | Y | **Major** | 23 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | • In another case unsuccessful bidders had been notified prior to Chief Officer approval.<br>• In the same case, the contract awarded exceeded the Committee approved value by over £100,000, and there is no evidence of further approval being sought as required by ACC Procurement Regulations.<br>• In another case, although an overarching contract was entered into for £1.8 million, business cases were split by Cluster, with approval only obtained for the first £880,000 in the first instance, and £451,000 thereafter. Formal approval to enter into a contract at this level was not therefore evidenced in advance. The tender evaluation report was also not signed by the Chief Officer. Officers have therefore exceeded their delegated authority.<br>• In another case, Chief Officer approval covered a contract length of one year, plus three potential one-year extensions. Committee was asked to approve a two year contract plus two potential one-year extensions. Committee approval was also exceeded, as the contract awarded exceeded the approved value by more than £100,000, and there is no evidence of further approval being sought as required by ACC Procurement Regulations.<br>• In one case, there is no approval or contract recorded for planned expenditure of over £500,000, with decisions based on only two quotations.<br>• In another two cases, no contract had been entered into, and no approvals obtained. In both cases, whilst in-year spend within 2023/24 was less than £50,000, there were orders over £10,000 individually, and recurring spend with the same suppliers for the same supplies substantially exceeded this figure (£215,000 and £173,000 respectively). Purchase Orders are typically being raised retrospectively for measured services rendered, further diminishing the opportunity | | | |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | to challenge and effectively control this expenditure. Maverick / off-contract spend at this level presents a substantial risk in terms of compliance with procurement legislation, internal governance, and demonstrating Best Value in procurement. There is a substantial risk of exposure to fraud and error | | | |
| 1.9 | **Tenders and Quotations –** In three of five cases (60%) reviewed below £50,000, officers had noted it was not possible to seek quotations due to there being no other suppliers for the goods/service required. If less than four quotations are received, then a "Non-competitive action" form (NCA) is required to be submitted to the Chief Officer and Head of CPSS for consent to proceed. CPSS do not keep records of approvals / dispensations – reliance is placed on procuring officers to retain these. One of the three procurements (33%) was not supported by this form, reducing assurance over planning and agreement to accept the risk of non-compliance with procurement rules. All non-competitive action places the Council at risk of not demonstrating it has fully attempted to achieve Best Value. Limiting the pool of potential bids for a contract also presents an increased fraud risk. For contracts in excess of £50,000, whilst approval may be sought to 'direct award', where tenders are openly invited and a limited number of bids are received there is no specific requirement to obtain CPSS approval to proceed. For example, in four of the cases reviewed, only one or two contractors bid for the work. Whilst limited bids could be representative of market availability and appetite for the contract, they could also indicate issues with the procurement strategy or process e.g. timing, specification, advertising. There is no formal review independent of procuring officers to confirm whether smaller numbers of bids represent best value. Whilst tender bid evaluations had been completed, this had not always been recorded on the contracts register system. In five cases although officers stated that more had been involved, there was no | Y | **Major** | 25 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | evidence that more than one panel member had completed the tender evaluation. In one case the standard evaluation matrix was not used, and the selection process was less clear as a result. Having more than one evaluator mitigates against the risk of error or bias. To mitigate the risk of legal action against the Council, evaluations require to be robust, and retained as per legislation requirements. | | | |
| 1.11 | **Direct Awards** – In specified circumstances it may be appropriate to single source or 'direct award' a contract without competition. Procurement legislation allows this in exceptional circumstances where for specified reasons there is only one suitable source of supply, and that these reasons must be kept under review. The Council's Procurement Regulations provide for such cases where there is adequate justification, and confirmation from the Head of CPSS that there are grounds for permitting a Direct Award in line with the procurement legislation. The Head of CPSS is required to maintain a register of such approvals. However, there is no such register. Details are however, generally, retained in the contracts register system.<br><br>Directly Awarded Contracts<br><br>As part of the review, the following was identified:<br><br>• 152 of 481 contracts (32%) were directly awarded without competition.<br>  o This includes 31 'high value' contracts (over £175,000).<br>  o Due to variations in how contract values are recorded on the system it is not possible to identify the proportion of procurement spend that has been directly awarded.<br>• 10 of 481 contracts (2%) were awarded under an exemption or dispensation from the requirement to obtain competitive quotations.<br>  o As not all contracts are recorded on the register (see 1.4), the actual | Y | **Major** | 28 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | proportion is likely to be higher. | | | |
| | Three of the 18 cases reviewed (17%) had contracts which had been directly awarded without competition. Relevant forms and approvals were in place for each. However, the process for determining whether such approval should be granted by CPSS, and specific justifications, are not documented. This weakens assurance that all relevant considerations have been applied, and that such procurement is compliant (or that due regard has been given to the risks of non-compliance). | | | |
| | Framework Agreements | | | |
| | Where a framework agreement is in place, this can specify that a Direct Award call off is a compliant procurement route. This was the case for a further three contracts within the audit sample, and the contracts register indicates 28% (134 contracts, 20% 'high value') of contracts are categorised as 'call off' from a framework. Whilst technically compliant, there is limited justification being recorded for selection of a specific supplier within frameworks. The ability to single source within a framework means end users are not having to justify selection at the point of purchase. Without a detailed assessment of whether they offer the most economically advantageous option at the time contracts were entered into, there is a significant risk to demonstrating and delivering Best Value. | | | |

## 2.4 Management response

*Commercial and Procurement welcomes the findings of the audit report and whilst during the audit areas for further improvement and development were identified and recommendations have been made, the report does also highlight areas of progress to support compliance and recognises that where there are processes in place these can take time to embed. The additional recommendations and responses to those will support improvement in compliance.*

*There are areas where preventative controls are difficult to implement due to the number of systems involved across training, approvals, carrying out procurement and ordering and this limits opportunity for automation via the systems themselves. It is planned that procurement will review capabilities of Office 365 tools to understand the potential for utilisation of these to automate areas of the procurement process in future.*

*As highlighted in the report, Procurement are reliant on services to adhere to the processes and guidance set out, to ensure the Council is compliant with legislation and our internal regulations. Across the Council we currently have many delegated procurers who have completed procurement training relevant to the level of procurement activity they are responsible for.*

*Commercial and Procurement will draft a formal communication to Services highlighting the key findings of the audit report and use this as an opportunity for a reminder of key responsibilities, the communication will be shared with Executive Directors, Chief Officers, Service Managers and*

*Delegated Procurers. Regular engagement with Services takes place regularly and these also present opportunities to use such engagement to further encourage good practice and compliance.*

*Compliance reports are prepared quarterly and these are reviewed by the Risk Board with any instances of non-compliance highlighted, Commercial and Procurement will work with internal audit to further develop these reports to include assurance around active users and level of expenditure and once the assurance process has been agreed build this into future compliance reporting.*

*It should be noted that the report does not constitute a full review against each point of the legislation, there are areas where the Councils compliance rate and performance is above the average for a Public Body in Scotland such as compliance with the Sustainable Procurement duty particularly in relation to Community Benefits and Fair Work Practices.*

# 3 Issues / Risks, Recommendations, and Management Response

## 3.1 Issues / Risks, recommendations, and management response

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.1 | **Procedures and Governance** – The Council has a Scheme of Governance including a Scheme of Delegation, Financial Regulations, and a List of Officers Powers, each of which references powers and duties in respect of procurement. Further information in respect of the Council's requirements for procurement governance is documented in a detailed Procurement Manual and associated guidance documents, template reports and forms. This information is held across various intranet sites and documents. In total, there are 57 documents that services are required to search through to assist in procurement processes. Rationalising/reducing the extent of documentation could aid understanding and compliance.<br><br>Many of the Procurement guidance notes, and associated training modules, are out of date or require refreshing. There are invalid email addresses; links and references to old documents and templates; and varying terminology, presenting risks to communication, understanding and compliance.<br><br>For example:<br><br>• None of six hyperlinks tested for functionality (0%) in the procurement manual led to a useable document<br>• The manual references an *"award report"*, whereas the closest match within ACC is a *"tender evaluation report"*.<br>• ACC Procurement Regulations were updated in 2023, but the procurement SharePoint site has an earlier version from 2022.<br>• The content of procurement business case templates changed in December 2023, but the procurement SharePoint site has an earlier version from July 2023 *(revised questions and excludes integrated impact assessments)*.<br>• IR35 guidance is out of date (Eight government updates between 2019 and 2023 are not reflected).<br>• Procurement thresholds are listed as £60,000 in finance training but should be £50,000.<br>• Circular references in respect of the composition of evaluation panels, reverting back to training rather than a procedural document.<br>• The procurement manual states *"Evaluators must have level 5 DPA"* but there are only three levels.<br><br>There is a risk that guidance documentation is incomplete, or is being updated on an ad-hoc basis without consideration of the implications for and need to update other guidance to match when it changes. Officers relying on a particular guidance note may fail to comply with all relevant procedures. | | |

### IA Recommended Mitigating Actions

CPSS should review and update procurement training, guidance manuals and templates, in consultation with relevant stakeholders, to ensure it is sufficiently clear, concise, consistent, accurate and up to date.

### Management Actions to Address Issues/Risks

*Commercial and Procurement have reviewed the guidance and nearing completion of updating of templates. Revised guidance and templates will be published on the C&PSS SharePoint page with communication to all Delegated Procurers issued on the updates.*

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | *The E_Learning modules on ACC Learn will thereafter be updated to reflect changes.* | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.2 | **Procurement Checklists** – Procurement guidance includes a series of high-level flowcharts setting out the key governance requirements, including delegated procurement authority, for each level of procurement. This is supplemented by a procurement checklist, which procuring officers are encouraged to use to guide them through the process and record the completion of each stage. | | |

In a sample of 17 procurements reviewed, there were no cases (0%) where the procurement checklist had been used and retained. In a substantial proportion of cases (41%) the Council's procurement requirements had not been fully completed, evidenced, and recorded on the contracts register system, as described in later sections of this report (see Appendix 1). Use of a checklist would provide self-declaration by procurers that they had met and followed the relevant requirements, and provide an opportunity to hold them to account if this has not been done.

As with other elements of procurement guidance (see 1.1) the checklist includes out of date terminology. It also does not cover every detail currently required to complete the procurement process (e.g. there is no reference to obtaining a contract reference and updating the contracts register system, or to issuing letters to unsuccessful bidders for a contract).

If the checklist, or a set of checklists, could be updated and made mandatory for every procurement, there would be greater assurance that procurement is being carried out and documented correctly, by officers with appropriate delegated authority. Ideally this would be built in to the procurement system or process rather than a separate manual record keeping exercise, to facilitate greater control and accurate recording. Use of an online form or system could allow checks to be automated (e.g. confirming delegated procurement authority), and for specific requirements (e.g. branching decisions) to be more consistently followed.

**IA Recommended Mitigating Actions**

CPSS should mandate and automate use of the procurement checklist.

**Management Actions to Address Issues/Risks**

*Commercial and Procurement have reviewed the guidance and templates are currently being finalised based on the review, this includes an updated procurement checklist (the checklist template is in word and opportunities for automation will form part of a review on potential processes for automation by Commercial and Procurement)), the revised guidance will include a requirement to utilise the procurement checklist for all procurement activity above quotation threshold.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | October 2024 |

| Ref | Description | Risk Rating | Major |
|-----|-------------|-------------|-------|
| 1.3 | **Delegated Procurement Authority** – The Council's Procurement Regulations, which form part of the Scheme of Governance, state that: | | |

*"4.2.2 - Procurements shall only be carried out by Delegated Procurers who have been designated as such by the Head of Commercial and Procurement and who hold relevant Delegated Procurement Authority (Procurement Manual)".*

Delegated Procurement Authority or DPA means the authority that permits a Delegated Procurer to conduct a procurement for supplies, services or works on behalf of the Council. A Delegated Procurer is defined as any officer holding Delegated Procurement Authority and authorised to carry out procurement activities. CPSS is required to maintain a register of procuring officers.

For a Council officer to be designated a Procuring Officer, Delegated Procurement Authority (DPA) training must be completed to the appropriate level prior to an officer undertaking a procurement or placing orders on behalf of the Council. There are three levels of training split into seven e-learning modules. Modules are self-selected based on the level of authority or elements of procurement practice required to be used in particular roles and circumstances.

Prior to the officer being added to the Council's Procuring Officer register, a DPA form must be signed by the officer acknowledging they have read and understood the requirements, approved by their line manager, and then approved by CPSS, following a check that they have completed the necessary training modules. However, there are currently no checks to confirm that officers have the correct level of DPA prior to their taking part in a procurement process.

In breach of Financial Regulations, it was identified through review of a sample of 17 procurements, that of 28 officers with a role in those procurements, only 12 (43%) had a suitable level of Delegated Procurement Authority. Of six Chief officers included in this sample, only one had a record of completing procurement training, and none had a recorded DPA level. Given their role in approving procurements and exceptions, it is essential that Chief Officers have a full understanding of the regulatory and ACC requirements.

Guidance in the Procurement Manual sets out that:

*"All staff requiring to purchase goods, works or services on behalf of the Council must undertake Procurement training and receive DPA approval prior to any purchase order being raised".*

However, conflicting guidance indicates that a non-DPA user may raise orders on behalf of other individuals who do have DPA approval; or from an 'approved' framework agreement. There is currently no method by which a user can determine whether someone requesting a Purchase Order has the requisite DPA level – presenting a risk this will be assumed based on job title or seniority of the requestor, which is not automatically the case.

In one instance, a Chief Officer (without recorded DPA) had delegated their power to approve awarding contracts (in this case a direct award with no competition) to another officer who did have DPA. Whilst this may be more practical in certain cases, such delegation may not be appropriate if it overrides the required controls intended by the Council's Procurement Regulations. Clarity is required over which, if any, powers and tasks can be delegated, and how segregation of duties can be maintained.

The ACC Procurement Regulations require that CPSS review DPA annually. CPSS has previously reviewed data from the Purchase Order System to identify and highlight potential breaches of DPA and areas where training may be required. However, due to the nature of the reports, non-compatibility of systems, and because not all Clusters use the Purchase Order System for every purchase, it was not possible to gain full assurance. Whilst an annual check had been planned, due to variations in recording and data, there remains no efficient

| Ref | Description | Risk Rating | Major |
|---|---|---|---|

method to run checks on DPA training against all employees procuring goods/works/services. There is therefore risk of further non-compliance with ACC Procurement and Financial Regulations.

**IA Recommended Mitigating Actions**

a) CPSS should explore options for linking training, DPA, and procurement system records to obtain assurance that procurement is only undertaken by those with the appropriate training and delegated authority. This could include use of a common identifier (e.g. payroll reference numbers), or the use and review of self-declarations at the point of procurement (see 1.2).

b) In the interim, CPSS should perform regular random checks on Procurement active users and the level of expenditure to ensure users are suitably qualified to undertake that level of procurement activity.

c) A specific exercise should be undertaken to ensure all Chief Officers have undertaken the relevant training and obtained DPA.

d) The Council should determine whether or not it is an appropriate option to delegate any of the tasks required of Chief Officers under Procurement Regulations, and if so how internal control will be maintained.

**Management Actions to Address Issues/Risks**

a) *Commercial and Procurement will explore options for linking training and update the delegated procurement authority form and process accordingly.*

b) *Along with implementing a process for random checks the delegated procurement authority form will be updated to include a self-declaration and confirmation of understanding that procurement activity can only be completed up to the value of the level of DPA applied for.*

c) *Chief Officers will be advised that they are required to undertake the relevant training and obtain DPA Level 3.*

d) *Commercial and Procurement will review options for delegation of tasks required of Chief Officers under Procurement Regulations and consider how these would be recorded/internal controls maintained.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| 1.4 | **Procurement Documentation** – In line with the Procurement (Scotland) Act 2014 provision 35, the Council is obligated to maintain a Contracts Register. Details of the Council's contracts, contract related data, and supporting documentation are held in an online Contract Management System. The System has recently been migrated to a new platform with advanced functionality. An extract from this system is used to publish the Council's official contracts register on the Council's website. | | |

The Act sets out mandatory information to be held on the Contract Register for each contract. 18 contracts were reviewed for data correctness in line with provision 35 of which five were contracts under £50,000 in value *(NB whilst the Act covers 'regulated' procurements over £50,000, the Council's procurement manual requires all contracts over £10,000 to be included)*. At the time of the audit there were 435 contracts on the public register, covering £2.3 billion of expenditure. 162 of these were below £50,000, and 49 below £10,000. Only 10 of the 18 (56%) contracts in our sample were on the published register and fully compliant for data correctness.

| Ref | Description | Risk Rating | Major |
|---|---|---|---|

- Four had no contract in place (22%).
- One contract had two records, with data transposed incorrectly between them.
- Two frameworks were on the contract register but associated call off contracts with relevant data and values had not been recorded (11%).
- An option to extend a contract was listed in the register, but this had not been approved by Committee.
- One contract end date had passed, but the contract had not finished.
- One contract value exceeded the value recorded on the register. (6%)

The Public Contracts (Scotland) Regulations 2015 include specific reporting and documentation requirements. This includes:

*"83.-*

7) *A contracting authority must document the progress of all procurement procedures, whether or not those are conducted by electronic means.*
8) *To that end, a contracting authority must ensure that the authority keeps sufficient documentation to justify decisions taken in all stages of the procurement procedure, such as documentation on—*
   *(a) communications with economic operators and internal deliberations;*
   *(b) preparation of the procurement documents;*
   *(c) dialogue or negotiation (if any);*
   *(d) selection and award of the contract.*
9) *The documentation must be kept for a period of at least 3 years from the date of award of the contract."*

As noted at 1.1, the Council's procurement guidance documents reference a requirement to upload documentation to support contracts register entries, but the listed requirements vary, are incomplete (e.g. they omit 'procurement plans') – and in some cases are vague e.g. *"other documents relating to the management of the contract"*. Full records of procurement activity were not recorded in the contracts register system.

Inconsistencies in respect of governance documentation included:

- Four out of six contracts requiring a business case (67%) had no record of it on the system.
- Three out of four agreed exceptions/non-competitive actions (75%) did not have the relevant form on the system.
- Four out of 11 cases (36%) where an award letter had been issued, did not have a copy on the system.
- Key contacts had not been kept up to date.
- Copies of Committee approvals were generally not held either on the system or by lead officers.

Whilst further detail was available from procuring officers, the lack of a structured approach to filing, retaining, and sharing these records was evident. Where procuring officers had left the role in which procurement had been undertaken, their successors often had difficulty locating documentation and explanations for prior decisions. Where contract information is available, it can be difficult to find it where named individuals have changed, or supplier names and details varied, and this has not been reflected in an updated contract record.

Whilst it was possible for Internal Audit to source original reports and approvals from the Committees database, this is a time consuming task if officers need to verify the approvals to confirm they are acting in line with delegated authority, and in many cases access is restricted due to commercially sensitive data. Officers noted it was not a straightforward process to source confirmation that contract planning stages had reached approval. Adding these plans to the contracts register system would provide a "one-stop" place to find all

| Ref | Description | Risk Rating | Major |
|---|---|---|---|

information, improve time management and mitigate the risk of procurements progressing without (or exceeding) Committee approvals.

In response to previous audit recommendations, CPSS implemented a check process to ensure contracts register entries are complete and up to date. This is however reliant on interrogable data being added to the system in the first instance, and it will be more difficult to identify entries with partially completed supporting documentation. Quarterly monitoring reports indicate that more issues are being identified and addressed. Implementation of the new contracts register system may present opportunities to improve compliance and avoid or identify issues more timeously.

The Council needs consistent records and filing of procurement documentation, to demonstrate that it is compliant with The Public Contracts (Scotland) Regulations, and internal procurement governance requirements.

### IA Recommended Mitigating Actions

a) CPSS should clarify the mandatory information and documentation to be uploaded to the contract register system.
b) Checks and controls should be put in place to ensure key procurement stages cannot progress until documentation has been completed and uploaded.
c) The need to update the system for changes should be reinforced.
d) The accuracy of the public contracts register should be reviewed periodically to identify and correct potential anomalies.

### Management Actions to Address Issues/Risks

a) *Commercial and Procurement will update the guidance for the Amelior Contract Register system clarifying the mandatory information/documentation to be uploaded and at which stage documents should be added to the system,*
b) *Wording will be added to the procurement checklist to instruct delegated procurers that all steps in each key procurement stage should be completed before moving on the next stage, adhering to the delegated procurer responsibilities.*
c) *The Amelior Contract Register system guidance will also seek to reinforce messaging around updating the system with any changes throughout the life of a contract.*
d) *The Public Contracts Register will be checked for accuracy before each publication.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | September 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.5 | **Procurement Planning** – Effective procurement planning is essential for meeting Council objectives, budget management, and achieving best value whilst remaining compliant with legislation and internal regulations. | | |

Section 18(2) of the Procurement Reform (Scotland) Act 2014 requires the Council to produce an annual procurement report, including "a summary of the regulated procurements the authority expects to commence in the next two financial years".

In order to support forward planning, satisfy internal governance and Committee approval requirements, and meet this statutory requirement, the Council's Procurement Regulations 5.2.4 and 14.3 - 14.6 set out that the Head of Commercial and Procurement shall maintain a consolidated workplan for the Council, containing a list of proposed regulated procurement

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

activity for the next financial year. This is to be compiled using information provided by Directors and Chief Officers.

However, this is not happening in practice. Rather than presenting a full procurement plan in advance of each new financial year, Clusters are developing procurement business cases on a phased basis throughout the year. This is intended to facilitate a steadier throughput of procurement activity through the Demand Management Control Board, and Finance and Resources Committee, avoiding potential bottlenecks, however, is not reflected in the Council's Procurement Regulations.

The Council does present a forward plan, as part of its annual procurement report. However, in 2023 this included a significant proportion (69%) of contract opportunities, where the estimated dates for publishing a contract notice had passed by the time the report was published in October 2023. This presents a risk to effective planning for the Council and potential bidders for contracts, as well as to compliance with the statutory requirements.

**IA Recommended Mitigating Actions**

All procurements for the upcoming year should be added to the Procurement Plan, in advance.

**Management Actions to Address Issues/Risks**

*A change is proposed in the Scheme of Governance review for 2024 to remove the requirement for an annual work plan to be presented by each Function/Cluster to committee.*

*Commercial and Procurement do have a process in place to record upcoming procurements via Category Manager Work Plans (which is used along with information from the Contract Register to inform the forward plan in Annual reports) which in part is developed through regular engagement with Services and also through review of expenditure.*

*This process will be reviewed to look at options around ensuring contracts are aggregated sufficiently and also to make this information publicly available for ease of access for suppliers/meet statutory requirements*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.6 | **Aggregate Spend and Exceptions** – The phased and Cluster-led approach to corporate procurement planning noted at 1.5 above also impacts on the Council's ability to identify and consolidate corporate level requirements effectively. The procurement legislation, and ACC Procurement Regulations, require similar procurement requirements to be aggregated when determining the levels of governance to be applied and competition invited. This is not always taking place where it should (e.g. Skip Hire contract). | | |

In response to previous audit recommendations, CPSS implemented a sample check process (six per quarter) to review aggregate spend. Whilst this is positive in addressing potential existing issues, within sampled areas, preventative measures would provide greater assurance over control. The recommendation at 1.4b above applies.

Failure to plan effectively and sufficiently in advance of contract expiry for foreseeable and necessary routine procurement presents a risk to supply and service continuity. Failure to obtain appropriate approvals for contract extensions presents a risk of breach of Financial Regulations. There is also a fraud risk, in that undue time pressures may be used to justify

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

selection of a specific procurement route, option or supplier, in order to secure business continuity, whether or not that is compliant and demonstrates Best Value.

The Public Contracts (Scotland) Regulations 2015 specify that:

*"19.—*

1) *A contracting authority must, in carrying out any procurement or design contest which is subject to the application of these Regulations—*
   a) *treat economic operators equally and without discrimination; and*
   b) *act in a transparent and proportionate manner.*
2) *A contracting authority must not design a procurement or design contest with the intention of excluding it from the application of these Regulations or of artificially narrowing competition."*

Emergency or technical exemptions are regularly being applied and/or reported to Committee. There are also various procurements where there is a recurring pattern of annual re-procurement of the same supplies and services (three of our sample of 18: 17%, including Computer Systems and Outdoor Learning). In these cases the contract value, for the purpose of determining the appropriate procurement and governance route, is for the annual amount, which is typically less than £50,000. Similarly, there is regular justification of recurring spend without obtaining quotations where individual orders are less than £10,000, but collectively exceed procurement thresholds – for example Haulage and Specialist Waste. There is a risk that late, short-term, or sporadic procurement may be used to avoid application of appropriate governance and to artificially narrow competition – in breach of regulations, and reducing opportunities to demonstrate and deliver Best Value.

The ACC Procurement Regulations require that the Head of Commercial and Procurement maintain a record of exceptions. This is not being retained and reviewed regularly.

Contract "alerts" can be set up on the contracts register system, and would be beneficial to assist management with contract oversight and forward planning and mitigate the risk of having no contract in place. Only three of ten contracts (30%) reviewed with a record on the system had this in place.

### IA Recommended Mitigating Actions

a) Requirements for aggregation should be considered in advance, based on planned and historic spending patterns.
b) Regular use of emergency and technical exemptions should be reviewed and challenged, with longer term procurement strategies identified to demonstrate continuing Best Value for specific requirements.
c) Consideration should be given to reducing the allowed duration of contracts arising from un-planned procurement.

### Management Actions to Address Issues/Risks

a) *A change is proposed in the Scheme of Governance review for 2024 to remove the requirement for an annual work plan to be presented by each Function/Cluster to committee. Commercial and Procurement do have a process in place to record upcoming procurements via Category Manager Work Plans (which is used along with information from the Contract Register to inform the forward plan in Annual reports) which in part is developed through regular engagement with Services and also through review of expenditure. This process will be reviewed to look at options around ensuring contracts are aggregated sufficiently and also to make this information publicly available for ease of access for suppliers/meet statutory requirements*
b) *A process for recording exemptions approved will be created/agreed and implemented to allow for periodic review, as part of the process consideration will be given to rejecting requests where insufficient quotations have been invited (where*

| Ref | Description | Risk Rating | Moderate |
|-----|-------------|-------------|----------|
| | *such requests are not due to market limitations in terms of number of available suppliers).*<br>c) *As part of the above process – potential for restricting contract values will be considered.* | | |

| Risk Agreed | Person(s) | Due Date |
|-------------|-----------|----------|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Major |
|-----|-------------|-------------|-------|
| 1.7 | **Approvals** – Each procurement of £10,000 and over requires formal approval. | | |

1.7 **Approvals** – Each procurement of £10,000 and over requires formal approval.

Where the proposed procurement is between £10,000 and £50,000, Chief Officer approval is required.  There is no defined corporate method for recording these approvals.   Where there is a departure from the process – e.g. proceeding without four quotations, or a technical exemption, approval from the Head of Commercial and Procurement is also required.  This is documented on the relevant forms.

In the five cases reviewed within this range, documentation was available to evidence these approvals, however Chief Officers generally delegate their power to approve this documentation, and facsimile signatures or names of delegates had been added to the documents.  Whilst approval of these being added was available through email trails, these are not generally retained along with the 'signed' documentation, reducing assurance they are fully reflective of the content.  Consolidating the approval process into one system would streamline the process and lead to efficiencies in the procurement process with added compliance benefits through having robust approval audit trails.

Procurements in excess of £50,000 require officers to present a formal business case, in a defined format.  As noted at 1.1 the format and content of these changed in 2023.  These are further scrutinised by the Demand Management Control Board (DMCB), including Legal, Finance, and CPSS, in advance of submission to the Finance and Resources Committee.  Thereafter, a tender evaluation report must be submitted for Chief Officer approval before a contract may be awarded.

In all six cases reviewed at this level, a business case had been completed.  As with lower value procurement, facsimile signatures or names are appended, with additional evidence held in Teams chat history, with links to live SharePoint documentation.  .  However, in one case neither Chief Officer nor DMCB approval had been explicitly recorded prior to Committee approval being obtained.

In one instance, dates recorded on documentation indicated that unsuccessful bidders had been notified prior to Chief Officer approval.  There is a risk contracts may be inappropriately awarded if such approval is being pre-empted.  In the same case, the contract awarded exceeded the Committee approved value by over £100,000, and there is no evidence of further approval being sought as required by ACC Procurement Regulations.

For one procurement, although an overarching contract was entered into for £1.8 million, business cases were split by Cluster, with approval only obtained for the first £880,000 in the first instance, and £451,000 thereafter.  Formal approval to enter into a contract at this level was not therefore evidenced in advance.  The tender evaluation report was also not signed by the Chief Officer.  Officers have therefore exceeded their delegated authority.

In another case, Chief Officer approval covered a contract length of one year, plus three potential one-year extensions.  Committee was asked to approve a two year contract plus two potential one-year extensions. Committee approval was also exceeded, as the contract

| Ref | Description | Risk Rating | Major |
|---|---|---|---|

awarded exceeded the approved value by more than £100,000, and there is no evidence of further approval being sought as required by ACC Procurement Regulations.

There is no approval recorded for planned expenditure of over £500,000, with decisions based on only two quotations.

In another two cases, no contract had been entered into, and no approvals obtained. In both cases, whilst in-year spend within 2023/24 was less than £50,000, there were orders over £10,000 individually, and recurring spend with the same suppliers for the same supplies substantially exceeded this figure (£215,000 and £173,000 respectively). Purchase Orders are typically being raised retrospectively for measured services rendered, further diminishing the opportunity to challenge and effectively control this expenditure.

Maverick / off-contract spend at this level presents a substantial risk in terms of compliance with procurement legislation, internal governance, and demonstrating Best Value in procurement. There is a substantial risk of exposure to fraud and error.

### IA Recommended Mitigating Actions

a) Clear guidance and controls should be put in place to ensure all relevant approvals are obtained and consistently and transparently evidenced before procurement progresses to subsequent stages, and in every case before a contract is awarded.
b) Contracts should only be awarded within the boundaries of approval granted by Committee.
c) Off contract spend in excess of defined procurement thresholds should be independently reviewed, challenged, and where necessary and appropriate procured through the correct channels.

### Management Actions to Address Issues/Risks

a) *Commercial and Procurement will review the current controls and provide clarity on process/procedure.*
b) *Contract award report to be reviewed to identify options for additional controls.*
c) *Commercial and Procurement will work with Finance to develop a reporting tool in PowerBI which shows on/off contract spend against budget (and as part of this identify whether possible to have live updates from the Finance and Contract Register systems – this will provide the ability to further scrutinise contracts and spend in real time. This should support identification of issues at an earlier stage and improve scrutiny around off contract spend.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.8 | **Contract Notices** – The Procurement Manual requires all contracts equal to or exceeding £10,000 to be advertised (including quick quotes under £50,000) on the Public Contracts Scotland (PCS) website unless the Head of CPSS has given express permission otherwise. The Procurement Reform (Scotland) Act 2014 also requires the seeking of offers through a 'contract notice' and the award of contracts through an 'award notice', for all Regulated Procurements (i.e. those in excess of £50,000), to be published on the PCS website. In accordance with the Procurement (Scotland) Regulations 2016 7 (6) the award notice must be published not later than 30 days after the award of the contract. The ACC Procurement Manual extends this to include call-offs from frameworks in excess of £10,000. | | |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | For contracts with an estimated value of £10,000 or more but less than £50,000, PCS must be used to obtain competitive quotations. For a sample of five cases falling within this range, three (60%) were direct awards as the Service considered no other suppliers could meet the requirement, one was part of a Dynamic Purchasing Arrangement, and the other used the Quick Quote facility on PCS to seek quotations, but fewer than four were returned. | | |

In every case reviewed where this was required (six of nine contracts over £50,000), contract notices had been published on PCS. However, two contracts (22%) reviewed in excess of £50,000 had not published an award notice on PCS. Each had either a technical or quotation exemption approved, but this does not dispense with the requirement to publish award notices. Four (44%) award notices were published outside of the 30 day statutory deadline. In the absence of an Award Notice on PCS, and in the event of delays in publication, the Council is in breach of the Procurement (Scotland) Regulations 2016.

Previous compliance issues were identified in Internal Audit report AC2019. Procurement compliance reports were implemented as a result, and are reported quarterly to the Risk Board. CPSS also implemented a check process to ensure notices have been published on PCS as required. However, this only picks up on cases where 1) a contract notice was published in the first instance, and 2) the due date has passed (i.e. a breach has already occurred). The new contracts register system includes the option to add PCS notice references for each contract. Whilst positive there is a risk it will only be used for otherwise compliant cases, and that exceptions will still only be identified after statutory timescales have been breached. Action needs to be taken to ensure contracts can only be entered into after all relevant notices have been published.

### IA Recommended Mitigating Actions

A process should be developed and put in place to ensure that in all necessary instances contract notices are published correctly and within prescribed timescales.

### Management Actions to Address Issues/Risks

*The process established will be reviewed now the new contract register system is in place to identify whether any additional actions/controls can be put in place to mitigate this risk.*

*Commercial and Procurement will work with Finance to develop a reporting tool in PowerBI which shows on/off contract spend against budget (and as part of this identify whether possible to have live updates from the Finance and Contract Register systems – this will provide the ability to further scrutinise contracts and spend in real time. This should support identification of issues at an earlier stage.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| 1.9 | **Tenders and Quotations** – For procurements below £50,000 ACC Procurement Regulations set out that written competitive quotations must be obtained. The Procurement Manual requires a minimum of four quotations be obtained, and recommends that between six and eight suppliers are identified and invited to quote, to reduce the risk of fewer than four responding, to ensure effective competition is evidenced. | | |

In three of the five cases (60%) reviewed below £50,000, officers had noted it was not possible to seek quotations due to there being no other suppliers for the goods/service required. If less than four quotations are received, then a "Non-competitive action" form

| Ref | Description | Risk Rating | Major |
|---|---|---|---|

(NCA) is required to be submitted to the Chief Officer and Head of CPSS for consent to proceed. CPSS do not keep records of approvals/dispensations – reliance is placed on procuring officers to retain these. One of the three procurements was not supported by this form, reducing assurance over planning and agreement to accept the risk of non-compliance with procurement rules. All non-competitive action places the Council at risk of not demonstrating it has fully attempted to achieve Best Value. Limiting the pool of potential bids for a contract also presents an increased fraud risk.

For contracts in excess of £50,000, whilst approval may be sought to 'single source' or 'direct award' (see 1.11), where tenders are openly invited and a limited number of bids are received there is no specific requirement to obtain CPSS approval to proceed. For example, in four of the cases reviewed, only one or two contractors bid for the work. Whilst limited bids could be representative of market availability and appetite for the contract, they could also indicate issues with the procurement strategy or process e.g. timing, specification, advertising. There is no formal review independent of procuring officers to confirm whether smaller numbers of bids represent best value.

For regulated procurements with an estimated contract value equal to or greater than £50,000 the Council must comply with provision 29 of the Procurement Reform (Scot) Act 2014. This is reflected in the ACC Procurement Regulations and manual, which require a formal competitive tendering process to be undertaken using the PCS website to advertise contract requirements. Tenders must be received electronically via PCS. Tender evaluations are to be completed by a panel of no less than two members, one of which must be technically qualified in knowledge of the procurement field, and recorded on an Evaluation Matrix template. Weightings are to be used to ensure the most economically advantageous supplier is selected. Upon supplier selection an award letter is issued to the successful supplier and letters issued to unsuccessful suppliers. Procurement legislation provides that all bidders have a right to feedback and a right to challenge decisions on the evaluation process. A written record of the evaluation process should be retained to support this.

Whilst bid evaluations had been completed, this had not always been recorded on the contracts register system. In five cases although officers stated that more had been involved, there was no evidence that more than one panel member had completed the tender evaluation. In one case the standard evaluation matrix was not used, and the selection process was less clear as a result. Having more than one evaluator mitigates against the risk of error or bias. To mitigate the risk of legal action against the Council, evaluations require to be robust, and retained as per legislation requirements.

### IA Recommended Mitigating Actions

a) CPSS should consider rejecting requests to proceed with fewer than four competitive quotations where this is the result of insufficient quotations having been invited.
b) A record should be maintained of all instances where permission has been granted to proceed without the requisite number of quotations. This should be subject to periodic review to identify patterns of behaviour and areas where improvement work should be targeted.
c) A review process should be developed and implemented to confirm whether tender exercises with smaller numbers of bids represent best value, before contracts are awarded.
d) Tender evaluation matrices should include details of officers involved and should be recorded on the contracts register system. Where records indicate evaluations have not been completed by more than one officer, contracts should not be awarded until this has been reviewed.

### Management Actions to Address Issues/Risks

a) *A process for recording exemptions approved will be created/agreed and implemented to allow for periodic review, as part of the process consideration will be*

| Ref | Description | Risk Rating | Major |
|-----|-------------|-------------|-------|

*given to rejecting requests where insufficient quotations have been invited (where such requests are not due to market limitations in terms of number of available suppliers).*
*b) The above process will include the creation of a central record for such requests and the team will review whether there is any opportunity to automate the process.*
*c) The procurement guidance will be supplemented to include information on tender exercises with a smaller number of bids and key points for DPA's to ensure best value.*
*d) The contract register guidance will be updated on mandatory documentation to be uploaded which will include evaluation matrices.*

| Risk Agreed | Person(s) | Due Date |
|-------------|-----------|----------|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Moderate |
|-----|-------------|-------------|----------|
| 1.10 | **Framework Agreements** – Frameworks can provide a compliant procurement route through which specified goods and services can be contracted for, without the need for further full tendering processes. Frameworks are themselves subject to tendering and selection processes, and establish the terms and suppliers who can meet purchasers' requirements during a defined period. Frameworks may be set up by an external central purchasing body (e.g. Scotland Excel) or internally (e.g. individually or in collaboration between Aberdeen City; Aberdeenshire, and Highland Council). They do not themselves create a binding contract to supply specified quantities or values of goods and services: they set the terms under which such contracts may be entered into. | | |

Where it is intended to procure goods and services available through a framework, it will first need to be reviewed by CPSS to confirm it is appropriate and in line with legislation. It can then be formally 'adopted' and reflected on the contracts register. Thereafter, call-off contracts will need to be entered into with the suppliers selected to meet the Council's requirements. The rules for selecting suppliers within a framework vary, but typically provide for either a direct award (where this can be justified in line with internal procurement governance requirements) or a 'mini-competition' (where suppliers within the framework bid to win the contract, and a framework-defined selection process is applied).

ACC Procurement Regulations state that call-off contracts from a framework in excess of £10,000 require to be recorded on the contracts register system, with a clear link to the "framework master" record. However, this was not the case in two of seven cases (29%) where a framework had been referenced. Award letters had also not been produced in these instances – with individual Purchase Orders raised instead. Procurement guidance indicates that individual orders of under £10,000 do not require a separate call-off contract to be registered. However, in these instances there were orders over £10,000, and the guidance does not specify what to do in the event that multiple orders of less than £10,000 exceed this limit in aggregate – which would indicate a more substantial contract should have been let. There is a risk that without adequate guidance with a requirement to register all framework expenditure, call-off contracts will not be correctly recorded, impacting on procurement planning and compliance.

In another two instances (29%) there was no evidence of the referenced frameworks having been formally adopted by the Council prior to their utilisation. If frameworks have not been reviewed and formally adopted prior to entering into contracts, then in addition to failure to meet internal governance requirements, there is a risk to the Council if the terms and conditions are incompatible or do not meet its needs.

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | **IA Recommended Mitigating Actions** | | |
| | CPSS should develop and implement controls to ensure that frameworks cannot be used until their adoption has been confirmed; relevant call-off contracts have been entered into, following appropriate competition or approved justifications for direct awards; and the call-off contracts with each individual supplier for which approval to spend has been granted have been added to the contracts register system. <br><br> The requirements should be clarified in procedures and guidance to avoid ambiguity over the circumstances in which this should apply. | | |
| | | | |
| | *Further guidance will be developed around the use of frameworks for delegated procurers, assessment of current process to identify whether there are any areas where controls could be automated are to form part of the review mentioned in the management response.* | | |
| | **Risk Agreed** | **Person(s)** | **Due Date** |
| | Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| 1.11 | **Direct Awards** – In specified circumstances it may be appropriate to single source or 'direct award' a contract without competition. Procurement legislation allows this in exceptional circumstances where for specified reasons there is only one suitable source of supply, and that these reasons must be kept under review. The Council's Procurement Regulations provide for such cases where there is adequate justification, and confirmation from the Head of CPSS that there are grounds for permitting a Direct Award in line with the procurement legislation. The Head of CPSS is required to maintain a register of such approvals. However, there is no such register. Details are however, generally, retained in the contracts register system. | | |

Directly Awarded Contracts

As part of the review, the following was identified:

- 152 of 481 contracts (32%) were directly awarded without competition.
  - This includes 31 'high value' contracts (over £175,000).
  - Due to variations in how contract values are recorded on the system it is not possible to identify the proportion of procurement spend that has been directly awarded.
- 10 of 481 contracts (2%) were awarded under an exemption or dispensation from the requirement to obtain competitive quotations.
  - As not all contracts are recorded on the register (see 1.4), the actual proportion is likely to be higher.

Three of the 18 cases reviewed (17%) had contracts which had been directly awarded without competition. Relevant forms and approvals were in place for each. However, the process for determining whether such approval should be granted by CPSS, and specific justifications, are not documented. This weakens assurance that all relevant considerations have been applied, and that such procurement is compliant (or that due regard has been given to the risks of non-compliance).

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| | Framework Agreements | | |

Where a framework agreement is in place, this can specify that a Direct Award call off is a compliant procurement route. This was the case for a further three contracts within the audit sample, and the contracts register indicates 28% (134 contracts, 20% 'high value') of contracts are categorised as 'call off' from a framework. Whilst technically compliant, there is limited justification being recorded for selection of a specific supplier within frameworks. The ability to single source within a framework means end users are not having to justify selection at the point of purchase. Without a detailed assessment of whether they offer the most economically advantageous option at the time contracts were entered into, there is a significant risk to demonstrating and delivering Best Value.

**IA Recommended Mitigating Actions**

CPSS should record justifications for each non-competitive action, with explicit reference to relevant sections of the legislation.

The prevalence of direct awards without competition should be reviewed to ensure there is continued sound justification in every case.

**Management Actions to Address Issues/Risks**

*A process for recording exemptions approved will be created/agreed and implemented to allow for period review.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | December 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.12 | **Purchase Orders and Payments** – ACC Procurement Regulations, and Financial Regulations state that: | | |

*"No supplies, services or works shall be ordered or instructed except on an official order form"*, and

*"The order, with the contract references/schedule numbers added, shall be approved by the Director or other authorised signatory".*

There is currently no means of recording contract references in a specific reportable field on the purchase to pay system, to facilitate a complete check that these are being recorded in every instance. Various clusters use alternative systems to raise orders and approve payment, and these also do not record or report on contract references. However, in line with the above internal regulations, references should be recorded.

From a sample of nine orders relating to the sample of expenditure included in Appendix 1, two had no contract to reference, and the remaining seven did not reference the related contract number. This is a breach of ACC Procurement and Financial Regulations, and reduces assurance that all spend is supported by formal contracts, on agreed terms, determined through compliant procurement processes, which will deliver Best Value.

One contract has been paid, in full, up-front for a five-year service. Whilst up-front payment can lock in value, this is a high risk option. Appropriate adjustments have been made to ensure the correct accounting treatment. However, in the event that a supplier can no longer deliver the requirements, it may be difficult to ensure funds are retained to support continuing service delivery.

**IA Recommended Mitigating Actions**

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | All purchase orders, however generated, should have contract reference numbers included. Controls should be implemented to ensure orders cannot be raised without a contract reference. Material up-front payments should be subject to appropriate controls / approvals. | | |
| | **Management Actions to Address Issues/Risks** | | |
| | *Commercial and Procurement will work with Finance to develop appropriate corporate messaging, there are limitations around controls as the system does not have an option for a mandatory contract reference field.* | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Strategic Commercial Manager | December 2024 |

# 4 Appendix 1 – Sample Findings

## 4.1 Issues and recurring themes

The following risks were identified in respect of a sample of procurement activity reviewed as part of this audit:

| Expenditure Level | Supply or Service | Identified Risk Areas |
|---|---|---|
| £10k - £50k | Cycle Training | Non-competitive action (single sourced). Exemption form completed.<br><br>No documented business case. |
| £10k - £50k | Environmental Health Software | Non-competitive action (single sourced). Exemption form completed.<br><br>Single year renewal for a long running system.<br><br>No contract award letter. |
| £10k - £50k | Engineering Consultancy | Contract extended through direct award to existing supplier.<br><br>Non-competitive action (single sourced from a framework). No exemption form. |
| £10k - £50k | Fireworks | Fewer than four quotations invited and returned. No exemption form.<br><br>No documented business case. |
| £10k - £50k | School Transport Service | Part of a Dynamic Purchasing System.<br><br>PCS award notice published after deadline. |
| £50k+ | Cleaning Contract | Open tendering as part of a framework, limited number of bids for this Lot.<br><br>No contract registered. Included in a framework but not called off. |
| £50k+ | Day Education | Direct award (Social Care exemption).<br><br>Contract approved retrospectively. |
| £50k+ | Email Filtering Software | Non-competitive action (single sourced from a framework). Exemption form completed.<br><br>No evidence of framework adoption.<br><br>No documented business case.<br><br>Single year renewal for a long running system.<br><br>Previously presented as a business case to Committee as a three year contract.<br><br>No PCS award notice published.<br><br>No contract award letter. |

Internal Audit

| Expenditure Level | Supply or Service | Identified Risk Areas |
|---|---|---|
| **£50k+** | Event Management | Open tendering, limited number of bids. Price / Quality ratio varied between approved business case and invitation to tender (NB evaluation was on the basis advertised) PCS award notice published after deadline. |
| **£50k+** | Specialist Waste | No contract. No procurement planning or contract notices. Non-competitive action (single sourced). No indication of CPSS approval. |
| **£50k+** | Libraries Management Software | Non-competitive action (single sourced from a framework). No evidence of framework adoption. |
| **£50k+** | Music Lesson Software | Non-competitive action (single sourced). Technical Exemption form completed. As a technical exemption, the contract was awarded prior to this being notified to Committee. No PCS award notice published. Five year contract, paid up-front. |
| **£50k+** | Outdoor Learning | Non-competitive action (single sourced). Regular spend but no contract registered for 2023/24. A new direct award is being proposed for 2024/25. Single year renewal for a long running requirement. |
| **£50k+** | Road Haulage | No contract. No procurement planning or contract notices. Non-competitive action (single sourced). No indication of CPSS approval. |
| **£50k+** | Scaffolding | Open tendering as part of a framework, limited number of bids for this Lot. No contract registered. Included in a framework but not formally called off. Contract value exceeds approvals by over £100k. |
| **£50k+ > National Threshold** | Skip Hire | Open tendering, limited number of bids. Contracts register value exceeds Committee approved value: Spend not aggregated and planned effectively across the Council – various overlapping business cases and Committee approvals over several years from different Clusters. PCS award notice published after deadline. |

| Expenditure Level | Supply or Service | Identified Risk Areas |
|---|---|---|
| **£50k+**<br><br>**> National Threshold** | Street Lighting | No contract.<br><br>No procurement planning or contract notices.<br><br>Non-competitive action. The supplies were originally part of a contract let to another supplier through open tendering (though there were limited bids). The cluster identified a savings opportunity through obtaining a quotation from the manufacturer, after the original contract for supply, installation and management had been agreed. No indication of CPSS consultation or approval.<br><br>The supplier is on a framework, but there is no evidence of its adoption by ACC. |
| **£50k+**<br><br>**> National Threshold** | Waste Bags | Mini-competition quick quotes from a framework.<br><br>Award notice contract reference incorrect.<br><br>PCS award notice published after deadline.<br><br>Unsuccessful tenderers notified before Chief Officer approval recorded.<br><br>Contract value exceeds approvals by over £100k.<br><br>Contract value exceeds value included in the contracts register. |

# 5 Appendix 2 – Assurance Terms and Rating Scales

## 5.1 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 |
|---|---|
| Strategic | This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level. |
| Directorate | This issue / risk level has implications at the directorate 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 directorate. |
| Service | This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service. |
| 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. |

# 6 Appendix 2 – Assurance Scope and Terms of Reference

## 6.1 Area subject to review

Aberdeen City Council made payments of over £800 million to external bodies in 2022/23. Where this includes the procurement of goods, services and works, legislation and internal rules and regulations set out specific requirements which must be complied with in order to meet the Council's legal obligations, and provide assurance over Best Value in procurement.

The Council's Financial Regulations require that all purchasing and orders for supplies, services and works must be undertaken in accordance with the Council's Procurement Regulations. The Procurement Regulations refer to the Council's Procurement Manual for certain matters including the required procedural detail to ensure Best Value is obtained e.g. quotation and tender requirements.

The Council's Procurement Regulations require workplans with supporting business cases to be submitted by each Function to the Head of Commercial and Procurement Shared Services (C&PSS) for Committee approval, prior to the commencement of each financial year, for all contracts to be procured in the coming year, with a Contract Value of £50,000 or more for supplies and services, or £250,000 or more for works. When determining the contract value, the Council's Procurement Regulations require the Delegated Procurer to consider the aggregate value of the particular requirement for supplies, services or works across the whole Council.

Procurements shall only be undertaken by Delegated Procurers who have been designated as such by the Head of C&PSS and who hold relevant Delegated Procurement Authority (DPA), meaning the officer concerned has completed the necessary DPA training and authority to procure has been granted by the Head of C&PSS as demonstrated by being included on the C&PSS Delegated Procurer register.

## 6.2 Rationale for review

An internal audit of procurement compliance was completed in September 2020 (AC2019) with recommendations based on risk gradings of major and significant.

C&PSS reported to the Risk Board in June 2021 stating 3 major recommendations had been closed off and new monitoring processes and reporting arrangements had been put in place to identify gaps and issues with compliancy.

In May 2022 internal audit completed a cross-service report on "Procurement Compliance Controls Support" with the objective of supporting the C&PSS in developing its approach to improving compliance with procurement requirements.

The consultation identified areas of weakness regarding:

1. Delegated Procurement Authority training from low completion rates to technical glitches with the training material.

2. Availability of reports to Delegated Procurers whilst procurement planning to avoid "off-contract" expenditure.

From the support, suggestions, discussions with internal audit, C&PSS intended to review the Procurement manual and training available and consult with clusters on reporting arrangements to ensure compliancy.

The objective of this audit is to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations.

## 6.3 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.

### 6.3.1 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:

- Procurement governance
- Procurement training
- Procurement planning
- Publication of procurement opportunities (Public Contracts Scotland)
- Contracts register and procurement documentation.
- Purchase orders
- Management reporting and action

## 6.4 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.

## 6.5 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)

## 6.6 IA staff

The IA staff assigned to this review are:

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

## 6.7 Council key contacts

The key contacts for this review across the Council are:

- Gale Beattie, Director, Commissioning.
- Craig Innes, Head of Commercial & Procurement Services.
- Melanie Mackenzie, Strategic Commercial Manager (**process owner)**
- Vikki Cuthbert, Chief Officer (interim), Governance.
- Jenni Lawson, Chief Officer (interim), Governance.
- Jonathan Belford, Chief Officer, Finance.

## 6.8 Delivery plan and milestones

The key delivery plan and milestones are:

| Milestone | Planned date |
|---|---|
| Scope issued | 01-Dec-2023 |
| Scope agreed | 08-Dec-2023 |

| Milestone | Planned date |
|---|---|
| Fieldwork commences | 18-Dec-2023 |
| Fieldwork completed | 22-Jan-2024 |
| Draft report issued | 09-Feb-2024 |
| Process owner response | 01-Mar-2024 |
| Director response | 08-Mar-2024 |
| Final report issued | 15-Mar-2024 |

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ABERDEEN CITY COUNCIL

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Report AC2414 – Social Care Financial Assessments |
| REPORT NUMBER | IA/AC2414 |
| 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 Social Care Financial Assessments.

## 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 Social Care Financial Assessments.

## 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 AC2414 – Social Care Financial Assessments

## 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 Social Care Financial Assessments

**Status:** Final
**Date:** 24 July 2024
**Risk Level:** Function

**Report No:** AC2414
**Assurance Year:** 2023/24

| 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** |

| Report Tracking | Planned Date | Actual Date |
|---|---|---|
| Scope issued | 17-Nov-23 | 17-Nov-23 |
| Scope agreed | 24-Nov-23 | 24-Nov-23 |
| Fieldwork commenced | 18-Dec-23 | 18-Dec-23 |
| Fieldwork completed | 09-Feb-24 | 27-May-24 |
| Draft report issued | 23-Feb-24 | 03-Jun-24 |
| Process owner response | 15-Mar-24 | 10-Jul-24 |
| Director response | 22-Mar-24 | 24-Jul-24 |
| Final report issued | 29-Mar-24 | 24-Jul-24 |
| AR&S Committee | 26-Sep-24 | |

| Distribution | |
|---|---|
| Document type | Assurance Report |
| Director | Fiona Mitchelhill, Chief Officer – Health and Social Care Partnership |
| Process Owner | Kenny Low, Chief Finance Officer (HSCP) |
| Stakeholder | Nicola McLean, Acting Chief Social Worker (Adults) |
| | Fraser Bell, Chief Operating Officer (HSCP)* |
| | Jonathan Belford, Chief Officer – Finance (Council)* |
| *Final only | Vikki Cuthbert, Interim Chief Officer – Governance (Council)* |
| | External Audit* |
| Lead auditor | Rachel Brand, Auditor |

# 1 Introduction

## 1.1 Area subject to review

Aberdeen City Health and Social Care Partnership (ACHSCP) aims to help people live at home independently, safely, and for as long as possible. To help to continue to be able to provide services to people with a range of needs, they are asked, if they can afford it, to contribute towards the cost of certain aspects of their care and support services. Local authorities are empowered by statute to make decisions about charging for non-residential community care services provided or arranged under the Social Work (Scotland) Act 1968 and sections 7 and 8 of the Mental Health (Scotland) Act 1984 and other relevant Social Work Legislation and Guidance.

Decisions made in relation to charging are set within the overall context of increasing demand for services as a result of a growing, ageing population with increased incidences of multiple and complex needs and a corresponding reduction in the budget available. ACHSCP are having to provide more services with less money, and are continually reviewing service delivery and practice to try to reduce costs, increase efficiency and achieve best value to avoid increasing the charges to those who use services. Some level of charging is, however, inevitable.

The charging policy was last updated and approved in June 2019, by the City Growth and Resources Committee. The charges for Non-residential care are carefully considered to ensure that they are reasonable for people to pay and they consider the type of service provided and the recipient of the service, the person's ability to meet the cost, and what others in similar circumstances but living in different areas across Scotland are asked to pay. Any charge made will not exceed the actual cost of providing the service. Services include care and support, housing support, warden charges, community alarms and day care.

Charges for residential services are made in accordance with the national Charging for Residential Accommodation Guide (CRAG). Ability to pay is determined through a financial assessment of each service user's income, capital and assets, and specified outgoings, completed by a dedicated Support Team within Finance.

During 2022/23 the cost of providing social work services was £139.7 million, and £12.3 million of contribution towards the cost of this care was received from service users. For 2023/24 costs are budgeted at £143.1 million and income at £13.6 million.

The ability of a service user to pay for Non-residential care is determined by a financial assessment of their income, capital, and specified outgoings, completed by a dedicated Support Team within Finance. Similarly, service users who require full time Residential care are assessed on their ability to pay (typically weekly Care Home fees) through an examination of their weekly income and any capital held, which can also include ownership of property.

## 1.2 Rationale for the review

The objective of this audit is to obtain assurance that adequate arrangements are in place to undertake social care financial assessments in an accurate and efficient manner, with a focus on the systems used. If these processes are not followed correctly, there is increased potential for service users being charged incorrectly, presenting a financial and reputational risk. Under-recovery presents an additional financial strain on ACHSCP resources. Over-recovery presents a risk to potentially vulnerable service users.

An audit in this area was last carried out in 2017/18, with the main recommendations focused on improving guidance and record keeping, and ensuring full financial checks are being carried out and documented.

## 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 |
|---|---|
| **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 **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the Council's arrangements for completing social care financial assessments.

The Non-Residential Charging Policy: "Contributing to your care", was agreed by the Council (City Growth and Resources Committee) on 6 June 2019, updating a previously approved policy from 2015 which had not been implemented pending health and social care integration. The 2019 Policy, which was to be implemented from 1 July 2019, is published on the Health and Social Care Partnership's website, and sets out defined methods of calculating required contributions to the cost of service users' care. However, this Policy has not been implemented in practice. The Service has referenced the impact of COVID-19 (March 2020 onwards) and implementing a new Care Management System (October 2022), and bases current practice on Policy originally determined in 2011, amended for changes in costs and benefits. The Service commenced a review of charging policy implementation in November 2023 with a view to implementing further agreed charges, developing training and practice to support its application, and to update the Policy again to reflect current requirements. It is intended to report to the Finance and Resources Committee in August 2024 with a proposed new Non-Residential Charging Policy. In the interim, and since July 2019, service users continue to be charged based on historic practices rather than published policy. There is a risk this will have an unintended impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation.

The implementation of a new Care Management System in October 2022 was a major shift in working practices and development of the system functionality has continued since then, with further development planned. Whilst there are generic practical procedures, and controls built in to the system, there are only limited notes on local application, reducing assurance over the application of internal controls throughout the process. The small size of the financial assessment team presents risk to consistent application of working practices in the event of changes. Procedures and training for Social Care practitioners supporting service users in the completion of application forms are still under development, presenting a risk of inconsistent application.

As part of its budget approved in March 2024, the Integration Joint Board agreed a saving of £1.5 million related to clearing a backlog of financial assessments. Additional staff resource has been identified to address this. At the time of the audit, data indicated there were 996 overdue assessments. Whilst this is being tracked, further data was not available to assist in prioritising this workload. The Service has noted this has increased to 1237, including 248 non-residential and 989 residential assessments.

Although calculations are largely carried out by the System itself, reducing the risk of manual error, this is wholly reliant on the accuracy of the data input. Variations between application form data and system

records indicate there are further calculations and adjustments being completed prior to data entry. These further calculations, and the sources of further information, are not being retained along with other supporting documentation on the system. Adjustments are being made regularly to change the values recorded on the system, to effect a desired outcome (e.g. to apply anticipated changes to allowances or capital values in advance, to avoid having to re-perform another assessment in the short term.) Whilst in individual instances the impact would have been minimal, it means a different threshold is being applied to that required, and accurate data is not being recorded. If this is occurring regularly, the financial impact may be more material, and it impacts on transparency and equitable treatment. Given that the Charging Policy being applied does not match what has been published it is unlikely that service users or their representatives will be able to independently confirm the accuracy of what they are being charged.

Recommendations have been made to implement and consistently apply the agreed Charging Policy, seeking formal approval for any changes; to develop and implement written procedures clarifying the key controls to be applied; to set priorities for addressing overdue assessments; and to ensure all supporting evidence is reviewed and retained.

## 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 | **Charging Policy** – The latest version of the Non-Residential Charging Policy: "Contributing to your care", was agreed by the Council (City Growth and Resources Committee) on 6 June 2019, updating a previously approved policy from 2015 which had not been implemented pending health and social care integration. The 2019 Policy is published on the Health and Social Care Partnership's website, and sets out defined methods of calculating required contributions to the cost of service users' care. It was agreed it would be implemented from 1 July 2019. However, this Policy has not been implemented in practice. The Service has referenced the impact of COVID-19 (March 2020 onwards) and implementing a new Care Management System (October 2022), and bases current practice on Policy originally determined in 2011, amended for changes in costs and benefits.<br><br>The Service commenced a review of charging policy implementation in November 2023 with a view to implementing further agreed charges, developing training and practice to support its application, and to update the Policy again to reflect current requirements. It is intended to report to the Finance and Resources Committee in August 2024 with a proposed new Non-Residential Charging Policy. In the interim, and since July 2019, service users continue to be charged on a different basis from | Y | **Major** | 10 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | agreed and published policy. There is a risk this will have a detrimental impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation. | | | |
| 1.2 | **Written Procedures** – Following implementation of a new Care Management System in October 2022, procedures and their application are still under development. Processes are reliant on existing staff knowledge of how the process should operate and from where information should be obtained: there are no formal written procedures.  With the exception of generic procedures and controls built in to the system, this provides limited assurance over the consistent application of internal controls throughout the process.<br><br>Service users are supported by their Social Care Practitioner to complete financial assessment application forms.  The Practitioner is also involved in confirming the accuracy of the content.  Written procedures and training to provide this support are still under development, reducing assurance that responsibilities are clearly understood, and that the process is being applied consistently. | Y | **Major** | 11 |
| 1.4 | **Supporting Records** – Calculations are largely carried out by the System itself, reducing the risk of manual error.  However, it is evident there are further calculations and adjustments being completed prior to data entry.  These further calculations, the sources of further information, assumptions and reviews to confirm values included in applications are accurate and reasonable, are either not being completed, or are not being retained along with other supporting documentation on the system.  This, in addition to resource availability within the Service, led to delays in obtaining responses and explanations for audit enquiries.<br><br>Adjustments are being made regularly to change the values recorded on the system, to effect a desired outcome (e.g. to apply anticipated changes to allowances or capital values in advance, to avoid having to re-perform another assessment in the short term.)  Whilst in individual instances the impact would have been minimal, it means a different threshold is being applied to that | Y | **Major** | 13 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | required, and accurate data is not being recorded. If this is occurring regularly, the financial impact may be more material, and it impacts on transparency and equitable treatment.<br><br>Given that the charging policy being applied does not match what has been published it is unlikely that service users or their representatives will be able to independently confirm the accuracy of what they are being charged. It is therefore essential there are sufficient checks, controls, supporting records and explanations on file to provide assurance to service users and management that the basis of charges is appropriate. | | | |

## 2.4   Management response

*This report draws attention to the challenges and weaknesses that exist in the consistency and transparency of our processes for financially assessing the ability of service users to pay for adult social care services. A number of the recommendations were already being progressed, including preparation for the revision of the non-residential charging policy, which will be presented to the Finance & Resources Committee in August 2024. The recommendations also offer the opportunity for the Health & Social Care Partnership and Council to improve working practices, procedures and processes as well as consider the organisational structure and whether this is supporting the best outcomes for service users and the organisation.*

*The recommendations are agreed as being necessary and the Health & Social Care Partnership and Council will actively pursue the actions required to make the improvements needed.*

# 3 Issues / Risks, Recommendations, and Management Response

## 3.1 Issues / Risks, recommendations, and management response

| Ref | Description | Risk Rating | Major |
|-----|-------------|-------------|-------|
| 1.1 | **Charging Policy** – For Residential care homes, the Health and Social Care Partnership has adopted and applies national Charging for Residential Accommodation Guidance (CRAG). Content and associated rates are updated annually. | | |

The latest version of the Non-Residential Charging Policy: "Contributing to your care", was agreed by the Council (City Growth and Resources Committee) on 6 June 2019, updating a previously approved policy from 2015, which had not been implemented pending health and social care integration. The 2019 Policy is published on the Health and Social Care Partnership's website, and sets out defined methods of calculating required contributions to the cost of service users' care. It was agreed it would be implemented from 1 July 2019. However, this Policy has not been implemented in practice. The Service has referenced the impact of COVID-19 (March 2020 onwards) and a new care management system (October 2022), and bases current practice on Policy originally determined in 2011, amended for changes in costs and benefits. Charges and allowances are generally up-rated for inflation annually, with a small number of charges set as part of the Council's annual budget setting process.

The Service commenced a review of charging policy implementation in November 2023 with a view to implementing further agreed charges, developing training and practice to support its application, and to update the Policy again to reflect current requirements. It is intended to report to the Finance and Resources Committee in August 2024 with a proposed new Non-Residential Charging Policy. Whilst this represents positive action, the Service track record for implementing charging policy since 2015 remains a concern. In the interim, and since July 2019, service users continue to be charged on a different basis from agreed and published policy.

Key policy commitments including: charges being based on the lower of a maximum of 67% of available income, or 70% of the cost of care provided; and quarterly reconciliations to avoid and adjust for over- or under-contributions, were never implemented. Under the Council's Scheme of Governance, officers do not have delegated powers to set aside implementation of agreed policy. There is a risk this will have a detrimental impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation.

### IA Recommended Mitigating Actions

The Service should ensure agreed Policy is implemented fully and timeously. Any proposed changes to Policy will require to be subject to consultation, an updated Integrated Impact Assessment, and Committee approval. A timetable for resolution should be agreed with the Integration Joint Board and relevant Council Committee, and subsequent reviews should be scheduled.

### Management Actions to Address Issues/Risks

*Following the approval of the non-residential charging policy in 2019, the operating environment for Health and Social Care changed dramatically with the Covid pandemic impacting priorities and resources. The implementation of the policy relied on resources being directed to secure the necessary data and put in place the processes required. This resource allocation was not possible and the Health and Social Care Partnership having recognised the situation and mismatch that exists between policy and practice has been actively putting in place a revised policy. This policy has been prepared for approval by the Finance and Resources Committee on 7 August and will enable a policy that is clear to*

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| | *implement and can be understood by clients and carers. The proposed policy states that it will be reviewed annually. Accordingly it is referred to in the Health and Social Care Partnership's Budget Setting Pathway to ensure that there is an active review during quarter 1 of each financial year.* | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | H&SCP Chief Finance Officer and Service Manager | August 2024 |

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| 1.2 | **Written Procedures** – Following implementation of a new Care Management System in October 2022, procedures and their application are still under development. Whilst there are system operating manuals, and outline notes on practical application (i.e. 'how to' guides for specific tasks), these are reliant on existing staff knowledge of how the process should operate and from where information should be obtained; there are no formal written procedures. With the exception of controls built in to the system, this provides limited assurance over the application of internal controls throughout the process. In the event of changes within the financial assessment team, for example new and/or temporary staff brought in to address a backlog of assessments, this could also present risks to consistent application.

Service users are supported by their Social Care Practitioner to complete financial assessment application forms. The Practitioner is also involved in confirming the accuracy of the content. Written procedures and training to provide this support are still under development, reducing assurance that responsibilities are clearly understood, and that the process is being applied consistently. A baseline staff survey carried out by the Service indicated a need for more information, support and training. This is being progressed as part of a Short Life Working Group.

The forms do not include all information required to complete an assessment. For example: the Residential application only requests information on capital disposed of in the previous six months, yet in practice the Service requests bank statements going back 12 months, and may consider assets going back several years.

There is reference to the Council making use of information provided to prevent and detect fraud on the Residential application form, but not on the Non-Residential application form. However, the responsibilities of applicants for financial assistance, and the potential consequences of providing incorrect information, or failing to provide complete information, are not clearly set out on the application forms – i.e. that this could be considered and treated as attempted fraud. In practice, assessments and charges are revised in light of new information, backdated to the point at which they should have changed – but unless this is identified as part of the assessment process, this generally relies on service users volunteering this information. There are no periodic checks on income, expenditure, and levels of capital.

Whilst applications are being processed on the new care management system, supporting records including the application form itself are completed manually. There may be scope for efficiencies and improved accuracy if more of the process could be automated or moved online. |  |  |
| | **IA Recommended Mitigating Actions** | | |
| | The Service should document the procedures and internal controls to be applied. | | |
| | Opportunities to improve the forms and efficiency of the process should be explored. | | |

| Ref | Description | Risk Rating | Major |
|---|---|---|---|

**Management Actions to Address Issues/Risks**

*This recommendation provides the opportunity for management to look at the process and procedures for completing the financial assessments for both residential and non-residential care situations. This should include consideration of the relationships between Social Care and Finance staff and look at a staffing business case to bring the tasks and activities closer together within the Health & Social Care Partnership. Improvement of forms and data collection will be reviewed and included in system development priorities.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | H&SCP Chief Finance Officer | December 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

**1.3**

**Overdue Assessments** – As part of its budget approved in March 2024, the Integration Joint Board agreed a saving of £1.5 million related to clearing a backlog of financial assessments. Additional staff resource has been identified to address this. At the time of the audit, the Service was able to provide a report that identified 996 overdue assessments. The Service has noted this has increased to 1237, including 248 non-residential and 989 residential assessments. Although this is being tracked, limited further data is available to assist in prioritising this workload (e.g. there is no indication of how long each case has been overdue, or what value of charge is currently being paid).

Four out of ten residential cases reviewed as part of the audit (40%) had an assessment application on file, but this had not yet been used to update the system and charges.

Residential service users are typically placed on a 'manual banding' or standard charge pending assessment. Until they have been assessed / reassessed, service users may be paying more or less than they are required to contribute towards their care. There is a risk this will have a detrimental impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation. Balances may accrue and require to be recovered or repaid, requiring further administration, and presenting a risk of non-recovery.

**IA Recommended Mitigating Actions**

The Service should set priorities for completing overdue assessments.

Processes should be reviewed to ensure assessments can be completed timeously, within available resource.

**Management Actions to Address Issues/Risks**

*Monitoring of the finance team activity is ongoing with a monthly report being created to highlight backlog / accrual amount / volume of variations / volume of cancellations of care related to finance. The report had been requested and built pre audit response being shared. Through activity by the Charging Policy Short Life Working Group (SLWG), a consensus has been reached re areas for improvement and where there are opportunities for working more collaboratively to streamline systems and tackle any anomalies. These priorities and progress will be documented.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | H&SCP Chief Finance Officer | September 2024 |

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| 1.4 | **Supporting Records** – As part of this audit, a sample of ten Residential and ten Non-Residential service users for whom recent assessments had been carried out was reviewed. | | |

Calculations are largely carried out by the system itself, reducing the risk of manual error. However, it is evident there are further calculations and adjustments being completed prior to data entry, as discussed below. These further calculations, and the sources of further information, are not being retained along with other supporting documentation on the system. This, in addition to resource availability within the Service, led to delays in obtaining responses and explanations for audit enquiries.

We were unable to fully confirm that information included in an application for financial support (for either Residential or Non-Residential care) is reviewed for accuracy and reasonableness in advance of processing, or that other sources of data have been used.

Residential

- Practitioners are required to record on the application form that they have viewed supporting evidence. In three of five cases where a new application form was on file and required this, it had not been completed.
- One of 10 Residential applications (10%) omitted to include previous address details.
- For one of the Residential samples selected, the value of capital was recorded as £1 less than the threshold amount, meaning they pay less towards their care. The Service confirmed that their actual capital was just above the threshold, but that in such cases they change the amount to be below the threshold as the amount would quickly go below the threshold and require a second assessment to be carried out. Whilst in this instance the impact would have been minimal, it means a different threshold is being applied to that required, and accurate data is not being recorded. If this is occurring regularly, the financial impact may be more material, and it impacts on transparency and equitable treatment.
- The Service carries out benefits and pensions checks using available systems, and retains copies of these on file. However, where it had been completed the details did not always fully match between this, application forms, bank statements and other records (where these were held on file), and there are no supplementary explanations held on file. Six of ten Residential cases (60%) reviewed did not have this check on file.

Non-Residential

- Two of 10 Non-Residential cases (20%) had no application form held on file at all.
- Practitioners are required to record on the application form that they have viewed supporting evidence, but this is only the case for new assessments (i.e. it is not checked at re-assessment). The requirement and responsibility of the social worker in respect of accuracy, and appropriate sources of information, is not clearly set out on the forms.
- The Service carries out benefits and pensions checks using available systems, and retains copies of these on file. However, where it had been completed the details did not always fully match between this, application forms, bank statements and other records (where these were held on file), and there are no supplementary explanations held on file. Three of 10 Non-residential cases (30%) reviewed did not have this check on file.
- The Service does not request bank statements for Non-Residential applications, as it considers there is no basis for requesting this information. However, without it, it will be impossible to determine whether the information provided on the application form (e.g. available capital, income streams, regular outgoings) is accurate.

| Ref | Description | Risk Rating | Major |
|---|---|---|---|

- Allowances for rent and insurance costs do not always match what has been stated on the financial assessment application form.
  - In three of 10 Non-Residential cases (30%), the amounts applied on the system did not match the information provided on the application. Further records to explain or evidence these adjustments were not available.
  - For example in one case, an application stated rent: £114.92, insurance £23.65, council tax £24.92, but the assessment is based on £77.72, £1.56, and £26.17 respectively.
  - The Service has stated that adjustments may be made including e.g. deduction of heating where this has been combined with rent; and a 10/12ths adjustment for Council tax being paid over ten months. Such adjustments / assumptions, and the supporting evidence for the figures used, are not recorded, and are not reflected in written procedures (see 1.2).
- A standard 'personal allowance' is set on the system to disregard a minimum amount of income to cover daily living costs. At the time of the audit, the agreed value of this allowance had changed (from £228 to £252), but the system had not been updated to automatically apply the change. Instead, in two of ten Non-residential cases (20%), adjustments have been made to apply other allowances/disregards to 'correct' the personal allowance on the system to match current requirements. In another case, no such adjustment had been made. When the system personal allowance rate is adjusted in future, these disregards will not automatically be disapplied, resulting in inequity between service users, and reduced income to the Service. Reassessments may be required, adding to pressure on resources to address a backlog.
- Where assessments have been delayed, or are updated following a change of circumstances, there may be arrears to be recovered or a balance to be refunded. In one Non-Residential case, this led to a charge greater than the service user's available income according to the system. Whilst calculations are explained in letters sent to the service users, there were no supporting records available to demonstrate that these reflected the circumstances at the time, and had been subject to appropriate review prior to being sent out.

General

- Whilst the Service can check other system records to confirm that Power of Attorney applies in cases where an application has been submitted on behalf of an adult with incapacity, there is no record to confirm this has taken place prior to acting on a submitted request from a third party.

The Service has stated that:
*"In terms of contextualising instances when adjustments are made out with the system, these generally relate to back dated assessments and are calculations to inform the financial contact of money due to be repaid back to Aberdeen City Council. This calculation would be attached to an email along with the letter to the financial contact. If unable to email, then a copy of the letter and calculation will save on the client's record. This information is recorded on D365 notes that can be accessed by Social work staff".*

However, the sources of data used in such calculations were not well recorded in the cases reviewed by Internal Audit. If this information is not retained, or undeclared assumptions have been made, there is a greater risk of errors being made and not identified and corrected timeously.

Given that the Non-Residential charging policy being applied does not match what has been published (see 1.1) it is unlikely that service users or their representatives will be able to independently confirm the accuracy of what they are being charged. It is therefore essential

| Ref | Description | Risk Rating | Major |
|-----|-------------|-------------|-------|

there are sufficient checks, controls, supporting records and explanations on file to provide assurance to service users and management that the basis of charges is appropriate.

Whilst the principles of the Residential charging policy are being applied, the absence of supporting documentation and explanations reduces assurance that it is being applied consistently and correctly to arrive at equitable and accurate charges.

### IA Recommended Mitigating Actions

The Service should ensure supporting evidence, calculations, and explanations are consistently and accurately recorded on the system for both Residential and Non-Residential care. All variations and exceptions should be subject to secondary review and approval.

### Management Actions to Address Issues/Risks

*Financial scenarios presented by service user can be very different therefore each assessment must be carried out on its own merits. There is a high likelihood for bespoke calculations and supporting information to be required when carrying out the assessment. The retention of that information for understanding and explanation is important to the integrity of the service user file. With a small team of staff, consideration of what can be done in respect of secondary reviewing will be have to be carefully undertaken to balance cost and control.*

*The recommendation is agreed, the team will document how additional evidence, calculations and explanations is to be retained and implemented by members of the team.*

| Risk Agreed | Person(s) | Due Date |
|-------------|-----------|----------|
| Yes | ACC Finance Controls Manager | December 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 w hole. 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 w ithin 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 review ed. 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, w ith 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 w ere identified, w hich may put at risk the achievement of objectives in the area audited. | Reasonable |
| Major | Significant gaps, w eaknesses 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, w eaknesses 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 w ithin a 12 month period. |
| Moderate | An element of control is missing or only partial in nature. The existence of the w eakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken w ithin a six month period. |
| Major | The absence of, or failure to comply w ith, 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 w ithin 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 w ill 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 Scope and Terms of Reference

## 5.1 Area subject to review

Aberdeen City Health and Social Care Partnership (ACHSCP) aims to help people live at home independently, safely, and for as long as possible. To help to continue to be able to provide services to people with a range of needs, they are asked, if they can afford it, to contribute towards the cost of certain aspects of their care and support services. Local authorities are empowered by statute to make decisions about charging for non-residential community care services provided or arranged under the Social Work (Scotland) Act 1968 and sections 7 and 8 of the Mental Health (Scotland) Act 1984 and other relevant Social Work Legislation and Guidance.

Decisions made in relation to charging are set within the overall context of increasing demand for services as a result of a growing, ageing population with increased incidences of multiple and complex needs and a corresponding reduction in the budget available. ACHSCP are having to provide more services with less money, and are continually reviewing service delivery and practice to try to reduce costs, increase efficiency and achieve best value to avoid increasing the charges to those who use services. Some level of charging is, however, inevitable.

The charging policy was last reviewed in July 2019. The charges are carefully considered to ensure that they are reasonable for people to pay and they consider the type of service provided and the recipient of the service, the person's ability to meet the cost, and what others in similar circumstances but living in different areas across Scotland are asked to pay. Any charge made will not exceed the actual cost of providing the service.

Services include care and support, housing support, warden charges, community alarms and day care. Charges for residential services are made in accordance with the national Charging for Residential Accommodation Guide (CRAG). Ability to pay is determined through a financial assessment of each service user's income, capital and assets, and specified outgoings, completed by a dedicated Support Team within Finance.

During 2022/23 the cost of providing social work services was £139.7 million, and £12.3 million of contribution towards the cost of this care was received from service users. For 2023/24 costs are budgeted at £143.1 million and income at £13.6 million.

A charging policy, set by ACHSCP, is in operation since July 2019, based on the ability of the service user to pay, as determined by a financial assessment of their income, capital, and specified outgoings, completed by a dedicated Support Team within Finance. Similarly, service users who require full time residential care are assessed on their ability to pay (typically weekly Care Home fees) through an examination of their weekly income and any capital held, which can also include ownership of property.

## 5.2 Rationale for review

The objective of this audit is to obtain assurance that adequate arrangements are in place to undertake social care financial assessments in an accurate and efficient manner, with a focus on the systems used. If these processes are not followed correctly, there is increased potential for service users being charged incorrectly, presenting a financial and reputational risk. Under-recovery presents an additional financial strain on AHSCP resources. Over-recovery presents a risk to potentially vulnerable service users.

An audit in this area was last carried out in 2017/18, with the main recommendations focused on improving guidance and record keeping, and ensuring full financial checks are being carried out and documented.

## 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.

### 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 Policies and Procedures
- Systems
- Non-Residential Financial Assessments
- Residential Financial Assessments

## 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 Committee (final only)
  - External Audit (final only)

## 5.6 IA staff

The IA staff assigned to this review are:

- Rachel Brand, Auditor **(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:

- Sandra MacLeod, Chief Officer – Health and Social Care Partnership
- Paul Mitchell, Chief Finance Officer **(process owner)**
- Claire Wilson, Chief Officer – Social Work - Adults
- Fraser Bell, Chief Operating Officer

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

| Milestone | Planned date |
|---|---|
| Scope issued | 17-Nov-23 |
| Scope agreed | 24-Nov-23 |
| Fieldwork commences | 18-Dec-23 |

| Milestone | Planned date |
|---|---|
| Fieldwork completed | 09-Feb-24[1] |
| Draft report issued | 23-Feb-24 |
| Process owner response | 15-Mar-24 |
| Director response | 22-Mar-24 |
| Final report issued | 29-Mar-24 |

[1] Extended due to holiday period.

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ABERDEEN CITY COUNCIL

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Report AC2422 – Recruitment |
| REPORT NUMBER | IA/AC2422 |
| 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 Recruitment.

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 Recruitment.

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 AC2422 – Recruitment

## 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 Recruitment

**Status:** Final  
**Date:** 06 August 2024  
**Risk Level:** Corporate  

**Report No:** AC2422  
**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** |

| Report Tracking | Planned Date | Actual Date |
|---|---|---|
| Scope issued | 19-Feb-24 | 19-Feb-24 |
| Scope agreed | 26-Feb-24 | 22-Feb-24 |
| Fieldwork commenced | 01-Mar-24 | 01-Mar-24 |
| Fieldwork completed | 29-Mar-24 | 04-Jul-24 |
| Draft report issued | 03-May-24 | 11-Jul-24 |
| Process owner response | 24-May-24 | 25-Jul-24 |
| Director response | 31-May-24 | 06-Aug-24 |
| Final report issued | 07-Jun-24 | 06-Aug-24 |
| Audit Committee | 26-Sep-24 ||

| Distribution ||
|---|---|
| Document type | Assurance Report |
| Director | Andy MacDonald, Director – Customer Services |
| Process Owner | Lesley Strachan, Service Lead – People |
| Stakeholder | Isla Newcombe, Chief Officer – People & Citizen Services |
| | Vikki Cuthbert, Interim Chief Officer - Governance* |
| | Jonathan Belford, Chief Officer - Finance* |
| *Final only | External Audit* |
| Lead auditor | Rachel Brand, Auditor |

# 1 Introduction

## 1.1 Area subject to review

Aberdeen City Council is committed to adopting modern, efficient, flexible, and fair recruitment and selection practices in order to appoint the best possible people who will help ensure quality service delivery to our customers.

Effective recruitment and selection depends upon identifying and selecting individuals with the appropriate level of skills, knowledge, and behaviours and those who will readily identify with the aims and objectives of the Council while making a positive and valuable contribution towards them. This in turn will help to improve staff and customer experience and the use of resources.

The recruitment and selection process also offers an opportunity to promote the Council as an employer of choice. Recruiting managers should aim to enhance the Council's reputation by maintaining a professional approach throughout the process.

## 1.2 Rationale for the review

The objective of this audit is to evaluate the adequacy and effectiveness of internal controls over the recruitment processes. Potential risks in this area include being able to attract, select and retain the right quality of candidates, ensuring only those eligible to work in specific roles are offered employment, and developing the workforce in accordance with strategic plans.

This audit was previously carried out in 2015/16 (AC1601), where a number of recommendations were made across the whole process for improvement. These included: ensuring all PVG checks are carried out prior to starting in post, ensuring procedures and policies are reviewed and kept up to date, ensuring appropriate records are kept for all candidates - whether successful or not, and evidencing authorisations for higher salary gradings.

## 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 |
|---|---|
| **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 **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the adequacy and effectiveness of internal controls over the Council's recruitment processes.

In general there is clear guidance on the required process, which has recently been reviewed and rationalised to more clearly and concisely set out key roles and tasks, and following which should provide assurance over officers meeting relevant obligations in respect of employment legislation relating to recruitment and selection.

Whilst it was not possible to gain full assurance, due to a lack of responses from recruiting managers contacted as part of the audit (14 (47%) did not respond), where responses were provided positive assurance over the application of the process was obtained.

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

- **Employee Files** – The HR Service Centre (HRSC) collates relevant information and documentation into a single file for each employee, known as an employee's personal file. Whilst there are checklists included, covering completion of key recruitment administration tasks, there is no index for each file, and every file was in a different order. This makes it difficult to determine whether files are complete and up to date, without reviewing the entire contents. Within the sample of employee files reviewed there were missing documents. This reduces assurance that all appropriate documents are being correctly completed/obtained and retained, and that all required checks have been carried out during the recruitment process.
- **Recruitment Checklists** – Attached to every employee file is a recruitment checklist that is a record of the recruitment and selection process. This is marked off and dated when each step of the process is completed and any checks required are carried out. The form sets out that if any of the checks are not required, the user should state "N/A" (not applicable) in the relevant column. However, not all checks had been completed meaning it was unclear if the check was not completed or if it was not required. Variations in recording present a risk that not all recruitment checks will have been completed satisfactorily in advance of an employee joining the Council. In the event of an error, this could result in additional cost, and reputational damage.
- **Interviews** – Out of 30 cases reviewed, there was no record of 16 Recruiting Managers (53%) having undertaken the appropriate recruitment and selection training course. In 10 of the cases (33%), none of the panel members, including the Recruiting Manager, if present, had a record of having completed the training course. If there are insufficient suitably trained staff on

interview panels, the quality and consistent application of the recruitment process could be adversely affected. In the event of any issues or challenges regarding the process, this could result in reputational damage, and potential costs.

- **PVG Dispensation** – For regulated work with children or vulnerable adults, PVG (Protection of Vulnerable Groups) membership must be established and record received and checked prior to offering a preferred candidate the job. Failure to do so could result in the Council employing unsuitable staff, putting service users at risk. The Council does however have an agreed temporary dispensation process whereby a Chief Officer (in consultation with the People & OD Manager with Lead responsibility for Disclosure Scotland) may approve a risk assessment for short-term dis-application of this requirement, subject to the application of agreed mitigating controls to avoid service users being placed at risk, pending receipt of the outcome of a PVG check. In one of the cases reviewed, the preferred candidate had a PVG for children, but the new role required a PVG for both children and adults. There were delays obtaining the correct PVG and as of their start date they did not have the correct updated PVG. Although a risk assessment was undertaken, this was not completed and approved prior to the start date.

Recommendations have been made to address the above risks including reviewing the layout of employee files, and administration of checklists, to ensure all required documentation is in place and has been satisfactorily checked (particularly in respect of PVG checks) in advance of employment being confirmed; and ensuring recruitment panels record that they comprise suitably trained staff.

### 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. |
|-----|-------------------------------|-------------|-------------|----------|
| 1.4 | **PVG Dispensation** – For regulated work with children or vulnerable adults, PVG membership must be established and record received and checked prior to offering a preferred candidate the job. Failure to do so could result in the Council employing unsuitable staff, putting service users at risk. The Council does however have an agreed temporary dispensation process whereby a Chief Officer (in consultation with the People & OD Manager with Lead responsibility for Disclosure Scotland) may approve a risk assessment for short-term dis-application of this requirement, subject to the application of agreed mitigating controls to avoid service users being placed at risk, pending receipt of the outcome of a PVG check.<br><br>In one of the cases reviewed, the preferred candidate was an internal employee with PVG membership (children's register), but the new role required a PVG for both children and adults. There were delays obtaining the updated PVG and as of their start date the updated PVG had not been received. Although a risk assessment was undertaken, this was not completed and approved prior to the start date. This means the employee was working in their new role for one week, prior to receipt of the satisfactory PVG check for adults (but did | Y | **Major** | 12 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| | have a valid PVG check for children). The risk was only assessed retrospectively, and not formally signed off by the Chief Officer until four weeks later.<br><br>Whilst in this instance the outcome was ultimately satisfactory, if employees can commence in posts carrying out regulated work prior to receipt of a satisfactory PVG check, and without a risk assessment being completed in advance, there is a higher risk of employing unsuitable candidates, and placing vulnerable service users at risk of harm. | | | |

## 2.4   Management response

*The Service has welcomed the input of Internal Audit in this area and has worked in partnership to identify potential risks and improvement actions. The audit findings have highlighted a number of areas where we can make improvements to our process, and in particular the need to communicate clearly with recruiting managers that even where a candidate is an internal employee of the council, they cannot commence their new role until such time as they have had confirmation from the HR Service Centre that all preferred candidate checks are complete.*

*In addition, the audit has identified a need to review some of the methods used to record stages within the recruitment process and how documentation is stored within an employee's personal file.*

*In terms of the audit findings, and major risk identified, in the PVG Dispensation section (1.4), this was an unusual and isolated case and the risk level was very low (in that a PVG was in place for the employee's current role and any convictions / causes of concern would be known to us as employer). The case relates to an internal employee who's current role involved undertaking regulated work with children and where a PVG check for the children's register was already in place. This employee became the preferred candidate for a role within the Environment team, that would from time to time, involve regulated work with both children and vulnerable adults, and therefore an additional PVG check for the adults register was required.*

*In this case, the recruiting manager had not appreciated that there was a requirement for the additional PVG for the adults register, and made arrangements for the (internal) employee to transfer over to the new role. As soon as this issue was alerted to the HR Service Centre, a risk assessment as part of the agreed Temporary Dispensation process commenced and 7 days later, the PVG check was received.*

*In terms of actions, this case has highlighted that there is a need to reinforce the message to recruiting managers of the need to await confirmation from the HR Service Centre that all preferred candidate checks have been completed before they can proceed to agree a start date / or that they follow the temporary dispensation process in terms of seeking approval to commence an employee in advance of the PVG check being completed. This will be done both by re-enforcing this particular point within the recruitment and selection training for managers, the refresher training and the online module that will be developed, as well as within all the correspondence with managers during the recruitment process.*

*In terms of actions, we accept all the recommendations within the report and will work on providing assurance against these within the agreed timescales as set out within the report.*

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# 3 Issues / Risks, Recommendations, and Management Response

## 3.1 Issues / Risks, recommendations, and management response

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.1 | **Employee Files** - A sample of 30 recruitment exercises concluded in 2024 was reviewed as part of the audit. Documentation was obtained from relevant employee files, and recruiting managers were asked to confirm the process applied during the recruitment process. | | |

The HR Service Centre (HRSC) collates relevant information and documentation into a single file for each employee. Whilst there are checklists included, covering completion of key recruitment administration tasks, there is no index for each file, and every file was in a different order. This makes it difficult to determine whether files are complete and up to date, without reviewing the entire contents.

Within the sample of employee files reviewed there were missing documents. For example:

- Three cases (10%) had no confirmation email from TalentLink attached that the job was approved for advertising *(this confirms Chief Officer, HR, and Finance approval)*.
- Whilst the remaining 27 files included confirmation that the vacancy had been approved, there was no indication of who had approved it. Due to the way in which it is recorded, it was also not possible to review and confirm that all vacancies had received Establishment Control Board (ECB) approval.
- One file (3%) did not have the job application form attached.
- In four cases (13%) no interview details form was attached to the employee file.
- In six cases (20%) no interview assessment form was attached to the file for the successful candidate.
- Two interviews (7%) did not use the standard assessment forms.
- Two (7%) interview assessment forms did not have the names of the panel member/s completing the form recorded.
- One (3%) did not have references attached.
- Two of the cases (7%) had no employment contract attached, and another (3%) only had part of a contract attached.
- Only seven files (23%) held a signed copy of the contract.
- In four of seven cases (57%) where an employee was placed above the first point of the job salary grading, no justification had been recorded.

This reduces assurance that all appropriate documents are being correctly completed/obtained and retained (or correctly disposed of), and that all required checks have been carried out during the recruitment process.

### IA Recommended Mitigating Actions

The Service should review the layout of the employee file, consider the use of an index at the start listing all attached documents, and ensure all required documentation is correctly completed/obtained, retained, and attached to the file.

### Management Actions to Address Issues/Risks

*Whilst the audit has shown above that there were some missing items within the personal file, or incomplete forms, we are confident that checks were in place, but may not have been recorded due to human error. It is fully accepted that there can be improvements made to our processes here in terms of improving the recruitment checklist, noting approval to advertise, and interview documentation and the team will review this as soon as possible.*

Internal Audit

*It should be noted that the vacancy approval process is robust and undertaken within Talentlink and a clear audit trail is contained there, ensuring that vacancies would not be advertised 'live' on the myjobscotland website without approval.*

*In accordance with the audit findings the team will review the recruitment checklist and interview documentation record process to ensure it is accurate and up to date. The HR Service Centre team that undertake recruitment administration will be fully briefed on the revised process and the need to ensure accurate and comprehensive recording for audit purposes.*

*Employee personal files have been held as pdf documents on a shared network drive for some years, since they were moved from manual, hard-copy files. It is fully accepted that this format provides limitations in terms of the ease of searching for information and lack of indexing and structure.*

*In accordance with the audit findings, the team will work with colleagues in Design and Technology to investigate options for how these could better be stored, for ease of access and searchability.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Service Lead - People | 31 December 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.2 | **Recruitment Checklists** - Attached to every employee file is a recruitment checklist that is a record of the process. This is marked off and dated when each step of the process is completed and any checks required are carried out. The form sets out that if any of the checks are not required, the user should state "N/A" (not applicable) in the relevant column. | | |

However, only four of 30 recruitment checklists reviewed had been fully completed. In each of the remaining 26 cases (87%), checks had not been recorded as complete, reducing assurance that they had been completed or were not required. For example:

- Four checklists (17%), out of 23, showed a PVG was required, but these boxes were left blank, so there was no certainty the PVG had been checked.
- For six of 30 checklists (20%), the boxes in respect of required qualifications were blank, and in one instance it had been marked that qualifications were required but there was no confirmation this had been checked.
- In 19 cases (63%), lines had been deleted from the checklist. Whilst it might be assumed this indicated the checks were not required, it could equally be an error. Clear annotation (e.g. noting a check is not applicable) provides more positive assurance that due consideration has been given to the applicability of each check on the list.
- In one case, the file indicated that a formal offer had been sent to the preferred candidate in error, in advance of all recruitment checks being completed.

Ownership of updates to the checklists is demonstrated through application of the users' initials and date of completion. This is not currently recorded for changes / areas determined as not applicable. Recording this would provide more assurance that due regard has been given prior to recording an item as not required.

Variations in recording present a risk that not all recruitment checks will have been completed satisfactorily in advance of an employee joining the Council. In the event of an error, this could result in additional cost, and reputational damage.

**IA Recommended Mitigating Actions**

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | The Service should review and confirm all tasks have been completed, recorded as such, and appropriately documented/evidenced prior to setting up an employee on the system. | | |
| | **Management Actions to Address Issues/Risks** | | |
| | *The recruitment checklist document has not been reviewed for some time and it is acknowledged that team members processing the recruitment are perhaps not completing the form as diligently as possible, in all cases, often due to the need to process the appointment as timeously as possible. In particular, leaving sections blank where a check is not required, rather than stating 'not applicable'.*<br><br>*In accordance with the audit findings, the recruitment checklist document will be reviewed to ensure that it is accurate and up to date, recording all the necessary information required for each step of the recruitment process, and HR Service colleagues will be fully briefed on the need to complete the checklist accurately and fully for audit purposes. In addition, options to host the recruitment checklist within TalentLink (or some other digital solution) will be investigated which would reduce the likelihood of gaps, due to the use of mandatory fields, as well as improving the process overall.* | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Service Lead - People | 31 December 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.3 | **Interview Panel Composition and Training** - Recruiting Managers will complete an interview details form, which has all the details relating to the interview requirements for Business Services to book in on the TalentLink system.<br><br>As noted above, not all files included an interview details form. In one instance (3%) the names on the form were different from those recorded as having completed the candidate interview assessments. In three cases (10%) there were fewer panel members listed than would normally be required for that type of post. This reduces assurance that interviews are being completed by appropriate staff in line with Council requirements.<br><br>The Recruitment and Selection guidance states that the Recruiting Manager should chair the interview panel. Based on the interview details form and interview assessment forms, four cases reviewed (13%) did not have the Recruiting Manager present at the interview. There was no information on file to indicate why this would have been the case, or who had been appointed as chair in the Recruiting Manager's absence. When job advertisements are entered into TalentLink, the person who enters this is recorded as the Recruiting Manager. This was particularly the case in schools, where a member of the Administrative or Support team would enter the job on behalf of the Head Teacher[1]. If there is a facility to record the person creating the advertisement separately from the Recruiting Manager, its use would provide more assurance over the correct workflow.<br><br>The Recruitment and Selection guidance states that all recruiting managers should have completed the Recruitment and Selection Training Course, and it is advised that all panel members undertake the training course, but it is not a requirement. The course covers aspects of equality and diversity that are important in undertaking interviews to ensure everyone is treated fairly and equally during the process. | | |

[1] This is separate from the cases noted above where the Recruiting Manager was not recorded as present

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

Out of the 30 cases reviewed, there was no record of 16 Recruiting Managers (53%) having undertaken the recruitment and selection training course. In 10 of the cases (33%), there were no records of any of the panel members, including the Recruiting Manager, if present, having completed the training course.

If there are insufficient suitably trained staff undertaking key roles on interview panels, the quality and consistent application of the recruitment process could be adversely affected. In the event of any issues or challenges regarding the process, this could result in reputational damage, and potential costs.

Recruitment and Selection training is available through regularly scheduled in-person training sessions, supplemented with some online content and guidance. In addition to those without a training record, instances were identified where panel members had completed training several years previously, or had undertaken it as part of an induction process (e.g. Directors, Chief Officers, or Councillors). As the requirements may have changed in the intervening period, it may be appropriate to offer a refresher course. If there were also the option of taking an online course that can be taken at any time, this might reduce the amount of panel members and Recruiting Managers who attend interviews without having completed the training.

### IA Recommended Mitigating Actions

The Service should ensure an appropriate level of assurance is obtained and documented that recruitment panels are sufficiently composed and adequately trained, prior to interviews taking place.

### Management Actions to Address Issues/Risks

*Whilst it is normal practice for the recruiting manager to chair the interview panel, there may be circumstances where this is not possible. An example may include for teaching or business admin roles, where a number of candidates are interviewed for the same role, with the same job profile, but could be placed in a range of establishments with vacancies.*

*In terms of the audit findings on interview panel composition, these relate to promoted teaching appointments.*

*In terms of the audit findings on training, it should be recognised that although we endeavour to record those who attend the recruitment and selection training, there may be instances where training / 1-2-1 sessions have taken place and this has not been recorded. The team have undertaken to ensure that going forward this is accurately recorded on the employee's training record within the HR /Payroll system (CoreHR).*

*In accordance with the audit findings, the following actions will be undertaken:*

- *the TalentLink form that managers use to enter the vacancy details into Talentlink will be updated to ensure that roles in the process are clear, e.g. the employee entering the details (e.g. an administrator) and who the recruiting manager is.*
- *the TalentLink form that managers use to enter the vacancy details will be amended to include a question to determine whether the recruiting manager / team have completed their recruitment training and if not, this will be arranged.*
- *panel composition requirements will be reviewed in consultation with the Education management team, guidance amended and this will be communicated to all Head Teachers to ensure they are fully aware of the requirements.*
- *In addition, the recruitment checklist will be reviewed to include a check that the Chair of the Panel (and other panel members) have attended recruitment and selection training.*
- *refresher recruitment and selection training is currently being developed by the Talent Team, which when finalised will be a requirement for managers to complete every 3 years to ensure they are up to date . It is agreed that this refresher training could be provided by an online module, target implementation date 1 January 2025*

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | - *regular communications will be undertaken via a range of communications channels to reinforce the importance of completing the recruitment and selection training, the requirement for refresher training and the online module once implemented.* | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Service Lead - People | 31 December 2024 |

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| 1.4 | **PVG Dispensation** – For regulated work with children or vulnerable adults, PVG membership must be established, and the record received and checked prior to offering a preferred candidate the job. Failure to do so could result in the Council employing unsuitable staff, putting service users at risk. The Council does however have an agreed temporary dispensation process whereby a Chief Officer (in consultation with the People & OD Manager with Lead responsibility for Disclosure Scotland) may approve a risk assessment for short-term dis-application of this requirement, subject to the application of agreed mitigating controls to avoid service users being placed at risk, pending receipt of the outcome of a PVG check. | | |

In one of the cases reviewed, the preferred candidate was an internal employee with PVG membership (children's register), but the new role required a PVG for both children and adults. There were delays obtaining the updated PVG and as of their start date the updated PVG had not been received. Although a risk assessment was undertaken, this was not completed and approved prior to the start date:

- Start date: 01/04/24
- PVG recorded as received: 08/04/24 (documented but not evidenced in file, as these are not permitted to be retained)
- Risk assessment completed: 09/04/24
- Chief Officer approval: 25/04/24

This means the employee was working in their new role for one week, prior to receipt of the satisfactory PVG check for adults (but did have a valid PVG check for children). The risk was only assessed retrospectively, and not formally signed off by the Chief Officer until four weeks later.

Whilst in this instance the outcome was ultimately satisfactory, if employees can commence in posts carrying out regulated work prior to receipt of a satisfactory PVG check, and without a risk assessment being completed in advance, there is a higher risk of employing unsuitable candidates, and placing vulnerable service users at risk of harm.

**IA Recommended Mitigating Actions**

Controls should be implemented to ensure employment in regulated work cannot commence until a satisfactory PVG check, or approved dispensation, has been confirmed.

**Management Actions to Address Issues/Risks**

*As outlined in the management response at section 2.4, having investigated the particular case, this is an unusual and an isolated incident. It relates to an internal employee, and the risk level was very low (in that a PVG was in place and any convictions / causes of concern would be known to us as employer).*

*In terms of actions, this case has highlighted that there is a need to reinforce the message to recruiting managers of the need to await confirmation from the HR Service Centre that all preferred candidate checks have been completed before they can proceed to agree a start*

| Ref | Description | Risk Rating | Major |
|-----|-------------|-------------|-------|
| | *date / or that they follow the temporary dispensation process in terms of seeking approval to commence an employee in advance of the PVG check being completed. This will be done both by re-enforcing this particular point within the recruitment and selection training for managers, the refresher training and the online module that will be developed, as well as within all the correspondence with managers during the recruitment process.* | | |

| Risk Agreed | Person(s) | Due Date |
|-------------|-----------|----------|
| Yes | Service Lead - People | 31 August 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

Aberdeen City Council is committed to adopting modern, efficient, flexible, and fair recruitment and selection practices in order to appoint the best possible people who will help ensure quality service delivery to our customers.

Effective recruitment and selection depends upon identifying and selecting individuals with the appropriate level of skills, knowledge, and behaviours and those who will readily identify with the aims and objectives of the Council while making a positive and valuable contribution towards them. This in turn will help to improve staff and customer experience and the use of resources.

The recruitment and selection process also offers an opportunity to promote the Council as an employer of choice. Recruiting managers should aim to enhance the Council's reputation by maintaining a professional approach throughout the process.

## 5.2 Rationale for review

The objective of this audit is to evaluate the adequacy and effectiveness of internal controls over the recruitment processes. Potential risks in this area include being able to attract, select and retain the right quality of candidates, ensuring only those eligible to work in specific roles are offered employment, and developing the workforce in accordance with strategic plans.

This audit was previously carried out in 2015/16 (AC1601), where a number of recommendations were made across the whole process for improvement. These included: ensuring all PVG checks are carried out prior to starting in post, ensuring procedures and policies are reviewed and kept up to date, ensuring appropriate records are kept for all candidates - whether successful or not, and evidencing authorisations for higher salary gradings.

## 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 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:

- **Procedures and Policies**
  - o Clarity and content, including legal obligations, and required documentation.
  - o Requirements for clusters / managers, and the P&OD Team.
  - o Governance and approvals.
  - o Systems, document retention, and data protection.
- **Approvals**
  - o New posts and extensions to fixed term posts.
  - o Commencement of recruitment.
  - o Selection, grading, placement, contract length, allowances, and incentives.
  - o Interview expenses.
- **Recruitment and Selection**
  - o Panel composition and training.

- o Record keeping, documented decision making, and evidenced adherence to procedure.
- **Eligibility and Checks**
  - o Evidenced and checked in advance of formal offer of employment:
    - Right to work in the UK.
    - Disclosure Scotland and PVG checks.
    - Qualifications and licences.

## 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 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:
  - o Council Key Contacts (see 1.7 below)
  - o Audit Committee (final only)
  - o External Audit (final only)

## 5.6 IA staff

The IA staff assigned to this review are:

- Rachel Brand **(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:

- Andy MacDonald, Director – Customer Services
- Lesley Strachan, Service Lead – People **(process owner)**
- Lindsay MacInnes, Interim Chief Officer – People & Organisation Development and Customer Experience

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

| Milestone | Planned date |
|-----------|--------------|
| Scope issued | 19-Feb-24 |
| Scope agreed | 26-Feb-24 |
| Fieldwork commences | 1-Mar-24 |
| Fieldwork completed | 29-Mar-24 |
| Draft report issued | 3-May-24 |

| Milestone | Planned date |
|---|---|
| Process owner response | 24-May-24 |
| Director response | 31-May-24 |
| Final report issued | 07-Jun-24 |

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ABERDEEN CITY COUNCIL

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Report AC2501 – Allowances |
| REPORT NUMBER | IA/AC2501 |
| 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 Allowances.

## 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 Allowances.

## 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 AC2501 – Allowances

## 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 Allowances

**Status:** Final
**Date:** 11 July 2024
**Risk Level:** Function

**Report No:** AC2501
**Assurance Year:** 2024/25

| 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 | 08-Apr-24 | 08-Apr-24 |
| Scope agreed | 15-Apr-24 | 15-Apr-24 |
| Fieldwork commenced | 29-Apr-24 | 29-Apr-29 |
| Fieldwork completed | 24-May-24 | 03-Jun-24 |
| Draft report issued | 14-Jun-24 | 19-Jun-24 |
| Process owner response | 05-Jul-24 | 05-Jul-24 |
| Director response | 12-Jul-24 | 11-Jul-24 |
| Final report issued | 19-Jul-24 | 11-Jul-24 |
| ARS Committee | 26-Sep-24 | |

| Distribution | |
|---|---|
| Document type | Assurance Report |
| Directors | Andy MacDonald, Director – Corporate Services |
| | Eleanor Sheppard, Director – Families and Communities |
| Process Owner | Wayne Connell, Revenues and Benefits Manager |
| Stakeholders | Isla Newcombe, Chief Officer – People & Citizen Service |
| | Stephen Booth, Chief Officer – Corporate Landlord |
| | Steve MacRae, Benefits Processing Manager |
| | Shona Milne, Chief Education Officer |
| | Charlie Love, Quality Improvement Officer |
| | Andy Campbell, Facilities Manager |
| | John Landragon, Catering Manager |
| | Vikki Cuthbert, Interim Chief Officer – Governance* |
| *Final Only | Jonathan Belford, Chief Officer – Finance* |
| | External Audit* |
| Lead auditor | Agne McDonald, Auditor |

# 1 Introduction

## 1.1 Area subject to review

The Education (Scotland) Act 2016 requires local authorities to exercise their powers relating to education with due regard to reducing inequalities of outcome for pupils who experience socio-economic disadvantage. 'Allowances' aim to reduce financial barriers to education to support pupils from disadvantaged backgrounds and ensure that all pupils have access to the resources they need to succeed academically. These include Education Maintenance Allowances (EMAs); free school meals; and school clothing grants.

Education Maintenance Allowances

EMAs give financial support to eligible 16-to-19-year-olds who have reached the school leaving age but want to continue learning, via home schooling/flexi schooling, or a non-advanced course in college or an education centre. A young person/school pupil may be eligible provided they are within the stipulated age range; they meet the residency criteria set out in the Education Maintenance Allowances (Scotland) Regulations 2007; and they qualify on the grounds of their household income. All learners must take part in a learning agreement / action plan with the Council.

Free School Meals

All pupils in P1 to P5 are eligible for free school meals when in school, in line with the Scottish Government's expansion of free school meals in Primary Schools initiative. In addition, pupils in P6 and P7 and pupils in S1 to S6 are also entitled to free school meals when in school, if their parents or guardians are in receipt of any of the following benefits:

- Income Support
- Income-based Job Seeker's Allowance
- Any income related element of Employment and Support Allowance
- Child Tax Credit, but not Working Tax Credit, with an income of less than £19,995
- Both Child Tax Credit and Working Tax Credit with an income of up to £9,552
- Support under Part VI of the Immigration and Asylum Act 1999
- Universal Credit with a monthly earned income of not more than £796

Furthermore, for the Easter, Summer, October, Winter and February mid-term school holidays, supermarket vouchers for the value of a school meal are provided to parents and guardians of all Primary and Secondary aged pupils who are in receipt of any of the prescribed benefits listed above.

School Clothing Grants

Similarly, school clothing grants are available to families in receipt of certain eligible benefits. Applications can only be made for children attending school or about to enter P1, and pupils in receipt of EMAs may apply for a school clothing grant on their own behalf.

During the financial year 2023/24, the following payments / costs were incurred for these allowances:

| Allowance | Pupil Numbers 2023/24 | Awards 2023/24 |
|---|---|---|
| EMAs | 263 | £259k |
| Free School Meals | 13,512 | £5,579k |
| School Clothing Grants | 4,806 | £630k |

## 1.2 Rationale for review

The objective of this audit is to consider whether appropriate control is being exercised over assessing entitlement and other relevant factors for allowances, and to assess controls over making payments. This review will focus on Education Maintenance Allowance, School Clothing Grants and Free School Meals.

This is the first time allowances have been reviewed as a standalone audit. It has been included in the agreed Internal Audit plan for 2024/25 due to the statutory requirements related to such payments and the risk of reputational damage in the event payments are made to ineligible applicants. Traditionally, these audits would be conducted individually but, through discussions with Management, it has been identified that there could benefit to looking at 'Allowances' on the whole. As such the review will be more strategic in nature but will look provide wider assurance.

## 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.

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# 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 |
|---|---|
| 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 **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's approach to allowances.

Substantial assurance was available over the following aspects of governance and control:

- **Eligibility** – 20 payments reviewed (10 EMA and 10 School Clothing Grant) were to eligible applicants based on evidence of household income/benefits provided, attendance at an Aberdeen City school and in the case of EMA, based on satisfying residence requirements presence of a signed learning agreement, course attendance records, and pupil age. Similarly, 10 pupils (P6 and later years) awarded Free School Meals were all eligible based on supporting documentation submitted.

- **Scottish Government Returns** – Two monthly EMA cost claims (April and May 2024) reviewed and the required annual statements for 2023/24 detailing costs and confirming compliance with grant conditions had been approved by Finance and submitted as required to the Scottish Government in a timely manner. In addition, Free School Meals statistics have been submitted to the Scottish Government to inform the Healthy Living Survey annually since 2012 with the most recent return submitted on time in March 2024.

- **Advertisement** – The Council's website provides guidance on financial assistance for families, including EMA, School Clothing Grants and Free School Meals which includes links to application forms. In addition, copies of a Support for Families leaflet covering available allowances were printed and distributed to schools for onward distribution to parents. Also, data matching is undertaken annually between the education management system and the benefits system identifying eligible families who are contacted to encourage applications for School Clothing Grants and Free School Meals. Also, the school meal debt recovery process directs parents / carers in arrears to the Council's benefits and money advice webpage, which includes links to allowances (EMA, Free School Meals, and School Clothing Grants) webpages described above, as well as details of other relevant benefits.

- **Budget Monitoring** – Suitable budget holders receive monthly BOXI budget monitoring reports covering School Clothing Grant expenditure and EMA income and expenditure. Free School Meals are not covered via budget monitoring reports however uptake by pupils from low-income families is monitored approximately quarterly by Education for the purposes of ordering holiday meal vouchers.

- **Committee Reporting** – Free School Meal uptake is reported at a school level annually to Education and Children's Services Committee. The most recent report in July 2023 highlighted relevant action to improve uptake (introduction of food pods and pre-booking meals).

- **Cashless Catering Systems** – Whilst a detailed review of the cashless catering systems has not taken place as part of this audit, the respective suppliers of the primary and secondary cashless catering systems provided some written assurance over the operation of their systems in delivering free school meal entitlement. The primary cashless catering system supplier confirmed FSM entitlement is checked as part of the meal ordering process, with charges applied after the FSM allowance value is exceeded. The secondary system provider similarly provided assurance over the basis for FSM entitlement, confirmed their software is subject to extensive testing due to their ISO 270001 and ISO 9001 certifications and the Service provided photographic evidence of the secondary cashless catering system till point interface used by Catering staff showing the use of a pupil's FSM daily allowance (£2.65) to evidence this is taking place as items are ordered.

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

- **Written Procedures and Guidance** – Payment control responsibilities to ensure segregation of duties have not been formalised as explained below for EMA payment runs and School Clothing Grant payments.
- **Payment Control** – 20 payments reviewed (10 EMA and 10 School Clothing Grant) were paid to the correct bank accounts based on the online application form submitted and the bank account details recorded in the creditors system. Separately, 10 initial EMA payments to the same 10 EMA applicants in 2023/24 had been calculated correctly, including back payments where applicable. However, it was noted that the Education Management System EMA payment run summary reports were not signed by two officers as required and School Clothing Grant payments do not require segregation of duties between preparation and approval of payments within the customer management system used for processing these payments. In addition, whilst holiday voucher meal payments (approximately £600k ordered annually) are being reconciled to records of redeemed vouchers on the supplier's online portal prior to payment to help ensure payment control, voucher provider records of redeemed vouchers are not agreed to what was actually received and used by parents / carers, risking overpayment should these records be inaccurate.
- **EMA Documentation Retention** – EMA application forms and supportive documentation are only being retained for five years instead of six years in line with Scottish Government guidance and Scottish Council on Archives Record Retention Schedules (SCARRS). Where documentation in support of financial decisions is destroyed prematurely, this risks a lack of accountability and reputational damage should information be required by the Scottish Government for compliance purposes in support of use of grants received.
- **School Holiday Meal Voucher Uptake** – The majority (88%) of school holiday meal vouchers had been redeemed by eligible parents for the Easter holidays and the Service advised this uptake rate is very good. However, 554 (12%) Easter holiday meal vouchers were not redeemed by eligible parents / carers risking underprivileged pupils not benefiting from these. Education is aware of this issue and has advised that work is underway to resolve this.

Recommendations have been made to address the above risks including formalising written procedures over allowances where absent, enhancing payment controls, revising EMA documentation retention periods in line with national guidance, and addressing low uptake of school holiday meal vouchers.

## 2.3  Severe or major issues / risks

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

## 2.4  Management response

*Revenues and Benefits*

*The audit is welcomed by management, identifying various robust and appropriate processes that provide substantial assurance over the Council's approach to allowances. It is acknowledged that improvements have been identified and these will assist with enhancing the council's approach to allowances. Work is in progress to ensure that the actions are implemented in line with the deadlines set out.*

Internal Audit


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_Education_

_This audit is welcomed by Education management, identifying that processes in place provide substantial assurances around processes in place to support allocation and review of allowances. Will develop a sampling survey to confirm receipt of vouchers and we will work with the financial inclusion team to understand non redemption of vouchers._

_Facilities_

_We welcome the findings of the audit in relation to the application of free school meals allowances in both Primary and Secondary school sectors, and that evidence was able to be provided from both suppliers and from the Catering management team which provided satisfaction that controls are in place and are working effectively. We are also satisfied that the controls we have in place around processes for the provision of School Holiday Meal Vouchers are operating effectively, and we would be happy to work with Education colleagues to support any changes in process and controls that are deemed necessary around the redemption of vouchers._

# 3 Issues / Risks, Recommendations, and Management Response

## 3.1 Issues / Risks, recommendations, and management response

| Ref | Description | Risk Rating | Minor |
|---|---|---|---|

| 1.1 | **Written Procedures and Guidance** – Comprehensive written procedures and guidance, which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving. |
|---|---|

The Service has established detailed written procedures and guidance covering various key administration processes, including application assessments and the use of various systems i.e. the education management system, the customer services management system, and the creditors system. In addition, guidance on allowances is available via the Council's website and via a printed leaflet distributed to pupils' parents.

However, payment control responsibilities to ensure segregation of duties have not been formalised for EMA payment run reconciliations and for School Clothing Grant payments with there being no evidence of these taking place as described below at 1.2, increasing the risk of payment error and fraud.

**IA Recommended Mitigating Actions**

Allowances procedures should be reviewed and updated where necessary covering EMA payment run reconciliations and School Clothing Grant payments.

**Management Actions to Address Issues/Risks**

*Agreed. The EMA Payment Run Reconciliation procedure has been updated and implemented. The School Clothing Grant procedures will be updated to encompass the new segregation of duties process.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Revenues and Benefits Manager | Sep 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

| 1.2 | **Payment Control** – Effective payment controls help ensure the security, accuracy, and appropriate approval of payments made, reducing the risk of fraud and payment error. |
|---|---|

Payment Accuracy and Bank Account Details

20 payments reviewed (10 EMA and 10 School Clothing Grant) were paid to the correct bank accounts based on the online application form submitted and the bank account details recorded in the creditors system. In addition, 10 earlier initial EMA payments to the same 10 applicants in 2023/24 had been calculated correctly, including back payments.

Identification

Assurance was also available over EMA applicant identity based on pupil birth certificate or passport documentation uploaded to the customer services management system, the signing by all pupils of related Learning Agreements, and based on addresses on parental proof of income correspondence.

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

However, identification verification was weaker for School Clothing Grant applications (only proof of income required) and bank account evidence was not required to evidence pupil bank accounts for EMA. A separate recommendation has already been agreed by Finance as part of the Creditors System Internal Audit review AC2407 to standardise payee identification and bank account evidence.

Segregation of Duties

Two complete EMA payment runs were reviewed and the value of payments per the financial ledger agreed to system payment run reports from the education management system including payment numbers and to the interface email sent to Finance, providing assurance over interface process.

However, it was noted that the Education Management System EMA payment run summary reports were not signed by two officers as required. In addition, School Clothing Grant payments do not require segregation of duties between preparation and approval of payments within the customer management system used for processing these payments. This increases the risk of payment fraud or error.

School Holiday Meal Vouchers

Parents or carers of pupils who receive Free School Meals due to low household income are eligible to receive £25 school holiday meal vouchers for each two-week period of the school holidays.

Education advise Facilities of the number of eligible pupils plus a contingency of 100 vouchers for late applicants for each holiday period. Facilities then order the "e-codes" from the provider, which Education then send to parents/carers via the Groupcall system. The Council is charged for these upfront prior to redemption and receives a discount of 0.8% i.e. £25 voucher costs £24.80. These e-codes can then be redeemed in exchange for supermarket vouchers of the equivalent value.

To help ensure payment accuracy, Facilities maintain a spreadsheet reconciling the expected payments owed following each three-month voucher expiry period to redeemed vouchers recorded in the voucher provider's portal and then make sure the credit notes received by the voucher provider are as required. This reconciliation provides a good level of payment control based on available records. However, there is no confirmed receipt of vouchers by parents / carers prior to payment risking overpayment should voucher provider records be inaccurate.

### IA Recommended Mitigating Actions

a) Payment preparation and approval should be segregated for all payments and this should be evidenced. Revenues and Benefits should work with Digital and Technology to ensure this segregation is enforced by the relevant system used to approve payments if possible. For EMA this should also be evidenced by available payment run summary sheets being signed by the two officers involved in preparing and approving the payment run.

b) Education should establish a system of control to gain assurance meal vouchers described as redeemed by the voucher supplier have been received and used by parents / carers.

### Management Actions to Address Issues/Risks

*a) Agreed. The School Clothing Grant process will be reviewed as part of the ongoing replacement of the existing digital solution to provide automated segregation of duties. As an interim measure to enhance control over school clothing grants, regular BOXI reports will be provided by Finance to the Team Leader for checking. The process improvement for EMAs has been implemented.*

*b) Agreed. A sample of those receiving vouchers will be surveyed to confirm receipt.*

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| a) Yes | a) Revenues and Benefits Manager | Aug 2024 – BOXI reporting Jan 2026 – SCG segregation of duties system development. |
| b) Yes | b) Quality Improvement Officer | Aug 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.3 | **Data Protection and Retention Periods** – The EMA Scotland 2023/24 Guidance and Business Processes 2023/24 document states: | | |

1.3 **Data Protection and Retention Periods** – The EMA Scotland 2023/24 Guidance and Business Processes 2023/24 document states:

*"EMA data collected by the Scottish Government for research and statistical purposes will be retained in order to carry out year on year 'longitudinal' studies and monitor changes and improvements and to gauge the effect of the programme over time. As this information is linked to financial data, i.e. payments made, data will be held for a period of 6 years".*

In line with this, the guidance also includes a detailed retention schedule requiring local authorities to retain applications and documentation in support of EMA payments for six years.

However, in breach of this Scottish Government guidance, as described in the "Your data: Education Maintenance Allowance applications" webpage on the Council's website, applications and related information are only retained for five years (current financial year plus four years).

Where documentation in support of financial decisions is destroyed prematurely, this risks a lack of accountability and reputational damage should information be required be required for compliance purposes in support of use of grants received.

| **IA Recommended Mitigating Actions** |
|---|
| EMA records should be retained in accordance with national guidance. |

| **Management Actions to Address Issues/Risks** |
|---|
| *Agreed.* |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Revenues and Benefits Manager | Implemented |

| Ref | Description | Risk Rating | Minor |
|---|---|---|---|
| 1.4 | **Holiday Meal Voucher Uptake** – As explained at 1.2 above, parents or carers of pupils who receive Free School Meals due to low household income are eligible to receive £25 school holiday meal vouchers for each two-week period of the school holidays, provided the redeem the vouchers they have been awarded within three months of issue. | | |

| Ref | Description | Risk Rating | Minor |
|---|---|---|---|

The majority (88%) of school holiday meal vouchers had been redeemed by eligible parents for the Easter holidays and the Service advised this uptake rate is considered very good.

However, 554 (12%) Easter holiday meal vouchers were not redeemed by eligible parents risking underprivileged pupils not benefiting from these. Education is aware of this issue and has advised that work is underway to resolve this. A recommendation is included to track progress.

**IA Recommended Mitigating Actions**

Education should work with families who are not redeeming meal vouchers to establish reasons and where possible address this.

**Management Actions to Address Issues/Risks**

*The service will coordinate with the Financial Inclusion Team to understand this issue and develop a plan to address where possible.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Quality Improvement Officer | Aug 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 Education (Scotland) Act 2016 requires local authorities to exercise their powers relating to education with due regard to reducing inequalities of outcome for pupils who experience socio-economic disadvantage. 'Allowances' aim to reduce financial barriers to education to support pupils from disadvantaged backgrounds and ensure that all pupils have access to the resources they need to succeed academically. These include Education Maintenance Allowances (EMAs); free school meals; and school clothing grants.

Education Maintenance Allowances

EMAs give financial support to eligible 16-to-19-year-olds who have reached the school leaving age but want to continue learning, via home schooling/flexi schooling, or a non-advanced course in college or an education centre. A young person/school pupil may be eligible provided they are within the stipulated age range; they meet the residency criteria set out in the Education Maintenance Allowances (Scotland) Regulations 2007; and they qualify on the grounds of their household income. All learners must take part in a learning agreement / action plan with the Council.

Free School Meals

All pupils in P1 to P5 are eligible for free school meals when in school, in line with the Scottish Government's expansion of free school meals in Primary Schools initiative. In addition, pupils in P6 and P7 and pupils in S1 to S6 are also entitled to free school meals when in school, if their parents or guardians are in receipt of any of the following benefits:

- Income Support
- Income-based Job Seeker's Allowance
- Any income related element of Employment and Support Allowance
- Child Tax Credit, but not Working Tax Credit, with an income of less than £19,995
- Both Child Tax Credit and Working Tax Credit with an income of up to £9,552
- Support under Part VI of the Immigration and Asylum Act 1999
- Universal Credit with a monthly earned income of not more than £796

Furthermore, for the Easter, Summer, October, Winter and February mid-term school holidays, supermarket vouchers for the value of a school meal are provided to parents and guardians of all Primary and Secondary aged pupils who are in receipt of any of the prescribed benefits listed above.

School Clothing Grants

Similarly, school clothing grants are available to families in receipt of certain eligible benefits. Applications can only be made for children attending school or about to enter P1, and pupils in receipt of EMAs may apply for a school clothing grant on their own behalf.

During the financial year 2023/24, the following payments / costs were incurred for these allowances:

| Allowance | Pupil Numbers 2023/24 | Awards 2023/24 |
|---|---|---|
| EMAs | 263 | £259k |
| Free School Meals | 13,512 | £5,579k |
| School Clothing Grants | 4,806 | £630k |

## 5.2 Rationale for review

The objective of this audit is to consider whether appropriate control is being exercised over assessing entitlement and other relevant factors for allowances, and to assess controls over making payments.

This review will focus on Education Maintenance Allowance, School Clothing Grants and Free School Meals.

This is the first time allowances have been reviewed as a standalone audit. It has been included in the agreed Internal Audit plan for 2024/25 due to the statutory requirements related to such payments and the risk of reputational damage in the event payments are made to ineligible applicants. Traditionally, these audits would be conducted individually but, through discussions with Management, it has been identified that there could benefit to looking at 'Allowances' on the whole. As such the review will be more strategic in nature but will look provide wider assurance.

## 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.

### 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 detailed below:

- Written Policies and Procedures
- Advertisement of Assistance
- Application Assessment
- Payments
- Reconciliations
- Data Protection and Retention

## 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 primarily 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:

- Agne McDonald, 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 – Corporate Services
- Eleanor Sheppard, Director – Families and Communities
- Jonathan Belford, Chief Officer – Finance

- Wayne Connell, Revenues and Benefits Manager **(process owner)**
- Shona Milne, Chief Education Officer
- Caroline Johnstone, Quality Improvement Manager
- Audit Committee (final only)
- External Audit (final only)

## 5.8  Delivery plan and milestones

The key delivery plan and milestones are:

| Milestone | Planned date |
|---|---|
| Scope issued | 08-Apr-24 |
| Scope agreed | 15-Apr-24 |
| Fieldwork commences | 29-Apr-24 |
| Fieldwork completed | 24-May-24 |
| Draft report issued | 14-Jun-24 |
| Process owner response | 05-Jul-24 |
| Director response | 12-Jul-24 |
| Final report issued | 19-Jul-24 |

ABERDEEN CITY COUNCIL

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Report AC2503 – National Fraud Initiative |
| REPORT NUMBER | IA/AC2503 |
| 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 National Fraud Initiative.

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 National Fraud Initiative.

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 AC2503 – National Fraud Initiative

## 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 National Fraud Initiative

**Status:** Final
**Date:** 19 August 2024
**Risk Level:** Corporate

**Report No:** AC2503
**Assurance Year:** 2024/25

| 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** |

| Report Tracking | Planned Date | Actual Date |
|---|---|---|
| Scope issued | 02-Apr-24 | 01-Apr-24 |
| Scope agreed | 09-Apr-24 | 08-Apr-24 |
| Fieldwork commenced | 15-Apr-24 | 15-Apr-24 |
| Fieldwork completed | 10-May-24 | 23-May-24 |
| Draft report issued | 31-May-24 | 12-Jun-24 |
| Process owner response | 21-Jun-24 | 05-Aug-24 |
| Director response | 28-Jun-24 | 16-Aug-24 |
| Final report issued | 05-Jul-24 | 19-Aug-24 |
| Audit Committee | 26-Sep-24 | |

| Distribution | |
|---|---|
| Document type | Assurance Report |
| Director | Andy MacDonald, Director - Corporate Services |
| Process Owner | Jonathan Belford, Chief Officer - Finance |
| Stakeholder | Angela Crawford, Finance Controls Manager |
| | Matthew Dickson, Counter Fraud Officer |
| | Donna Slater, Counter Fraud Officer |
| | Wayne Connell, Revenues and Benefits Manager |
| | Phyllis Kennedy, Council Tax and Recovery Manager |
| | Ronnie McKean, Corporate Risk Lead |
| | Vikki Cuthbert, Interim Chief Officer – Governance* |
| *Final only | External Audit* |
| Lead auditor | Konstantinos Minas, Auditor |

# 1  Introduction

## 1.1  Area subject to review

Audit Scotland carries out data matching under part 26A of the Public Finance and Accountability (Scotland) Act 2000 and Section 97 of the Criminal Justice and Licensing Act 2010.  This legislation provides that Audit Scotland may carry out data matching exercises or arrange for them to be carried out on its behalf.

The National Fraud Initiative (NFI) is a data matching exercise that matches electronic data within and between participating bodies to prevent and detect fraud, taking place every two years.  The Cabinet Office's NFI team conducts the matching work on Audit Scotland's behalf and Audit Scotland prepares a report on the results, which participating bodies are expected to investigate.

Each participating body in the NFI is required to identify people in two key roles – a Senior Responsible Officer and a Key Contact.

The Senior Responsible Officer (usually the Chief Officer – Finance) must:

- Nominate a Key Contact.
- Ensure the Key Contact has access to the matches, via the secure NFI web application, when they become available.
- Ensure that the key contact fulfils all privacy notice requirements.

The role of the Key Contact is to:

- Fulfil the organisation's privacy notice requirements via direct communication with the organisation's Data Protection Officer or equivalent.
- Ensure that the data formats guidance and data specifications are followed.
- Nominate appropriate users to upload data submissions, investigate the matches and act as the point of contact for other bodies about a match (preferred Dataset Contact).
- Coordinate and monitoring the overall exercise.
- Ensure that outcomes from the investigation of matches are recorded on the web application promptly and accurately.

The 2022/23 NFI exercise is ongoing at the time of review with Audit Scotland due to publish the results in 'summer 2024' according to the 2022/23 NFI timetable.

## 1.2  Rationale for the review

The objective of this audit is to review the Council's engagement and controls for actioning outputs of the National Fraud Initiative, specifically looking at the utilisation of information to gain assurance over areas such as Council Tax and Business Rates. This review will not look to recreate the NFI exercise or work on any out the outcomes.

This area has not been subject to a standalone audit previously and as such has been included in the agreed Internal Audit plan to ensure that the Council is investigating NFI matches, reporting outcomes in a timely manner and improving controls where necessary.

## 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 |
|---|---|
| **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 **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to the National Fraud Initiative.

Reasonable assurance was available over the following areas reviewed:

- **Governance** – An experienced team of suitable officers (Key Contacts) are responsible for the Council's response to the National Fraud Initiative under the supervision of the Senior Responsible Officer, the Chief Officer - Finance. In addition, the Risk Board has monitored some relevant risks to the process and the Audit, Risk and Scrutiny Committee was informed in May 2024 of the outcome of the 2022/23 NFI exercise. In general, the 2022/23 NFI exercise was well managed using a risk-based approach and identified invoiceable recoverable amounts and Cabinet Office estimated savings resulting from the main exercise have increased compared to the last two exercises, mainly due to recovery of Council tenancies e.g. multiple tenancies for single resident. The recoverable sums and future estimated savings by dataset for the last two main NFI exercises and for the last two ancillary NFI "ReCheck" reviews of Council Tax single persons discount eligibility, are detailed at appendix 1 below.

| Exercise Year | Actual | COES[1] | Total |
|---|---|---|---|
| 2022/23 | £345k | £988k | £1,333k |
| 2020/21 | £43k | £117k | £160k |
| 2018/19 | £27k | £11k | £38k |

- **Lessons Learned** – Following the 2020/21 NFI exercise, a lessons learned exercise was completed identifying relevant risks and associated actions for improvement, which were subsequently monitored by the Risk Board.

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

- **Operational Procedures** – The Council's Counter Fraud Policy is comprehensive and references the Chief Officer – Finance's responsibility to co-ordinate engagement with the NFI exercise. In addition, staff involved in the NFI exercise are notified of relevant legislation, policy,

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[1] Cabinet Office Estimated Savings due to confirmed error / fraud.

and guidance they must comply with when seeking access to the secure NFI web application. Also, comprehensive web application user guidance is available to staff within the system. Furthermore, the Council has an NFI intranet site describing the purpose of the NFI; Council Key Contacts and the SRO; mandatory datasets to be provided; the timetable for the previous exercise; and contact details for the fraud team. In addition, Council Tax match procedures are in place. However, whilst available guidance is beneficial and clear it does not cover how to investigate and resolve all match types, with examples. This risks business continuity; limits the scope for training staff; and risks inappropriate investigation techniques and conclusions, risking prosecution and recovery success.

- **Security Checks (Users of NFI Web Application)** – In order to access the Cabinet Office's NFI web application, users must meet the Baseline Personnel Security Standard (BPSS). However, Basic Disclosure checks had not been completed to verify 19 users of the system for the 2022/23 exercise had no unspent criminal convictions as required, risking reputational damage and inappropriate use of match data.

- **Data upload quality** – Data specifications by dataset type were issued by the Cabinet Office for the 2022/23 NFI exercise. Whilst all mandatory datasets were submitted by the Council to the Cabinet Office via the secure NFI web application for the 2022/23 exercise between October 2022 and September 2023 there were challenges experienced with creditors and housing data quality. An initial decision was taken not to upload creditors and tenancy waiting list data as reported to the Risk Board in August 2022. However, Audit Scotland objected, and corrective action had to be taken to address this and consequently creditors data was uploaded 5 days late. Where Council systems contain inaccurate data, this risks a breach of data protection legislation where it relates to personal data, reputational damage where NFI data sharing obligations cannot be complied with, and fraud investigation efficiency and effectiveness.

- **Match Review and Closure** – 18,491 matches were reported to the Council through the 2022/23 NFI exercise (including via ReCheck for Council Tax data) across 92 different datasets. Whilst most data match reports showed evidence of review (some on a sample basis) and closure it was noted two (3%) reports relating to 40 (0.2%) matches were not reviewed at all. A Finance Key Contact advised these reports had not been made accessible during the review to Key Contacts via the web app due to a system access problem, this has been resolved post the audit fieldwork period.

- **Payment Fraud Controls** – It has been confirmed that it would not be possible for the previous NFI exercises to detect the recent Council Tax fraud since the Council Tax refunds are processed using bank account data held within the Revenues and Benefits system, which is not supplied for data matching purposes as part of the NFI exercise. However, this highlights a gap in exception reporting since the employee concerned used a bank account as part of the fraud which was held on the payroll system.

- **Data Protection and Information Management** – Council Tax match data has not been subject to a data protection impact assessment as required to assess the risks to sensitive personal data exported from the NFI web application, risking inappropriate processing of sensitive match data. Also, the exported data has not been named in accordance with HM Government classification policy.

- **Oversight Enhancements** – Whilst Finance completed the Audit Scotland 2022/23 NFI self-appraisal checklist for NFI Key Contacts and Users and reported this to Risk Board, the related checklist for those charged with governance included, was not completed, and monitored by Risk Board reducing oversight of these risks. In addition, key actions detailed in the Audit Scotland / Cabinet Office timetables and subsequent investigation of matches to agreed deadlines were not formally monitored by the Risk Board. Whilst the 2022/23 exercise was generally managed on time, certain data uploads to the secure web application were delayed by a short period and certain match reports were overlooked as described above. RAG based reporting of key timetabled tasks, with responsible officers and implementation due dates, and monitoring of the Audit Scotland NFI self-appraisal checklist for those charged with governance, would enhance oversight, help avoid delays, and potentially improve data upload and match investigation response times, fraud recovery and mitigation outcomes.

- **Fraud Risk Management** – Audit Scotland NFI guidance to those charged with governance recommends ensuring awareness of emerging fraud risks so preventative action can be taken. risks relevant to the successful delivery of the 2022/23 NFI exercise were monitored by Risk Board based on the outcome of a lessons learned review, currently emerging fraud risks are not monitored by the Risk Board or officers via a Council risk register, increasing the possibility that relevant new fraud risks will be overlooked and not mitigated where necessary.
- **Publishing Fraud Investigation Achievements (Internally and Externally)** – Audit Scotland guidance (the NFI self-appraisal checklist) recommends publishing internally and externally the achievement of fraud investigators. In addition, the Council's Counter Fraud Policy states *"Regular information relating to anti-fraud initiatives will be published on social media."* Whilst internally fraud and payment error savings resulting from the NFI exercise are reported to staff via the Council intranet, externally the annual NFI update report to Audit, Risk and Scrutiny is not made public and at the time of review anti-fraud initiatives were not being published on social media as per the Council's Counter Fraud Policy, reducing the opportunities for deterring future instances of fraud.

Recommendations have been made to address the above risks, including formalising written operational procedures; establishing control over system access and data quality; enhancing oversight by Risk Board; resolving match report access issues; and ensuring match data exported from the NFI web app is handled in compliance with data protection legislation and classified correctly. In addition, recommendations were made to ensure emerging fraud risks are monitored; additional NFI services are assessed and if appropriate procured; and fraud outcomes are advertised as a deterrent.

Furthermore, recommendations were made to address fraud risks presented by Council payment systems that are outwith the scope of the NFI process, by ensuring system level controls enforce segregation of duties where necessary, via privileged user access monitoring, and by establishing exception reports covering other relevant risks.

## 2.3   Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Board. The following is a summary of a higher rated issue / risk that has been identified as part of this review:

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|-----|-------------------------------|-------------|-------------|----------|
| 1.2 | **Security Checks (Users of NFI Web Application)** – The Cabinet Office Security Policy Framework requires a minimum of the Baseline Personnel Security Standard (BPSS) to be applied to individuals with access to HM Government's sensitive assets, which includes data match reports generated by the National Fraud Initiative.<br><br>However, 19 users of the NFI web application have not had a Basic Disclosure check (or another higher-level Disclosure Scotland check) to verify they meet criminal record requirements (i.e. have no unspent convictions) according to HR records, meaning BPSS verification has not taken place for these individuals.<br><br>This is a breach of the Cabinet Office Security Policy Framework and risks unsuitable officers using fraud match data inappropriately. | Yes | **Major** | 10 |

| Ref | Severe or Major Issues / Risks | Risk Agreed | Risk Rating | Page No. |
|---|---|---|---|---|
| 1.5 | **Payment Fraud Controls** – It has been confirmed that it would not be possible for the previous NFI exercises to detect the recent Council Tax fraud since the Council Tax refunds are processed using bank account data held within the Revenues and Benefits system, which is not supplied for data matching purposes as part of the NFI exercise.<br><br>However, this highlights a gap in exception reporting since the employee concerned used a bank account as part of the fraud which was held on the payroll system. A separate recommendation has already been agreed by Management as part of Internal Audit report AC2407 to standardise Council payee identification requirements for all Council payment systems. Finance has advised they are looking to establish internal exception reporting subject to data protection considerations to prevent a similar fraud in future. | Yes | **Major** | 13 |

## 2.4  Management response

*Following the lessons learnt from the 2020 NFI exercise the Council has put in place a range of improvements to ensure that gaps were filled, actions were completed and a more robust response provided to the 2022 NFI exercise. In general this audit provides assurance that data was provided, matches were identified and on the whole follow ups and checks of the matches were undertaken to establish if any fraud had taken place. The report identifies a number of recommendations all of which have been accepted and actions have been put in place to be implemented in the coming months and in order to support the 2024 NFI exercise.*

*There are opportunities for the Council to be more consistent in its approach to counter fraud measures and to track emerging risks and improvements will be made.*

# 3 Issues / Risks, Recommendations, and Management Response

## 3.1 Issues / Risks, recommendations, and management response

| Ref | Description | Risk Rating | Minor |
|-----|-------------|-------------|-------|
| 1.1 | **Written Policies, Procedures and Guidance** – Comprehensive written policies, procedures, and guidance, which are easily accessible by all members of staff reduce the risk of errors and inconsistency and provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving. | | |

Good Practice

The Council's Counter Fraud Policy referenced in the Council's Scheme of Governance in the Financial Regulations is comprehensive and describes the Chief Officer – Finance's responsibility to co-ordinate engagement with the NFI exercise. In addition, staff involved in the NFI exercise are notified of relevant legislation, policy, and guidance they must comply with through the application to access the NFI web application. Also, web application user guidance is available to staff within the system. Furthermore, the Council has a designated NFI website found in their Intranet; this provides additional information on the process, clearly defined Key Contacts, the timetable for the latest NFI exercise and details for contacting the counter fraud team. In addition, Council Tax match procedures are in place.

Match Investigation and Resolution Guidance

However, whilst available guidance is beneficial and clear, it does not generally cover how to investigate and resolve different match types, with examples. This risks business continuity, optimum use of existing available resources, reduces the scope for training additional suitable Council officers, and as stated in the NFI web application online resource and investigation guidance, risk prosecution and recovery success where matches are investigated inappropriately.

Resourcing the NFI exercise was reported as a challenge for certain datasets, particularly where data quality was poor due to system recording issues. Comprehensive operational procedures would help address this for the reasons explained above.

Baseline Personnel Security Standard Guidance

As considered further at 1.2 below, the Cabinet Office Security Policy Framework requires a minimum of the Baseline Personnel Security Standard (BPSS) checks prior to granting access for users to access data from the NFI web application. These checks include verification of the user's identity, employment history, their right to work in the UK and, if appropriate, checks of any unspent criminal records.

The Council's recruitment and selection guidance covers the need for managers to ensure a preferred candidate provides evidence of the right to live and work in the UK and Disclosure Scotland checks are undertaken where necessary, which People and Citizen Services advise covers BPSS identity requirements. However, BPSS employment history checks are an additional requirement and not covered by the standard pre-employment checks as detailed in the guidance. People and Citizen Services advise it is currently a very small number of Council roles that require a BPSS check, to use government systems, and where this is required, it is often not at the point of recruitment but instead during the course of an employee's employment and therefore these checks are required to be undertaken at that point instead.

Whilst the point of recruitment may not be the most appropriate time to undertake BPSS checks to access the NFI system, in the absence of guidance for managers on how to complete or arrange these checks, there is an increased risk the Council will the breach

Cabinet Office Security Policy Framework requirements, risking facilitation of fraud by unsuitable officers with access to the NFI system.

| IA Recommended Mitigating Actions |
| --- |

a) Match investigation, resolution and related fraud mitigation operational procedures should be formalised.

b) Recruitment and selection guidance and training should be updated to provide information to managers about when and how to undertake security checks required by staff including BPSS checks.

| Management Actions to Address Issues/Risks |
| --- |

*a) NFI Key contacts will work with respective team leaders to agree and record the approach to be taken to report investigation, the likely resources they will commit, and the expected timescale, and report this to the Risk Board.*

*b) Agreed.*

| Risk Agreed | Person(s) | Due Date |
| --- | --- | --- |
| a) Yes | NFI Key Contacts | November 2024 |
| b) Yes | Service Lead – People/ People and Organisation Development Advisor | October 2024 |

| Ref | Description | Risk Rating | Major |
| --- | --- | --- | --- |
| 1.2 | **Security Checks (Users of NFI Web Application)** – Audit Scotland NFI 2022/23 Instructions for Participants states: <br><br> • *"Any information accessed, exported, downloaded or printed from this system must be handled in line with GDPR and the Cabinet Office Security Policy Framework (SPF)."* <br><br> As stated at 1.1 above, the Cabinet Office Security Policy Framework requires a minimum of the Baseline Personnel Security Standard (BPSS) to be applied to individuals with access to HM Government's sensitive assets, which includes data match reports generated by the National Fraud Initiative. <br><br> These checks include verification of the applicant's identity, employment history, their right to work in the UK and, if appropriate, checks of any unspent criminal records. <br><br> However, 19 users of the NFI web application for the 2022/23 NFI exercise have not had a Basic Disclosure check (or another higher-level Disclosure Scotland check) to verify they meet criminal record requirements (i.e. have no unspent convictions), meaning it was not adequately verified that these individuals met the BPSS requirements. <br><br> This is a breach of the Cabinet Office Security Policy Framework and risks unsuitable officers using fraud match data inappropriately. | | |

| IA Recommended Mitigating Actions |
| --- |

A system of control should be established to ensure BPSS requirements are verified prior to NFI web application access being granted.

| Management Actions to Address Issues/Risks |
| --- |

Agreed, a process for this will be put in place.

| Ref | Description | Risk Rating | Major |
|-----|-------------|-------------|-------|
| | **Risk Agreed** | **Person(s)** | **Due Date** |
| | Yes | NFI Key Contacts | September 2024 |

| Ref | Description | Risk Rating | Moderate |
|-----|-------------|-------------|----------|
| 1.3 | **Data Upload Quality** – Data specifications by dataset type were issued by the Cabinet Office for the 2022/23 NFI exercise, with the Cabinet Office NFI Timetable for 2022/23 stating: | | |

- *"Failure to submit all of your required data promptly and of acceptable quality...may incur additional fees and result in some datasets being excluded from the matching process."*

Local authorities are required to upload data relating to payroll, pensions, housing (tenants and waiting lists), blue badges, trade creditors (payment history and standing data), taxi driver licences, council tax reduction scheme (CTRS), council tax, the electoral register, and non-domestic rates.

Whilst most mandatory datasets were submitted by the Council to the Cabinet Office via the secure NFI web application for the 2022/23 exercise between October 2022 and September 2023 (see table below) there were challenges experienced with data quality, which slightly delayed the upload of creditors data and resulted in Housing Waiting List data not being uploaded as shown below.

| Dataset | Upload Deadline | Actual Upload |
|---------|-----------------|---------------|
| Payroll | 18/11/2022 | 11/10/2022 |
| Pensions | 18/11/2022 | 07/11/2022 |
| Housing Tenants | 18/11/2022 | 10/10/2022 |
| Housing Waiting Lists | 18/11/2022 | Not Uploaded |
| Blue Badge Resident Parking Permit | 18/11/2022 | 31/10/2022 |
| Taxi Driver Licenses | 18/11/2022 | 10/10/2022 |
| Trade Creditors Payment History Data | 18/11/2022 | 23/11/2022 |
| Trade Creditors Standing Data | 18/11/2022 | 23/11/2022 |
| Student Loans | 18/11/2022 | Uploaded by SAAS |
| Council Tax Reduction Scheme | 18/11/2022 | 11/10/2022 |
| Council Tax | 27/01/2023 | Sep 2022 |
| Electoral Register | 27/01/2023 | Dec 2022 |
| Non-Domestic Rates | Not Specified | 22/09/2023 |
| National Entitlement Cards | N/A | Uploaded by Scot Gov |

Issues with data quality included multiple tenancy matches and multiple duplicate payment matches where there were no actual concurrent tenancies / duplicate payments. An initial decision was taken not to upload creditors and tenancy waiting list data as reported to the Risk Board in August 2022. However, Audit Scotland objected in relation to creditors data, and corrective action had to be taken to upload this.

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

Where Council systems contain inaccurate data, this risks a breach of data protection legislation where it relates to personal data and risks reputational damage where NFI obligations cannot be complied with. Furthermore, this presents an unnecessary staff resourcing commitment to review and cleanse data prior to submission where staff could be otherwise better deployed to undertake their routine responsibilities or identify and mitigate fraud.

**IA Recommended Mitigating Actions**

Finance should coordinate with relevant system owners to highlight any data quality issues impacting the NFI exercise and those system owners should arrange for data to be cleansed where necessary within the relevant systems. System owners should establish the causes of data accuracy problems within these systems, and controls should be established to avoid these in future. Where possible relevant system controls should automate data input restrictions and escalate relevant exception reports to ensure data accuracy.

**Management Actions to Address Issues/Risks**

*NFI Key Contacts will identify / summarise the data errors or inaccuracies and issue this to system owners and Digital &Technology colleagues with an instruction to resolve the data quality issues. This summary will also be provided to the Risk Board.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | NFI Key Contacts | October 2024 |


| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.4 | **Match Review and Closure** – When a data match is reported to the Council because of the NFI exercise, it does not mean a fraud has occurred. Prior to concluding an investigation is necessary, to determine the cause so that appropriate action can be taken, and the correct outcome recorded within the NFI web application. | | |

18,491 matches were reported to the Council through the 2022/23 NFI exercise (including via ReCheck for Council Tax data) across 92 different datasets. Whilst the majority of data match reports showed evidence of review (some on a sample basis) and had been closed, it was noted two (3%) reports relating to 40 (0.2%) matches were not reviewed at all since they had no comments and were not closed.

- Report 750 - Procurement – Payroll to Companies House (Director) – 32 matches.
- Report 175.6 - Residential Parking Permit – Same Vehicle Registration – 8 matches.

Report 750 related to employees who appear to be registered directors of companies that the Council had traded with, presenting a potential risk of conflicts of interest in procurement decisions, whilst report 175.6 related to residential parking permits in use where the permit holder had died, risking fraudulent continued use of the parking permit.

In addition, it was noted the following report was also not reviewed and closed for the same reason.

- Report 752 - Procurement – Payroll to Companies House (Director) – 85 matches – employee address linked to company director's or company address presenting procurement risk.

A Finance Key Contact advised these reports had not been made accessible to key contacts during the review via the web application due to an access problem. This should be

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | addressed as where match reports are not reviewed, particularly high-risk reports, there is a greater risk of unmitigated fraud. | | |

**IA Recommended Mitigating Actions**

All NFI match reports should be reviewed and investigated as appropriate. Finance Key Contacts should establish why certain NFI match reports were unavailable for review and ensure access rights are resolved where necessary.

**Management Actions to Address Issues/Risks**

*Since the completion of the audit fieldwork the NFI Helpdesk advised that NFI Key Contacts inability to view certain reports was the result of an NFI internal policy issue which they had to escalate. There was nothing that the NFI Key Contacts could have done.*

*Once shared, NFI Key Contacts processed the missing reports.*

*Parking permit report would have been closed without investigation in any case because it matched parking permits sharing the same vehicle registration number across Councils and this is not fraud, or even contrary to ACC policy.*

*The reports concerning company directors related largely to the appointment of councillors or appropriate council officers to community/ public interest endeavours and there was nothing inappropriate about remaining matches. The report matching payroll to company directors at the same address showed that none of the employees were employed in a capacity which could have induced the council to procure.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | NFI Key Contacts | Implemented |


| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| 1.5 | **Payment Fraud Controls** – It has been confirmed that it would not be possible for the previous NFI exercises to detect the recent Council Tax fraud since the Council Tax refunds are processed using bank account data held within the Revenues and Benefits system, which is not supplied for data matching purposes as part of the NFI exercise. | | |

However, this highlights a gap in exception reporting since the employee concerned used a bank account as part of the fraud which was held on the payroll system. A separate recommendation has already been agreed by Management as part of Internal Audit report AC2407 to standardise Council payee identification requirements for all Council payment systems. Finance has advised they are looking to establish internal exception reporting subject to data protection considerations to prevent a similar fraud in future.

**IA Recommended Mitigating Actions**

Finance should liaise with Audit Scotland to highlight the potential for improvement in data matching through the NFI process via comparison of payroll employee bank details to bank details used by other payment systems.

**Management Actions to Address Issues/Risks**

 *Agreed*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|

| Ref | Description | Risk Rating | Major |
|---|---|---|---|
| | Yes | Controls Accountant | September 2024 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.6 | **Data Protection and Information Management** – Audit Scotland instructions for participants for the 2022/23 NFI exercise states: | | |

**1.6**   **Data Protection and Information Management** – Audit Scotland instructions for participants for the 2022/23 NFI exercise states:

- *"Any information accessed, exported, downloaded, or printed from this system must be handled in line with GDPR and the Cabinet Office Security Policy Framework (SPF). Users and participating organisations must ensure that any information exported from the system is handled in line with HMG requirements for handling Personal and Protectively Marked information."*

Council staff declare they will comply with these requirements by signing agreement to the following on application to access the system:

- *"Any information accessed, exported, downloaded or printed from this system must be handled in line with GDPR and Data Protection Act 2018 and the Cabinet Office Security Policy Framework (SPF). Users and authorities must ensure that any information exported from the system is handled in line with HMG requirements for handling Personal and Protectively Marked information. If you have any questions about this, you should contact your Senior User, Key Contact or Senior Responsible Officer (as applicable)."*

At the point of data export, the NFI web application also requires the user to acknowledge a pop-up stating:

- *"The data that you are about to download and/or print is protected by the Data Protection Act 2018 and may be sensitive. Please ensure that you only extract the minimum of information necessary to achieve your intended purposes. Please also ensure that you comply with the policies and procedures your organisation has adopted to ensure appropriate technical and organisational measures are taken against (i) unauthorised or unlawful processing of personal data and (ii) any accidental loss, destruction or damage of personal data."*

The above is relevant to Council Tax officers involved in the Council's NFI process since an extract of Council Tax match data is taken from the NFI web application for use by these officers.

Data Protection Impact Assessment

Whilst the Senior Responsible Officer has declared that data protection requirements have been complied with during the 2022/23 NFI exercise, it was noted that a data protection impact assessment (DPIA) has not been carried out covering the spreadsheet-based system (held within MS Teams) used by Council Tax officers to investigate Council Tax matches exported from the NFI system.

The ICO recommends a DPIA be carried out before processing personal data when the processing is likely to result in a high risk to the rights and freedoms of individuals, as is the case for NFI match data which identifies potential fraud and therefore relates to criminal offences. In the absence of a DPIA there is a greater risk match data will be inappropriately accessed in breach of data protection legislation.

Information Classification

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

The Cabinet Office Government Security Classifications Policy and related guidance on Working at OFFICIAL requires the threat profile to an information asset to be assessed and the potential impact of an accidental or a deliberate compromise, to determine the right classification, markings, and controls to apply. However, match exports were not named in accordance with these requirements e.g. "Full List of Rising 18 Cases from NFI" was one saved export.

Privacy Notice

In accordance with GDPR Article 13, where personal data relating to a data subject is collected, the Council uses privacy notices to: explain the purposes of processing; the legal basis for processing; the data subjects rights in relation to their personal data held by the Council; whether the data will be shared with any other parties; whether there is any automated decision making or profiling using the personal data; and the retention period. A privacy notice is available for Council Tax as required which covers NFI related processing. However, a minor point was noted that the "Your Council Tax Bill Explained" section of the Council's website has a broken link under "how we use and administer your information" for NFI purposes. This should be corrected to improve transparency over NFI personal data processing.

**IA Recommended Mitigating Actions**

a) A DPIA should be completed covering the use of NFI match data outwith the NFI web application.

b) Exported NFI data should be classified / marked in line with Cabinet Office Government Security Classifications Policy.

c) The Your Council Tax Bill Explained section of the Council's website should be updated to address the broken link relating to "how we use and manage your information".

**Management Actions to Address Issues/Risks**

*a) Agreed*

*b) Agreed*

*c) Agreed*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| a) Yes | a) NFI Key Contacts | a) December 2024 |
| b) Yes | b) NFI Key Contacts | b) December 2024 |
| c) Yes | c) Revenues & Benefits Manager | c) September 2024 |


| Ref | Description | Risk Rating | Minor |
|---|---|---|---|
| 1.7 | **Oversight Enhancements** – The requirements of any project should be specific, measurable, attainable, responsible, and time-bound (SMART) to be meaningful and to ensure they are achieved as anticipated.<br><br>Regular updates were provided to the Risk Board on progress addressing relevant weaknesses from the previous 2020/21 exercise and match investigation progress was also reported in October 2023. | | |

| Ref | Description | Risk Rating | Minor |
|---|---|---|---|

However, whilst Finance completed the Audit Scotland 2022/23 NFI self-appraisal checklist for NFI Key Contacts and Users and reported this to Risk Board, the related checklist for those charged with governance included, was not completed and monitored by Risk Board reducing oversight of checklist risks e.g. awareness of emerging fraud risks; adequacy of fraud mitigations where fraud data not uploaded or investigated; communication of support for exercise to staff etc.

In addition, key actions detailed in the Audit Scotland / Cabinet Office timetables and subsequent investigation of matches were not formally monitored by the Risk Board reducing oversight of progress and adequacy of resources deployed.

Whilst the 2022/23 exercise was generally managed on time, certain data uploads to the secure web application were delayed by a short period and certain match reports were overlooked as described above.

RAG based reporting of key timetabled tasks, with responsible officers and implementation due dates, and monitoring of the Audit Scotland NFI self-appraisal checklist for those charged with governance, would enhance oversight, help avoid delays, and potentially improve data upload and match investigation response times, and fraud identification and mitigation outcomes.

### IA Recommended Mitigating Actions

Risk Board reporting on NFI progress should be reviewed with consideration given to introducing a RAG based system of control covering Audit Scotland / Cabinet Office timetable requirements, match investigation progress, and the Audit Scotland self-appraisal checklist for those charged with governance.

### Management Actions to Address Issues/Risks

*It is acknowledged that Risk Board did not complete the self-assessment checklist for those charged with governance. For the next exercise, Key Contacts will request that an action be created for completion of the check list by the Board.*

*Having considered the oversight that the Risk Board had of the 2022 NFI exercise the lead times and frequency of Risk Board meetings does not lend itself to RAG reporting on the next exercise. Based on the parameters of the next exercise the NFI Key Contacts will agree with the Risk Board the reporting requirements.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | NFI Key Contacts | May 2025 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.8 | **Fraud Risk Management** – Audit Scotland NFI guidance to those charged with governance recommends ensuring awareness of emerging fraud risks so preventative action can be taken. | | |

In addition, the Council's Risk Management Policy states:

- *"It is the Council's policy to be risk aware…registers and assurance maps [should be created] that reflect emerging risks, operational requirements and business objectives across the organisation [which] allows for the escalation and de-escalation of risks between risk registers."*

As stated in the Council's Risk Appetite Statement, the Council is averse to risks associated with impairing financial stewardship, internal controls, and financial sustainability.

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | Whilst risks relevant to the successful delivery of the 2022/23 NFI exercise were monitored by Risk Board as described at 1.4 above based on the outcome of a lessons learned review, currently emerging fraud risks are not monitored by the Risk Board or officers via a Council risk register, increasing the possibility that relevant new fraud risks will be overlooked and not mitigated against. | | |
| | **IA Recommended Mitigating Actions** | | |
| | Finance should ensure emerging fraud risks are adequately monitored using a suitable Council risk register. | | |
| | **Management Actions to Address Issues/Risks** | | |
| | *The Council intends to implement a fraud risk management framework, which will take account of this recommendation.* | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Chief Officer - Finance | December 2024 |

| Ref | Description | Risk Rating | Minor |
|---|---|---|---|
| 1.9 | **Publishing Fraud Investigation Achievements (Internally and Externally)** – Audit Scotland guidance (the NFI self-appraisal checklist) recommends publishing internally and externally the achievement of fraud investigators. In addition, the Council's Counter Fraud Policy states "Regular information relating to anti-fraud initiatives will be published on social media." This is with a view to deterring future instances of fraud.<br><br>A dedicated NFI Council intranet page provides a comprehensive explanation of the NFI process, and this includes details of the value of fraud / error identified each year and the related notional cumulative savings calculated by the Cabinet Office.<br><br>However, the annual report to Audit, Risk and Scrutiny Committee covering NFI 2022/23 outcomes was an exempt paper and details of anti-fraud initiatives have not been published in social media in line with the Counter Fraud Policy, reducing opportunities for deterring fraud. | | |
| | **IA Recommended Mitigating Actions** | | |
| | Anti-fraud initiatives should be publicised externally where possible. | | |
| | **Management Actions to Address Issues/Risks** | | |
| | *NFI Key contacts will liaise with the Comms team to have press release ready for when Audit Scotland releases its report on the 2022/23 NFI, which is expected in August 2024.* | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | NFI Key Contacts | August 2024 |

# 4 Appendix 1 – Invoiceable Sums and Cabinet Office Estimated Savings

| Dataset | Actual 2022/23 | Actual 2020/21 | COES[2] 2022/23 | COES 2020/21 |
|---|---|---|---|---|
| Housing Benefit | £11k | £17k | £11k | £9k |
| CTRS | £35k | £1k | £17k | - |
| Blue Badge | - | - | £29k | £43k |
| Tenancy | - | - | £469k | - |
| Pensions | £1k | £3k | £4k | £65k |
| Payroll | £15k | - | £6k | - |
| Non-Domestic Rates | £89k | £22k | £44k | - |
| **Main NFI Totals** | **£151k** | **£43k** | **£580k** | **£117k** |
| ReCheck Council Tax Single-Person Discount (SPD) Review | £194k | £95k | £408k | £283k |
| **Total Invoiceable Sums and Estimated Savings** | **£345k** | **£138k** | **£988k** | **£400k** |

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[2] COES – Cabinet Office Estimated Savings – cumulative estimated future savings resulting from fraud / error detected via NFI exercise.

# 5 Appendix 2 – Assurance Terms and Rating Scales

## 5.1 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 3 – Assurance Scope and Terms of Reference

## 5.1 Area subject to review

Audit Scotland carries out data matching under part 26A of the Public Finance and Accountability (Scotland) Act 2000 and Section 97 of the Criminal Justice and Licensing Act 2010. This legislation provides that Audit Scotland may carry out data matching exercises or arrange for them to be carried out on its behalf.

The National Fraud Initiative (NFI) is a data matching exercise that matches electronic data within and between participating bodies to prevent and detect fraud, taking place every two years. The Cabinet Office's NFI team conducts the matching work on Audit Scotland's behalf and Audit Scotland prepares a report on the results, which participating bodies are expected to investigate.

Each participating body in the NFI is required to identify people in two key roles – a Senior Responsible Officer and a Key Contact.

The Senior Responsible Officer (usually the Chief Officer – Finance) must:

- Nominate a Key Contact.
- Ensure the Key Contact has access to the matches, via the secure NFI web application, when they become available.
- Ensure that the key contact fulfils all privacy notice requirements.

The role of the Key Contact is to:

- Fulfil the organisation's privacy notice requirements via direct communication with the organisation's Data Protection Officer or equivalent.
- Ensure that the data formats guidance and data specifications are followed.
- Nominate appropriate users to upload data submissions, investigate the matches and act as the point of contact for other bodies about a match (preferred Dataset Contact).
- Coordinate and monitoring the overall exercise.
- Ensure that outcomes from the investigation of matches are recorded on the web application promptly and accurately.

The 2022/23 NFI exercise is ongoing at the time of review with Audit Scotland due to publish the results in 'summer 2024' according to the 2022/23 NFI timetable.

## 5.2 Rationale for review

The objective of this audit is to review the Council's engagement and controls for actioning outputs of the National Fraud Initiative, specifically looking at the utilisation of information to gain assurance over areas such as Council Tax and Business Rates. This review will not look to recreate the NFI exercise or work on any out the outcomes.

This area has not been subject to a standalone audit previously and as such has been included in the agreed Internal Audit plan to ensure that the Council is investigating NFI matches, reporting outcomes in a timely manner and improving controls where necessary.

## 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 detailed below:

- Written procedures and training
- Security Checks (for Users of NFI Web Application Tool)
- Data Protection
- Data Upload Completeness
- Match Allocation and Investigation
- Coordination and Monitoring
- Reporting of Outcomes

## 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 primarily 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:
  - o Council Key Contacts (see 1.7 below)
  - o Audit Committee (final only)
  - o External Audit (final only)

## 5.6   IA staff

The IA staff assigned to this review are:

- Kostas Minas, 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 – Corporate Services
- Jonathan Belford, Chief Officer – Finance

## 5.8   Delivery plan and milestones

The key delivery plan and milestones are:

| Milestone | Planned date |
|---|---|
| Scope issued | 02-Apr-24 |
| Scope agreed | 09-Apr-24 |
| Fieldwork commences | 15-Apr-24 |
| Fieldwork completed | 10-May-24 |

| Milestone | Planned date |
|---|---|
| Draft report issued | 31-May-24 |
| Process owner response | 21-Jun-24 |
| Director response | 28-Jun-24 |
| Final report issued | 05-Jul-24 |

ABERDEEN CITY COUNCIL

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Report AC2502 - SEEMiS |
| REPORT NUMBER | IA/AC2502 |
| 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 SEEMiS.

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 SEEMiS.

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 AC2502 – SEEMiS

## 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 SEEMiS

**Status:** Final           **Report No:** AC2502

**Date:** 12 September 2024      **Assurance Year:** 2024/25

**Risk Level:** Programme and Project level

| 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** |

| Report Tracking | Planned Date | Actual Date |
|---|---|---|
| Scope issued | 30-Apr-24 | 30-Apr-24 |
| Scope agreed | 07-May-24 | 21-May-24 |
| Fieldwork commenced | 13-May-24 | 21-May-24 |
| Fieldwork completed | 07-Jun-24 | 29-Jul-24 |
| Draft report issued | 28-Jun-24 | 01-Aug-24 |
| Process owner response | 19-Jul-24 | 26-Aug-24 |
| Director response | 26-Jul-24 | 11-Sep-24 |
| Final report issued | 02-Aug-24 | 12-Sep-24 |
| AR&S Committee | 26-Sep-24 | |

| Distribution | |
|---|---|
| Document type | Assurance Report |
| Directors | Andy MacDonald, Executive Director – Corporate Services |
| | Eleanor Sheppard, Executive Director – Families and Communities |
| Process Owner | Reyna Stewart, Analytics and Insight Manager |
| Stakeholders | Martin Murchie, Chief Officer – Data Insights |
| | Lindsay Simpson, MIS Support Officer |
| | Shona Milne, Chief Education Officer |
| | Charlie Love, Quality Improvement Officer - Digital |
| | 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

Strathclyde Educational Establishments Management Information System (SEEMiS) is used by all Scottish Councils to support electronic education administration within Council headquarters and schools. The system is supplied by a Limited Liability Partnership (LLP) made up of all Scottish Local Authorities, including Aberdeenshire Council.

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

## 1.2 Rationale for review

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

This area was last subject to review in February 2020 in Internal Audit AC2021. Recommendations were made to enhance controls over system access and data protection.

## 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 2 – 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 |
|---|---|
| **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 risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to the SEEMiS system.

The Management Information System (MIS) Support team is responsible for access control and day-to-day user administration whilst the system supplier is responsible for ensuring system availability, data security and backup, system maintenance, incident resolution and performance reporting.

Reasonable assurance was available over the following areas reviewed:

- **User Guidance and Training** – System users have access to clear guidance and training courses both in the Council's Network Education Aberdeen SharePoint site and through that provided by the system supplier. In addition, the MIS Support team are available to provide user support.
- **System Data Accuracy** – In terms of data accuracy, the Service advised parents / guardians verify the accuracy of pupil data held on SEEMiS annually and this process was last undertaken in August 2024 (example redacted return from parent provided).
- **Cyber Resilience** – In terms of resilience to cyber security threats, the supplier advised Internal Audit in June 2023 as part of a previous review of the system that penetration testing was undertaken on the SEEMiS application and supporting infrastructure in March 2023, by an independent external provider accredited to the CREST scheme, with a 'low risk: pass' outcome. Assurance was also provided by email by the supplier at this time that vulnerability scanning is taking place on a regular basis. The SEEMiS Board also receives an Information Security/Data Protection Update report from the SEEMiS Data Protection Officer/Information Security Manager approximately three times per year and these reports cover patching of operating systems and vulnerability assessment checks.
- **Back-ups and Disaster Recovery** – SEEMiS published System Applications and Environment Technical Guidance in 2024 which confirmed SEEMiS will test a system failover from the Chapel Hall data centre site to the Saughton House data centre. This should provide assurance over the adequacy of backup arrangements.

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

- **System Access** – Schools have discretion to determine their own system access levels risking inconsistencies across job types in the level of access to sensitive data e.g. via full access to the Wellbeing module which contains data relating to health and personal circumstances. It was not possible to determine what officers by job title had full Wellbeing module access to determine if this was appropriate due to system reporting limitations and since this is not

monitored centrally presently.  It was also noted that the level of personal data requested to grant system access is extensive and unnecessary for non-school staff.  Both these issues risk a breach of data protection legislation and enforcement action by the ICO.

- **Business Continuity Planning** – It was noted the Education business continuity plan (BCP) and ten school BCPs, did not describe alternative arrangements for relevant SEEMiS system functionality, including pupil registration and procedures for conveying wellbeing concerns to relevant staff, should the system become unavailable.  This potentially risks pupil health and wellbeing and completion of relevant statutory duties including census submission required by the Statistics and Registration Service Act 2007.
- **Contract Register** – The recent direct award contract extension for the system supplier complied with Scheme of Governance Committee approval requirements and the related 2024/25 purchase order is accurate based on the contract. However, under the Procurement Reform (Scotland) Act 2014, a regulated contract requires to be included on the Council's contracts register. Whilst the contract with the system supplier is included on the Council's contracts register, the recorded value and end date were incorrect and the duration the contract can be extended was absent, based on the direct award approved by Finance and Resources Committee, in breach of procurement legislation.

Recommendations have been made to address the above risks, including minimising personal data recorded for system access; standardising system access profiles by job type and monitoring access; reviewing and updating business continuity plans where necessary; reviewing and updating the contracts register; and risk assessing interfaces to determine if any additional controls are required over data completeness and accuracy.

## 2.3   Severe or major issues / risks

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

## 2.4   Management response

*Education*
We have received and reviewed the Assurance Review of SEEMiS and we agree with the findings and recommendations. We appreciate the thorough and constructive feedback from the audit team and we are committed to implementing the recommendations to improve our service delivery.

*Data Insights (HDRCA)*
*We welcome the assurance provided through this review and are engaging with the SEEMiS team nationally and the Council's Information Asset Owner to discharge the recommendations.*

# 3 Issues / Risks, Recommendations, and Management Response

## 3.1 Issues / Risks, recommendations, and management response

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.1 | **Contracts Register** – Under the Procurement Reform (Scotland) Act 2014, a regulated contract requires to be included on the Council's contracts register and must include the following: | | |

<p style="padding-left:40px">

- Date of Award
- Name of the Contractor
- Subject Matter
- Estimated Value
- Start Date
- End date provided for in the contract (disregarding any option to extend the contract) or, where there is no date specified, a description of the circumstances in which the contract will end.
- Duration of any period for which the contract can be extended.

</p>

The current contract was most recently extended for the period 1 April 2024 to 31 March 2025 by direct award at an estimated cost of £230k, with the option to extend the contract until 31 March 2029 for a total estimated cost of £1.150m, following approval of the related Business Case by Finance and Resources Committee in May 2024, in line with the Council's Scheme of Governance. In addition, on reviewing the purchase order for 2024/25, this had been raised in line with the charges prescribed by the contract.

However, the contract with the system supplier is included on the Council's contracts register, the recorded value (£500k) and end date (31 March 2026) are incorrect based on the direct award approved by Finance and Resources Committee in May 2024 (£230k for one year to 31 March 2025) and the absence of the period the contract can be extended by to 31 March 2029.

This should be resolved to improve accountability for contractual commitments and to comply with procurement legislation.

**IA Recommended Mitigating Actions**

The system entry within the Council's contract register system should be reviewed and updated where necessary.

**Management Actions to Address Issues/Risks**

*Agreed.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Category Manager | Implemented |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.2 | **System Access** – Access to systems, which contain high volume and sensitive personal data, must be suitably controlled and restricted to ensure compliance with data protection legislation. | | |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

Positive Assurance

Data Insights advise SEEMiS has an automated security functionality to lock a system user's account after a period of 100 days inactivity and passwords are reset for all system users every 90 days.

New and Amended System Access – New User Form

Under the UK General Data Protection Regulation (GDPR) data minimisation principle, personal data must be adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed.

To gain access to the system, a SEEMiS User Access Request Form must be approved by the prospective user's line manager and submitted to the MIS Support team for processing. However, it was noted that the level of personal data requested to grant system access is extensive including the following:

- National Insurance number
- Date of birth
- Gender
- Home address
- Mobile phone number
- Working days and hours
- Emergency contact name, gender, home address, mobile number
- Ethnic origin
- National identity

Whilst some of this information is necessary for teachers for the ScotXed staff census information, this includes sensitive personal data that will not require to be collected for all SEEMiS users, risking a breach of data protection legislation due to unnecessary personal data processing, and enforcement action by the ICO, including reprimand, an enforcement notice, and / or monetary penalty.

School Access Amendment

Once the account ("staff record") has been created, one or more work records are set up for each position filled by the staff member, such as Head Teacher, Teacher, Support Staff. School administrators are then responsible for assigning profiles to the work record which permit access to the modules and reports deemed appropriate by the relevant school. The access available to a particular work record can only be amended by the MIS team within Data Insights. However, access by job type has not been standardised across schools and schools have discretion over system access (work profiles) assigned to staff, increasing the risk of inconsistencies in access levels by job type.

Data Insights advised Support Role access to the Wellbeing module provides no access to personal confidential data and just allows documents to be uploaded to the Wellbeing module by support staff. However, full access to the Wellbeing module is high risk since it permits access to sensitive personal data relating to pupils' health and personal circumstances, and E&CS advise should only be available to Head Teachers, Depute Head Teachers, and Guidance Teachers. It was not clear who had full Wellbeing access at the time of review since this is not centrally monitored and the ability to report on this access is not easily achieved without manual data manipulation of system data.

Monitoring of Leavers / Changes of Employee Posts

Data Insights have the role of monitoring staff whose employment with the Council has ceased. This has been a manual process and was dependent upon the availability of a singleton post. However, Data & Insights has advised that a PowerBI report has been set up which identifies these leavers and this is now used to manage / remove access to SEEMiS where necessary. It was confirmed that changes in staff posts and therefore responsibilities

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| | are not currently monitored centrally by Data Insights for the purposes of amending SEEMiS access where necessary. This increases the risk staff who have changed post will continue to have unnecessary access to confidential records within SEEMiS. | | |

In the absence of standardisation of access by job type, there is a greater risk of inappropriate unnecessary access to sensitive personal data in breach of data protection legislation or there is a risk necessary information required by school staff is unavailable risking pupils' health and wellbeing.

### IA Recommended Mitigating Actions

a) Data Insights should review the User Access Request Form and related retained records for non-school staff and ensure only necessary personal data is being collected and retained for the purposes of granting system access. If the level of necessary personal data differs by job type the User Access Request Form should make this clear. It is understood this is SEEMiS's user access form / process, therefore SEEMiS should be consulted as necessary prior to implementing local changes.

b) Data Insights should work with Education to create a list of defined system profiles whose access rights are standardised and minimised based on job responsibilities and remove any non-standard profiles. If feasible an exception report should be developed flagging any users with access to sensitive system data which is not in line with the standard.

c) Officer role changes, and leavers should be monitored for the purposes of restricting system access where necessary and the existing PowerBI reporting should be developed if possible, to cover this where necessary.

### Management Actions to Address Issues/Risks

*a) It is agreed that the level of personal data required for non-school staff to grant system access is excessive. This will be raised with SEEMiS since these fields are mandatory.*

*b) Agreed.*

*c) Agreed.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| a) Yes<br>b) Yes<br>c) Yes | Analytics and Insight Manager | a) December 24<br>b) August 25<br>c) August 25 |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|
| 1.3 | **Business Continuity** – Should a critical system such as SEEMiS cease to function, it is essential pupil and teacher personal data can be recovered to avoid reputational damage and potential significant financial penalty for breach of data protection legislation. In addition, clear plans are necessary to maintain service delivery and to commence system recovery to avoid educational disruption.<br><br>Contractual Assurance<br><br>The system supplier Service Agreement adequately covers the supplier's own business continuity arrangements; the four weekly maintenance and patching schedule; and a detailed backup policy, including details of daily and weekly backups and offsite storage arrangements. | | |

| Ref | Description | Risk Rating | Moderate |
|---|---|---|---|

**Business Continuity Planning**

The Civil Contingencies Act 2004 places a duty on the Council as a "Category 1 Responder" to maintain Business Continuity Plans (BCP's) to minimise as far as possible service disruption in particular critical services.

The critical nature of the SEEMiS system is highlighted in the business case for the direct award extension of the contract of the system reported to Finance and Resources Committee in May 2024 where the justification included meeting statutory requirements and the delivery of education. Related functionality that was highlighted included maintenance of pupil records, including attendance; absence and exclusion recording; wellbeing; bullying and equalities; pupil reporting; timetabling; SQA examination entry; and management and monitoring of progress and achievement.

However, for the Education BCP and ten school BCPs, alternative arrangements for relevant SEEMiS system functionality were not included e.g. how to check pupil attendance and alternative procedures for conveying wellbeing concerns to relevant staff. This potentially risking pupil health and wellbeing and completion of relevant statutory duties e.g. census submission as required by the Statistics and Registration Service Act 2007. In addition, the Data Insights BCP is under review, risking system recovery delay.

**IA Recommended Mitigating Actions**

a) Education should ensure the Education BCP and school BCPs adequately cover relevant procedure to enable service and school level business continuity in the event SEEMiS becomes unavailable, covering relevant critical school tasks undertaken using SEEMiS.

b) The Data Insights BCP should be reviewed to ensure it adequately covers SEEMiS system recovery.

**Management Actions to Address Issues/Risks**

*a)(i) All schools have been reminded that a paper copy of contact information for all pupils and staff must be printed off termly and kept in the emergency response bag (in the event that SEEMiS is unavailable). This information has been shared with all head teachers by email prior to the start of the new term in August 2024 and will be included in BCP format and guidance moving forward. The school pro-forma BCP will be updated to cover relevant alternative procedures for school tasks normally undertaken using SEEMiS and shared with Head Teachers.*

*a)(ii) Agreed. The BCP will be updated to cover system recovery procedure including the requirement to raise a ticket with D&T to establish if issue is a local one prior to ticket being logged with SEEMiS.*

*b) Agreed.*

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| a)(i) Yes | a)(i) Quality Improvement Manager | a)(i) Implemented. |
| a)(ii) Yes – Education BCP | a)(i) Quality Improvement Officer – Digital | a)(ii) October 2024 |
| c) Yes – Data Insights BCP | c) Analytics and Insight Manager | c) October 2024 |

| Ref | Description | Risk Rating | Minor |
|------|-------------|-------------|-------|
| 1.4 | **System Interfaces** – Where data is transferred into or out of a system via a system interface (or similar) it is prudent to ensure control over data accuracy and completeness. In the case of SEEMiS such controls help avoid breaches of data protection legislation due to personal data being inaccurately processed or EMA payment / free school meal eligibility errors. | | |

The following system interfaces are in operation:

| Name | High Level Description |
|------|------------------------|
| Scottish Government - EMA Yearly Feed | Payments and income feed to Scottish Government (SG). |
| Glow | Data Feed to Glow digital learning platform. |
| GroupCall Messenger | Messenger product messages to GroupCall e.g. used for contacting parents. |
| NHS - Health Board Feeders | Data sent to NHS for National Child Health Programme. |
| ParentPay - Online School Payments | Free school meal eligibility and other pupil data sent to ParentPay for cashless catering provision. |
| Salesforce | SEEMiS Helpdesk system calls from system administrators. |
| Scholar | Pupil and staff registration details for Scholar educational application. |
| ScotXed (various) | Authentication of SEEMiS credentials and pupil and staff census data. |
| Skills Development Scotland - Opportunities for All | 16+ Survey. |
| Acer AWS EU - SNSA | Scottish National Standardised Assessment data. |
| Giglets - SNSA-Gaelic | Scottish National Standardised Assessment data. |
| SQA | SQA registration and related responses from SQA. |

Controls over Education Maintenance Allowance (EMA) payments and free school meal eligibility transfer to the cashless catering system were considered as part of the recent Internal Audit review AC2501 Allowances and so are not considered further as part of this review.

An adequate system of exception reporting is in operation for data exported to the Scottish Government for the purposes of the Scottish Exchange of Data (ScotXed) pupil and staff census data e.g. highlighting year on year variances, data not meeting response parameters.

However, controls were not evident over the accuracy and completeness of other data transfer arrangements via system interfaces. Whilst it was advised that the responsibility for interface success lies with the system supplier and issues are investigated by exception, in the absence of oversight via relevant reconciliations or where feasible exception reports, there is a greater risk transferred data will be inaccurate or incomplete.

| Ref | Description | Risk Rating | Minor |
|---|---|---|---|
| | Since these interfaces have not been reviewed in detail by IA and no related errors were identified during the review, the following recommendation is for consideration for improvement purposes only. | | |
| | **IA Recommended Mitigating Actions** | | |
| | Education should review and risk assess system interfaces and determine if any additional controls are necessary to gain assurance data is being transferred as required. | | |
| | **Management Actions to Address Issues/Risks** | | |
| | Agreed. This is accepted and will be considered and discussed with SEEMiS. | | |

| Risk Agreed | Person(s) | Due Date |
|---|---|---|
| Yes | Quality Improvement Officer – Digital | December 24 |

# 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 Scope and Terms of Reference

## 5.1 Area subject to review

Strathclyde Educational Establishments Management Information System (SEEMiS) is used by all Scottish Councils to support electronic education administration within Council headquarters and schools. The system is supplied by a Limited Liability Partnership (LLP) made up of all Scottish Local Authorities, including Aberdeenshire Council.

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

## 5.2 Rationale for review

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

This area was last subject to review in February 2020 in Internal Audit AC2021. Recommendations were made to enhance controls over system access and data protection.

## 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.

Please see Appendix 1 – Assurance Terms and Rating Scales 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
- System Access and Security
- Data Input and Interfaces
- Data Protection
- Contingency Planning 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 primarily 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)

o   Audit Committee (final only)

o   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, Executive Director – Corporate Services
- Eleanor Sheppard. Executive Director – Families and Communities
- Martin Murchie, Chief Officer – Data Insights
- Reyna Stewart, Analytics and Insight Manager **(process owner)**
- Shona Milne, Chief Education Officer
- Charlie Love, Quality Improvement Officer - Digital

## 5.8   Delivery plan and milestones

The key delivery plan and milestones are:

| Milestone | Planned date |
|---|---|
| Scope issued | 30/04/24 |
| Scope agreed | 07/05/24 |
| Fieldwork commences | 13/05/24 |
| Fieldwork completed | 07/06/24 |
| Draft report issued | 28/06/24 |
| Process owner response | 19/07/24 |
| Director response | 26/07/24 |
| Final report issued | 02/08/24 |

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**ABERDEEN CITY COUNCIL**

| COMMITTEE | Audit, Risk and Scrutiny Committee |
|---|---|
| DATE | 26 September 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | External Audit Report – Best Value Thematic Review |
| REPORT NUMBER | EA/24/007 |
| DIRECTOR | N/A |
| CHIEF OFFICER | Michael Oliphant, Audit Director<br>Audit Scotland |
| REPORT AUTHOR | Anne MacDonald, Senior Audit Manager<br>Audit Scotland |
| TERMS OF REFERENCE | 3.1 |

1. **PURPOSE OF REPORT**

1.1 The purpose of this report is to present the Best Value Thematic Review on Workforce Innovation.

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 With effect from the 2022/23 audits, Best Value audit is integrated within the local annual audits. For 2023/24, the Accounts Commission requested auditors to report on workforce innovation. External Audit has completed the attached report which covers the thematic aspect of the Best Value audit requirements by answering the following questions:

- How effectively are the council's workforce plans integrated with its strategic plans and priorities?

- How effectively has digital technology been used to support workforce productivity and improve service quality and outcomes?

- How effectively is the council using hybrid and remote working and other innovative working practice such as a four-day week to achieve service and staff benefits?

- What innovative practice is the council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?

- What progress has the council made with sharing roles or functions across its services and/or with other councils and partners?
- How effectively is the council measuring the impact of its workforce planning approach?

## 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 External Audit process considers risks involved in the areas subject to review. Any risk implications identified through the External Audit process are detailed in the resultant External Audit reports. Recommendations are made to address the identified risks and External Audit follows up progress with implementing those that are agreed with management.

## 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, External Audit play 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 |
|---|---|
| Integrated 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 external audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. |
| Data Protection Impact Assessment | Not required. |

## 10. BACKGROUND PAPERS

10.1 The council's Best Value Assurance Report was published in June 2021 and reported to council in August 2021. Best Value Assurance Report - 2021

10.2 The Best Value Thematic Report for 2022/23 covered leadership of the development of new local strategic priorities and was reported to the Committee in May 2024. Best Value Thematic Report 2022-23

## 11. APPENDICES

11.1 Appendix A - External Audit – Best Value Thematic Review – 2023/24 audit.

## 12. REPORT AUTHOR CONTACT DETAILS

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|---|---|
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# Workforce Innovation - how councils are responding to workforce challenges

## Best Value thematic work in Aberdeen City Council 2023-24

AUDIT SCOTLAND

**Prepared by Audit Scotland**
September 2024

# Contents

# Key facts

**Workforce 2023/24**

| | |
|---|---|
| **9,000** | Number of people working for the council – headcount (rounded) |
| **7,000** | Number of people working for the council – full time equivalent (rounded) |
| **1,000 (19,000)** | Number of relief staff (days paid in 2023/24) (rounded) |
| **9,000** | Number of supply teaching days paid in 2023/24 (rounded) |
| **9.1%** | Turnover of staff in last year |
| **8.8 days** | Average days lost in 2023/24 due to absence per employee |

**Age profile**

| | |
|---|---|
| **13.5%** | 16 to 29 |
| **48.1%** | 30-49 |
| **26.4%** | 50 to 59 |
| **12.0%** | 60+ |

# Key messages

**1**  Workforce planning is effectively integrated with the council's strategic priorities and is integral to the ongoing delivery of transformation. Robust arrangements are in place to engage with Trade Unions and with elected members through the Staff Governance Committee.

**2**  The council has delivered extensive transformation since 2017 in line with its digital strategy. Better use has been made of technology by digitalising routine transactions, centralising data storage and migrating systems to the cloud. This has released additional capacity, enabled some resources to be redeployed and some vacancies did not need to be filled. Further efficiencies are planned through more online services and increased digital capability.

**3**  Innovative technologies are creating a positive impact on productivity and service delivery and robotic process automation pilots have made efficiencies. There is a structured approach to staff engagement and providing support as the council continues through significant organisational change.

**4**  The council has well established arrangements for flexible working which have been extended through hybrid and remote working. Significant progress has been made in developing a revised smarter working approach which the council is soon to formalise. Council priorities include reducing staff absence and supporting employee health and wellbeing. In 2023/24 average staff absence was 8.8 days of which 25% relates to psychological factors.

**5**  Internal recruitment supported by learning and development is the council's preferred route for filling vacancies. A flatter organisational structure has been introduced in recent years which also requires greater empowerment and accountability. The council is also developing and investing in a younger workforce and building capacity across the council through the use of  apprenticeships, internships and work placements including in some hard-to-fill roles.

**6**  Working with the council, Aberdeen Health and Social Care Partnership is taking steps to reduce workforce pressures. The council is also effectively working with a range of stakeholders including neighbouring councils, ALEOs and strategic partnerships. Shared services with other bodies has provided benefits for the council.

**7**  The council actively monitors progress with its workforce plan and provides regular reports on priority areas to elected members. A workforce dashboard is evolving providing managers with real-time data. This can trigger deep dives to better understand the data and target corrective action. The impact of change on staff is regularly monitored through a range of indicators and pulse surveys.

# Scope of the audit

**1.** This report covers the thematic aspect of the Best Value audit requirements. For 2023/24, the Accounts Commission has directed auditors to report on workforce innovation and how councils are responding to workforce challenges

**2.** The 2023 Local Government Overview (LGO) notes that councils have never faced such a challenging situation. Service demands have increased after the Covid-19 pandemic and funding is forecast to reduce in real terms. Workforce pressures including recruitment in a competitive labour market, employee retention and high sickness absence levels are putting councils under continued pressure.

**3.** This report sets out how Aberdeen City Council is responding to current workforce challenges through building capacity, increasing productivity and innovation.

**4.** This report covers the thematic aspect of the Best Value audit requirements. In carrying out the work auditors have considered the following questions:

- How effectively are the council's workforce plans integrated with its strategic plans and priorities?

- How effectively has digital technology been used to support workforce productivity and improve service quality and outcomes?

- How effectively is the council using hybrid and remote working and other innovative working practice such as a four-day week to achieve service and staff benefits?

- What innovative practice is the council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?

- What progress has the council made with sharing roles or functions across its services and/or with other councils and partners?

- How effectively is the council measuring the impact of its workforce planning approach?

**5.** An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

**6.** The coverage of the work is in line with the expectations for councils' arrangements for the seven Best Value themes in the Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020.

# Workforce strategy and priorities

**Workforce planning is effectively integrated with the council's strategic priorities and is integral to the ongoing delivery of transformation.**

**Robust arrangements are in place to engage with Trade Unions and elected members.**

**7.** Workforce planning involves identifying and addressing future capacity and skills gaps, at operational and leadership levels. It requires strategic thinking, comprehensive workforce data and ongoing consultation and engagement with staff and trades unions.

**8.** A council focused on achieving Best Value will have a workforce strategy that sets out expectations on how the local authority's staff will deliver its vision, priorities and values.

**9.** To be effective, workforce planning must be integrated across the organisation. Workforce strategies need to support the council in achieving its strategic priorities. They must support other key plans including financial, asset, digital and transformation planning. They need to be under-pinned with detailed workforce plans within services.

## Workforce planning is effectively integrated with the council's strategic priorities and is integral to the ongoing delivery of transformation

**10.** In 2017, Aberdeen City Council approved a £125 million transformation programme, including the adoption of the Target Operating Model (TOM) and digital strategy. This resulted in significant changes to both organisational and governance structures. The TOM was designed to shift the council away from traditional service-based directorates and introduced seven organisational capabilities it should fulfil:

- managing demand through prevention and early intervention
- being flexible and adaptable
- ensuring accountability, transparency and openness
- becoming intelligence-led
- encouraging inclusiveness, engagement and collaboration
- achieving consolidation and consistency
- focusing on outcomes that make a difference.

**11.** Recognising that it is people and culture which will determine the success or failure of change, staff created five Guiding Principles in 2019 with associated example behaviours. These Guiding Principles set out the expectations from the organisation and were intended to assist in developing a culture and capabilities within the council which would influence and deliver the necessary transformation programme.  Following workshops, on-line events, surveys and a vote, nearly 1,000 staff were involved in developing the following Guiding Principles:

- We care about our purpose, our city and our people

- We take pride in what we do and work to make things better

- One team, one council, one city

- We trust each other and take responsibility

- We value each other and recognise a job well done.

**12.** The council's transformation programme was intended to drive improvement through streamlining and improving services but it is also a tool to support delivery of the savings required by the medium term financial strategy. With an increasingly ageing workforce and difficulties being experienced in recruitment in a number of key areas, alternative solutions were needed. For several years, the council has operated in a challenging financial environment. As funding has reduced, the workforce has become leaner. In recent years, use of voluntary early release schemes has resulted in over 500 staff leaving the council.

**13.** The council wanted to create a workforce that could adapt to changing demands and priorities. Organisational structures, activities and processes were streamlined. Roles were designed with a greater focus on customer need, there was a will to reduce duplication and become more efficient through enhanced collaboration internally and with partners. Such changes enabled the council to manage a reduction in its workforce whilst continuing to deliver essential services.

**14.** The TOM and digital strategy were delivered by March 2023 having achieved planned savings targets and made significant changes to the number and responsibilities of directors, corresponding changes at lower management levels and a reduction in staff levels across the council. A second phase of major transformation was already underway with the council's adoption of a new TOM (TOM 1.2) in August 2022 covering the period 2022-27 with plans to undertake further service redesign to address a funding gap of £134 million.

**15.** Between March 2020 and March 2024, the council was organised into four directorates, supported by 14 clusters with directors and chief officers (Tier 2) forming the Extended Corporate Management Team. With effect from April 2024, a new organisation structure with three directors has been implemented.

**16.** The delivery of Aberdeen's transformation since 2017 has been supported by four enabling strategies: Customer, Digital and Data; Workforce; Intervention and Prevention; and Estates and Assets.
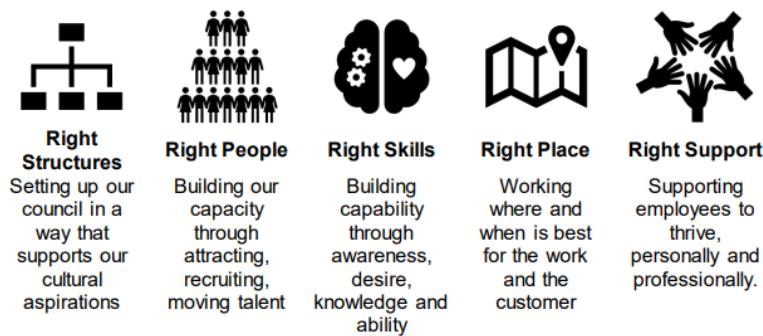
**17.** The council's approach to workforce planning includes having a multi-year workforce strategy focused on capacity, capability and culture (rather than setting an overall establishment figure). This is intended to ensure that staff allocation and development is embedded in its commissioning approach and supports the delivery of its strategic aims.

**18.** Workforce planning is a key priority for Aberdeen City Council as demonstrated through the following plans:

- In June 2019, the workforce plan set out the council's vision as being: to build capacity and capability for our future workforce, we start with addressing the skills, knowledge and behaviours we will require, how we will address key gaps in our workforce, and how we will create a more flexible and fluid approach to career

development, with opportunities for reskilling and internal movement through identifying areas of potential shrinkage and areas of growth or sustained need. Collaboration with our Arm's Length External Organisations (ALEOs), partners and the Health and Social Care Partnership is integral to this vision.

- In August 2022, the council approved the next phase of transformation, with the workforce strategy, a key element focusing on empowering a leaner workforce to improve and adapt services through upskilling and building capacity. In January 2023, the Workforce Delivery Plan set out the detail for delivery of the workforce strategy based around the following levers:

| Right Structures | Right People | Right Skills | Right Place | Right Support |
| --- | --- | --- | --- | --- |
| Setting up our council in a way that supports our cultural aspirations | Building our capacity through attracting, recruiting, moving talent | Building capability through awareness, desire, knowledge and ability | Working where and when is best for the work and the customer | Supporting employees to thrive, personally and professionally. |

- In March 2024, the Council Delivery Plan 2024-25 set out the council's key priorities for the year ahead through Commissioning Intentions and Service Standards, which reflect current performance, and the resource available. The annual council delivery plan is produced, alongside the annual budget, which sets out how the council will contribute to policy commitments and LOIP outcomes. This includes details of ongoing policy initiatives, the approved commissioning intentions (ie commitments), ongoing transformation projects and service standards for the year ahead.

**19.** When preparing their annual budget proposals, individual business units consider the commissioning intentions, service standards and their own staffing requirements. Staff levels need to match service demand, with staff moved or recruited to fill gaps in demand. Service areas are challenged to assess the scope for service re-designs and their impact on workforce numbers. Redesign proposals may be multi-year but going through the process annually ensures alignment of service requirements and staffing levels. Once consultation with staff and trade unions is complete, the workforce budget is factored into the council's medium-term financial planning.

**20.** Clusters also 'horizon scan' their development needs, risks, legislative changes, and hard-to-fill posts and update their Cluster People Development Plan with continuous professional development requirements, other support and workforce budget needs.

## Robust arrangements are in place to engage with Trade Unions and elected members

**21.** The council has robust arrangements in place to engage with Trade Unions.  There are a number of routine forums across the council that provide regular opportunities for trade union representatives and officers to come together. In particular, there are weekly Director Union Engagement (DUE) meetings to discuss emerging issues and updates with ongoing matters. These are attended by the Executive Director of Corporate

Services, the Chief Officer - People & Citizen Services, the Service Lead - People, and Employee Relations Case Work Lead as well as representatives from all the trade unions. The purpose of the meetings is to allow for information from both sides to be shared at an early stage, for informal discussions to take place on a wide variety of topics and for the officers to hear first-hand of any concerns the unions are raising on behalf of their members. There is good attendance at DUE meetings, they are well received by officers and unions and the director is regarded as accessible.

**22.** The council is currently considering a reduction in the working week and associated pay to 35 hours as part of a budget saving. While this is unpopular with Trade Unions, there has been constructive dialogue between both parties. Unions have also raised concerns about financial difficulties as a result of reduced funding levels and the consequent reduction in staff and other resources being experienced by services.

**23.** The Staff Governance Committee was established in May 2018, incorporating the roles of the former Joint Consultative Committee and Corporate Health and Safety Committee into a single body. It acts as a forum for communication and consultation on matters relating to staff not considered elsewhere. It includes trade union representatives as advisers alongside councillor members to enable joint working and strengthen staff representation.

# Digital technology and the workforce

**The council has delivered extensive transformation in line with its digital strategy. Further efficiencies are planned through more online services and increased digital capability.**

**Innovative technologies are creating a positive impact on productivity and service delivery and robotic process automation pilots have made efficiencies.**

**There is a structured approach to staff engagement and providing support through organisational change.**

**24.** The Local Government Overview 2023 report notes that digital technology will make councils' future workforces look and work quite differently. In order to achieve the change required, councils need to make good use of digital technology and use the workforce in flexible ways.

**25.** Digital technology has a strong bearing on a council's workforce needs. It can be used to re-shape jobs to increase productivity and reduce back-office functions while improving service quality. Technology solutions include online services, customer relationship management systems, mobile digital devices and more recently, artificial intelligence (AI) applications.

## The council has delivered extensive transformation in line with its digital strategy

**26.** An important element of Aberdeen City Council's transformation programme since 2017, its digital strategy, 'Being Digital' has focused on improving customer services, staff experience and use of resources. It was underpinned by the following design principles:

- present easy to use, integrated and standard interfaces
- build services, not just websites
- hold information once and securely
- use data well
- make sure the foundations work.

**27.** Digital transformation has underpinned many of the savings and efficiencies so far achieved, with the council converting services to be more digitally based, centralising data storage using SharePoint and making better use of data to anticipate and manage change. In 2018, the council began working with Microsoft as a business partner to maximise how it uses digital technology to improve services. Improvements made include:

- paper-based processes were digitised and customers were able to access more services online

- new cloud-based systems were procured to allow more mobile working and greater use of real time data

- a shift to a digital workplace facilitated through Microsoft Teams reduced the need for face-to-face meetings, changed communication processes and enabled more effective collaboration

- the adoption of a peer learning model with over 300 digital champions and over 30 service specific digital super champions providing training and coaching to help staff with new technology

- the chatbot, AB1, was developed to provide instant online responses to customer and staff queries including bin collections, council tax, education or staff matters such as annual leave and payroll queries.

- robotic process automation (RPA) was implemented in several service areas, including education, finance and social care to remove routine tasks, releasing capacity for staff to support front-line services.

## Further efficiencies are planned through more online services and increased digital capability

**28.** With the adoption of TOM 1.2 in August 2022, a refreshed data strategy was approved reflecting the anticipated technologies available in the period to 2030. The Customer, Data and Digital Strategy sets out the council's aims to deliver digital and data-driven solutions to streamline and simplify services and provide further efficiencies through the provision of more online services and increased digital capability. A key objective is to encourage customers to become more self-sufficient through signposting and thus enable services to redirect spare capacity to support the more vulnerable in the community.

**29.** Three of the eight strategic projects set out in TOM 1.2 have a focus on digital and are dependent on the continued use of new technology to drive further improvement and efficiency:

- digital automation - take the current robotic process automation work to the next level by linking with Dynamics, Microsoft 365, and other business applications and removing manual processes

- digital system rationalisation - dated and costly software applications are to be modernised and multiple websites rationalised

- establish a digital agency - the feasibility of establishing a digital agency with other partners is being considered including a refresh of the smart cities strategy.

**30.** The customer, digital and data strategy has been developed alongside and aligns with, the 'Aberdeen Smart City Strategy', which describes the council's approach to harnessing digital technology and data to improve the lives of those that live in, invest in and visit the city.

## Innovative technologies are creating a positive impact on productivity and service delivery

**31.** As part of being a 'smart city' the council introduced a large-scale Intelligent Lighting project to replace existing legacy street lighting. The council worked with partners to provide a city-wide Internet of Things (IoT) network and Central Management System (CMS) based Intelligent Lighting solution to manage and maintain over 37,000 units. A node was installed on each of the street light units which transmits data to a CMS enabling council officers to remotely control street lighting and monitor any faults.

**32.** In 2022, the council implemented Microsoft Dynamics 365 as its social care client relationship management tool and in doing so, reduced the number of social work systems from nine to one. Development and co-creation of the project was led by social workers who worked closely with the council's digital partner and stakeholders to bring their expertise and insights about the way social workers work into designing an online platform around their needs. In designing the system, an opportunity was created in the process for customers to be more involved in the services they receive and for managers to better use data when making decisions about delivering services to meet users' needs.

**33.** Dynamics 365 uses mail merge to pre-populate client data into templates for issuing to partners and suppliers and therefore enables social workers to focus more on client care and less on administrative tasks. The system is designed for use on the go, social care staff can input data and update the system while with clients or between appointments using approved devices.

**34.** The council developed and implemented the 'AB1 chatbot' which is an artificial intelligence (AI) digital assistant. The original AB1 chatbot was designed to simulate human conversation using pre-calculated responses to common customer questions. The recent relaunch of AB1 using generative AI allows the chatbot to learn and broaden its knowledge base and has the ability to interact with customers. We understand that the new features support multiple languages and will integrate directly with the council's new customer contact capabilities.

**35.** The chatbot can be used by customers and staff to assist with common enquiries about council services and to provide customers with 24 hour access to information. While there are limitations with the level of assistance that the AB1 chatbot can deal with, its implementation has freed up staff to deal with enquiries that require more specialised help.

## Robotic process automation pilots have made efficiencies

**36.** The council has used robotic process automation (RPA) to automate several transactional processes, increasing turnaround times and reducing the amount of time spent on routine tasks. For example, the council introduced RPA for the manual process of data entry for child plans and individual education plans. In doing so, the council has estimated that approximately 18,000 hours of teachers' time was saved and the equivalent of 14 FTEs to complete the uploading of plans. The project concluded that the quantity and quality of plans had improved and teachers had more time to spend supporting children and families.

## There is a structured approach to staff engagement and providing support through organisational change

**37.** Employee networks play a key role in the council's approach to organisational change. The council set up a 'digital champion network' that works across business units supporting colleagues with the use of technology and explaining how the new tools can assist them in redesigning public services. The council invested in digital leadership for its Chief Officers and managers and engaged with the workforce to understand their needs to improve the adoption of technology.

**38.** The council's SharePoint intranet is used to cascade corporate communications to all employees including the Chief Executive's regular blog. The site also has several sub-sites which are owned by employee networks and, these include:

- Transformation hub – informs staff on progress with TOM 1.2

- Customer academy – provides information, guidance and discussion points relating to customer services

- Digital workplace - shares news and training on the council's digital resources

- Green workplace - shares knowledge, practical tips, ideas and opportunities for staff to get involved in the council's climate change and environment agenda

- Leadership forum – keeps managers informed on key developments, provides a space to get them and their teams actively involved, facilitates collaboration and provides a forum for leaders across the council to share and problem solve.

- Mental Health and Wellbeing - provides easily accessible resources and support for employees having a negative response to change.

## Exhibit 1
### Aberdeen City Council – Approach to Change Management
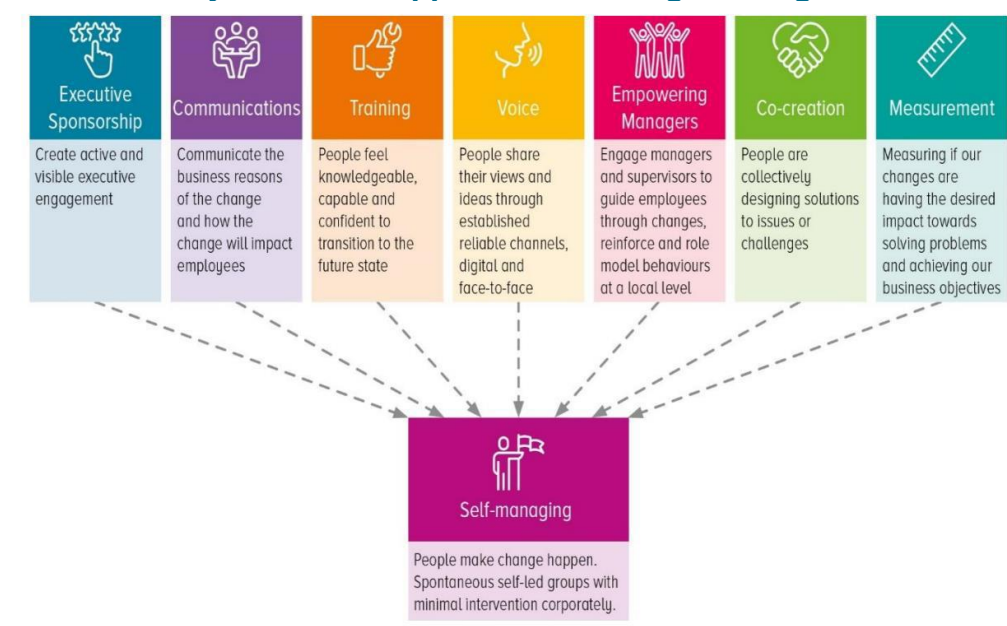


Source: Aberdeen City Council report to Staff Governance Committee (January 2023)

**39.** To inspire and encourage innovation, there is an online community through Viva Engage called 'Bright Sparks' where staff can submit ideas, have them upvoted by their peers and receive a corporate response. Innovation is recognised at an individual and local level through the council's appraisal process.  It is also one of the award categories at the annual staff Star Awards.

**40.** Elected members receive regular updates on the support being provided to staff through organisational change. In January 2023, a report to the council's staff governance committee highlighted that due to the complex nature of the council, it experiences challenges in communication and engagement with staff, particularly those in frontline operational services. A new holistic approach to supporting staff through change via seven pillars was therefore recommended and approved as set out in Exhibit 1.

**41.** An update in January 2024 confirmed that change remains a significant cause of work-related stress for staff, although it had decreased from 24 per cent to 18 per cent since 2022.

# Flexible working and other innovative staff deployment

**Existing flexible working practices have been extended.**

**Reducing staff absence and supporting employee health and wellbeing are council priorities.**

**Staff are actively engaged in developing options for office use.**

**42.** During the pandemic, councils needed to make the best use of their existing workforce while continuing to monitor employee wellbeing. Councils continue to look to new ways of working to improve job satisfaction and reduce sickness absence and staff turnover.

**43.** Home-working and hybrid working (a combination of office and home-based working) have now become commonplace. Some councils are also considering more radical working practices such as a standard four-day working week. However, whatever the working practice, employers need to ensure that service quality and productivity are maintained.

## Existing flexible working practices have been extended

**44.** The council has a well-established commitment to flexible working. Its 'Smarter Working' approach was introduced in 2015 and provides a framework for some staff to work flexible hours and undertake limited home working.

**45.** During the Covid-19 pandemic, the council was able to transition easily to home working for most staff. The council had already rolled out Microsoft Office 365 in 2019 so many staff already had the tools and the existing network of digital champions was strengthened with an enhanced train-the-trainer programme for 'Digital Super Champions' to deliver service-specific peer-based training.

**46.** The pandemic did however rapidly accelerate the need for workforce flexibility, with a requirement to move staff (on a voluntary basis) to areas of need across the organisation at short notice. With staff support, the council developed and implemented a temporary movement of staff scheme. This provided a protocol to enable the council to quickly move staff from areas where they were either unable to work or were not doing 'critical' work supporting the pandemic response, on a temporary basis, to areas of the organisation facing increased demand. The overriding need was to create a flexible, agile workforce able to flex in response to service need and demands.

**47.** In 2021, the council carried out the Future of Work Survey which had 1,800 responses. The survey results suggest the council has been broadly successful in embedding the cultural changes associated with its transformation programme, including positive results relating to aspects of leadership and communication. The results were used to inform the council's 2022 refreshed workforce strategy and the information has helped the council develop its approach to hybrid working for staff in roles that can be done remotely. In

education, where staff cannot work from home routinely, the council provides flexibility for staff to be able to complete specific duties such as training and administration tasks remotely.

**48.** The council now has an ethos of 'work as an activity we do' rather than 'a place we go'. This is set out in their draft Smarter Working Policy and Guidance (Refer para 55)

## Recommendation 1

The council has made significant progress in developing a revised Smarter Working (hybrid) approach and should now formalise the arrangements.

### Reducing staff absence and supporting employee health and wellbeing are council priorities

**49.** Staff absence has increased in recent years, rising from an average of 5.16 days per person in calendar year 2021 to 7.29 days in 2023. As a result of the recent increase, the council refreshed its Absence Improvement Project which involves deep dive reviews of data, rolling out absence data to third tier managers and providing support and reviewing the absence management process with more focus on early intervention.

**50.** Psychological absence rates which includes stress, anxiety, depression and mental health are regularly the top reason for absence. During 2023/24, the rate ranged between 23.42% and 31.95% but the year concluded on 24.76%.

**51.** The council stated: We want all staff to be well and to thrive at work. Healthy, happy individuals are more likely to embrace change, work flexibly to help others and be creative problem solvers at work. With an emphasis on developing internal capacity and the need for flexibility and efficiency in our reducing workforce, there is a need to focus on supporting employee health and wellbeing. To do this the council agreed to:

- implement a mental health action plan
- support managers and teams to create and maintain supportive and healthy workplaces and practices that ultimately enable a reduction in absence. Hybrid working is regarded as a way of improving staff work-life balance and is therefore being used by the council as a tool for improving staff attendance
- further develop its partnership with Healthy Working Lives
- address the reasons for absence with an evidence-based sickness absence action plan.

**52.** The council put significant emphasis on the introduction of a Mental Health and Wellbeing Plan. Initially introduced in January 2019, the plan has been regularly refreshed and annual updates are provided to elected members. A comprehensive employee assistance programme has been implemented including the introduction of mental health first aiders across the council. In addition, the mood of staff is determined

through employee wellbeing pulse checks and through roadshows, effort has been made to keep frontline staff more informed.

## Staff are actively engaged in developing options for office use

**53.** Through engagement with staff, the council is considering how to adapt office spaces to better suit hybrid working. New screens have already been added in meeting rooms and there are plans to reconfigure spaces to enable more collaborative working between office-based and remote-based staff.

**54.** The council use a Corporate Landlord model to ensure there is a consistent approach to the management of its property portfolio from a senior management level. Corporate Landlord continue to explore options for letting out surplus office space, create savings and reduce the council's carbon footprint.

**55.** The council is working with staff, trade unions and managers to produce a refreshed smarter working policy which meets the needs of citizens and employees. There is an emphasis on the need for teams to be engaged and make decisions collectively on where they work to ensure they can build working relationships and develop staff. The council is exploring ways to balance the expectations of staff who prefer to work from home with those of elected members and managers who prefer staff to be in the office more often.

## Recommendation 1

The council has made significant progress in developing a revised Smarter Working (hybrid) approach and should now formalise the arrangements.

# Developing future skills and capacity

**Internal recruitment supported by learning and development is the council's preferred route for filling vacancies.**

**Attracting and developing more young people is increasing capacity and helping with hard-to-fill roles.**

**Aberdeen Health and Social Care Partnership is taking steps to reduce workforce pressures.**

**56.** Councils need to find innovative ways to ensure they have the workforce capacity and skills they need to deliver services in the future. This is particularly challenging in a difficult financial environment when early release schemes are often deployed.

**57.** Training and development opportunities can help to attract and retain employees and ensure skills are in place. Many councils work with their partners to re-design jobs and/or offer apprenticeship schemes or vocational qualifications. Succession planning is also important to develop future leaders and ensure that essential skills are in place.

## Internal recruitment supported by learning and development is the council's preferred route for filling vacancies

**58.** Internal recruitment is the council's preferred route for filling the majority of vacancies that arise within the council. The Establishment Control Board, chaired by the Executive Director of Corporate Services, considers all vacancies arising and ensures that recruitment is focused in areas of greatest need, whilst maintaining the council's commitment to supporting and developing the internal workforce in a flexible and agile way. The board either gives approval for vacancies to be recruited internally, roles may be converted to apprenticeships where appropriate, or a manager will have to provide justification for the vacancy to be advertised externally.

**59.** Internal recruitment and internal movement of staff, provides the existing workforce with opportunities for promotion, development, career transition and also supports the retention of skilled staff. A change in the size of the workforce also impacts the shape of the workforce with fewer layers of management expected in future. A reduction in hierarchy and reduced levels of authorisation reduce costs but require increased personal accountability and empowerment. Managers are asked to consider whether a required qualification is essential from day one on the job, or whether a suitable internal candidate may be able to develop on the job and be supported through learning and development to work towards the qualification.

**60.** In terms of internal recruitment and the internal movement of staff, the council focuses less on experience and qualifications (which can be learned) and more on the behaviours and capabilities that would ensure success in the role.

**61.** A Capability Framework for all employees was introduced in 2019 as part of the staff appraisal process. This sets out the knowledge, skills and behaviours required for all employees. Employees are asked to self-assess themselves against the capabilities as part of their annual End of Year Review.

**62.** In 2023, elected members approved a new process to group all job roles into one of seven job families with revised capability frameworks tailored to the skills and behaviours typical of these roles, and the content updated to align with the requirements of TOM 1.2. Each job family also has a development framework which sets out types of development and allows employees to identify career pathways as they can self-direct learning.

**63.** For the People Manager Job Family, the council has a leadership and management development framework with four key programmes to support people at all stages of their management career:

- People Management – foundation programme for new and existing managers to ensure good management basics are in place

- Inspiring Leaders – an advanced programme to stretch and inspire

- Aspiring Leaders – a cohort-based development programme for aspiring leaders to support succession planning, talent retention and development

- Chief Officer development – designed specifically for Extended Corporate Management Team

**64.** The council is also seeking to improve on diversity at leadership level in the organisation. An 'Accelerator Scheme' has been developed to coincide with leadership and management development programmes and offers additional support and positive action for those with protected characteristics.

**65.** The Aspiring Leaders programme is one option in the council's framework. The 2023 programme focused on Chief Officers as a hard-to-fill post and provided a year-long programme of intensive development for fourteen candidates who were supported by their own Chief Officers as part of their Cluster's succession plan. By April 2024, three candidates had successfully progressed into Chief Officer roles across the council and the health and social care partnership.

**66.** The 2024 programme, launched in June 2024, is aimed at developing candidates who are looking to make the first step into leadership and management. The 2024 Aspiring Leaders programme was advertised alongside the Accelerator Scheme. Of the 53 candidates who have applied for the programme, 28 have requested their application to be considered under the Accelerator Scheme.

**67.** The council also seeks to develop the capabilities of its leadership team through a Leadership Forum (Para 38). There is a digital platform and network of over 600 leaders across the council aiming to keep leaders informed. Over the past 12 months, the Forum has run events on a range of topics including:

- organisational change and design

- the council's financial position

- climate change, net zero and carbon budgeting

- City Centre and Beach Masterplan

- equalities and inclusion

- Smarter Working

## Attracting and developing more young people is increasing capacity and helping with hard-to-fill roles

**68.** The council has operated a modern apprenticeship programme for several years, and in 2019, it expanded the apprenticeship programme from the traditional trade apprenticeships to include organisation-wide roles and including foundation apprentice work placements and graduate apprenticeships. Since 2019, 158 modern apprentices have been appointed of which 60 (at June 2024) have completed their apprenticeships and secured either permanent or fixed-term roles within the council, with a further eight holding Relief Worker roles. In recent years, modern apprentices have been appointed into a range of new roles including social care, building standards, pensions administration and early learning and childcare. In 2023, the council had 30 modern apprentices split between new roles 21 and traditional trades 9. This was fairly comparable with 2022 when there were 42 apprentices split 26 and 16 respectively.

**69.** Through the graduate apprenticeship scheme, existing staff have the opportunity to undertake an undergraduate degree at Robert Gordon University or Dundee University whilst remaining in their existing role. Since the programme started in 2018, 33 employees have taken up the opportunity with six having completed their degree.

**70.** Officers across services are working collaboratively to create job and career opportunities for individuals in communities that face additional barriers to employment. This has included people who are unemployed or at risk of long-term unemployment and engagement with HMP Grampian to develop a supported employability programme to support those leaving prison into employment. These initiatives are linked with the council's hard to fill vacancies.

**71.** Another initiative to support care-experienced young people into employment, and target hard to fill vacancies and capacity issues, has been the development of a pilot internship programme. This commenced in 2023, 14 young people were matched to a job area they were interested before going on to complete an internship across a range of services. As part of the council's guaranteed interview scheme, these young people are eligible for a guaranteed interview at the end of the internship for an apprenticeship or job vacancy with the council. A number of the young people have gone on to secure employment with the council and a second cohort of internships in underway with a further 15 care experienced young people.

**72.** The council has introduced an Employability Pathway programme as phase one of the ABZ Campus, which is a collaboration across secondary schools, partner organisations and the council to broaden the curriculum offered. The pilot programme in 2023/24 offered ten S4 pupils in two academies a chance to attend a range of key skills workshops to prepare them for work and then be matched to a job area in the council to undertake a supported work placement with the right to have a guaranteed job interview.

**73.** In 2020, the council achieved gold standard in its Investors In Young People accreditation which demonstrates a commitment to attract young people into employment and to provide support and development in their employment.  In addition, in 2021, the council became a Young Person's Guarantee Employer.

**74.** The council maintains a log of hard-to-fill roles and is constantly seeking new initiatives to fill such roles. There is also a focus on transferring skills from areas of reducing demand to increasing demand through upskilling. There are examples within the council of staff retraining as teachers and early years practitioners.

## Aberdeen Health and Social Care Partnership is taking steps to reduce workforce pressures

**75.** In order to deliver its priorities, Aberdeen Health and Social Care Partnership (HSCP) has a Workforce Oversight Group. Membership includes the council's People & Organisational Development team who provide support and ensure that the plan aligns with the council's Workforce Delivery Plan.

**76.** Aberdeen HSCP are experiencing issues with the recruitment and retention of social workers and social care staff, as well as  an ageing workforce. Social Work undertook a succession planning exercise to combat the potential loss of a number of leaders over the coming years. For instance, within residential services, to ensure it has the key skills to match posts, succession planning included realigning job roles and the qualification pathway which has allowed progression to promoted posts with the most relevant qualifications, skills and knowledge.

**77.** In Adult and Justice Social Work, significant recruitment activity was undertaken using available Scottish Government funding to increase adult social work capacity. A recruitment campaign was carried out using generic social work adverts and aligning staff depending on skills and experience. This resulted in an increase in headcount and a reduction in vacancy levels.

**78.** In November 2023, the HSCP hosted a recruitment fair targeted at entry-level jobs with 18 stall holders from services across the partnership sharing information on their services and vacancies. Three hundred people attended and initial feedback suggested that 100 applications were submitted on the day for social care posts. There are plans to hold further fairs on a six monthly basis.

# Joint workforce arrangements across services and partners

**The council works well in partnership with a range of organisations and has some well established examples of shared service arrangements.**

**79.** Councils should look to work collaboratively with their partners to make the best use of their existing workforces and plan for the particular workforce needs in their areas. They should also work across traditional service department roles within councils to deliver improved services and outcomes.

**80.** There is good evidence of partnership working between the council and its partners. For example, it is working with neighbouring authorities to progress the Aberdeen City Region Deal, Aberdeen City Health and Social Care Partnership and other shared services.

## The council works well in partnership with a range of organisations to support the local economy

**81.** The City Region Deal involves investment of £826 million over a ten year period. Most of the funding has been provided by regional partners including Scottish Enterprise and the private sector and is being invested on a range of projects and initiatives to diversify the local economy. More recently, the council has also entered a joint venture with BP to develop hydrogen in the city.

## The council has some well established examples of shared service arrangements

**82.** Aberdeen City Council, Aberdeenshire Council and Highland Council established a shared commercial and procurement service in 2017. Aberdeen City and Aberdeenshire Councils already shared procurement arrangements for a number of years prior to this. The councils published a Joint Procurement Strategy in 2023 covering a three-year period. A Strategic Procurement Board is in place and is responsible for delivering the outcomes set out in the strategy and for the service level agreement between the partners to the joint arrangement. Collaborative procurement arrangements are identified to generate best value and efficiencies across each of the three partner councils.

**83.** In 2015, the council agreed to work with Aberdeenshire and Moray Councils to secure a long-term waste management solution for the north-east. The NESS Energy Project located in Aberdeen is an energy from waste facility aiming to process about 150,000 tonnes of municipal solid waste each year and generate electricity for the national grid and heat for a district heating network. The plant became fully operational in December 2023 and so it is too early to assess whether performance targets are being achieved.

**84.** The council's internal audit service is provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. This arrangement has been in place for around ten years and works well.

## The council commissions services from a range of ALEOs

**85.** The council uses a wide range of arm's-length external organisations (ALEOs) to deliver services on its behalf. The ALEO Assurance Hub monitors aspects of the operations of the ALEOs, focusing on risk management, financial management and governance. The Hub is also provided with assurance that workforce related risks identified by each ALEO are mitigated effectively through succession planning, current and future resource requirements and staff development programmes to facilitate recruitment and retention of staff. ALEO assurances are also reported to the Audit, Risk and Scrutiny Committee twice a year.

# Measuring the impact of workforce planning

**The council actively monitors progress with its workforce plan and provides regular reports on priority areas to elected members.**

**A workforce dashboard is evolving providing managers with real-time data. This can trigger deep dives to better understand the data and target corrective action.**

**The impact of change on staff is regularly monitored.**

**86.** Councils should monitor the impact of their workforce planning and delivery approaches. This should include cost, service quality and productivity benefits as well as employee wellbeing. This in-turn should inform their workforce planning approach. Councils and their partners should also understand the wider impact of their employment practice on the local economy.

## The council actively monitors progress with its workforce plan and provides regular reports on priority areas to elected members.

**87.** In overall terms, the council's Annual Review provides an overview of progress made in implementing the council's priorities. These are set out as commissioning intentions and service standards in the Council Delivery Plan. The delivery plan also shows measures for each of the commissioning intentions and the annual review highlights progress against many of these measures.

**88.** The workforce delivery plan sets out the intended actions to deliver the council's workforce strategy. There are annual updates to the Staff Governance Committee on progress in the following key delivery areas:

- progress made on the Employee Mental Health Action Plan

- monitoring of sickness absence levels and categories of sickness – rising absence levels has led to further improvement actions including deep dive data reviews, sharing absence data to third tier managers and providing additional support to services to identify preventative measures.

- occupational health activity including referrals and outcomes

- monitoring progress on developing a young workforce including statistics

- Leadership and Management Development

**A workforce dashboard is evolving providing managers with real-time data. This can trigger deep dives to better understand the data and target corrective action.**

**89.** The council has developed a Power BI dashboard for workforce data which provides real-time data to managers. For example, this includes budget and actual establishment numbers with costs, vacancies, staff turnover, mandatory training compliance, sickness absence and the status of cases e.g. performance management, grievances etc.  Work on the dashboard will continue to evolve as it expands.

## Impact of change on staff is regularly monitored

**90.** The council has implemented significant change since 2017 which has led to improvements in communications and provided different learning and development opportunities. A range of techniques and tools have been used to gather information on a range of topics. For example:

- Tools - face to face discovery workshops; information roadshows; webinars and Q&A sessions; online surveys; Viva Engage (previously called Yammer) polls and comments; and comment and feedback on intranet posts.

- Topics – ways of working including hybrid working; mental health and wellbeing; how change is experienced, led and managed; and equalities and diversity.

**91.** In addition, the council run a number of pulse surveys to check in on how staff are feeling. The Future of Work survey was undertaken in 2021 and discussions are currently ongoing about whether a wider follow up survey is required at the moment.  In the meantime, the next pulse survey is scheduled for December 2024 and will be a themed survey on 'wellbeing'.

**92.** Elements of change are monitored by the council including percentage of staff who feel well connected, number of managers taking up development opportunities etc.  Each service cluster is required to complete a workforce development plan which is submitted to People and Citizen Services. This sets out the development requirements identified as necessary for staff and will therefore be monitored through delivery of the plan but also through individual staff performance meetings.

**93.**  The main aims of the transformation programme include improved use of digital services and a reduction in transactional work over time, thereby creating more capacity in the workforce. The work of digital champions is therefore monitored including digital adoption figures and the numbers and content of queries being raised by staff and service users.

## Recommendation 2

With regard to the council's change and transformation plans, there is scope to consider service improvements and lessons learnt ,quantify the savings and

efficiencies identified from workforce and digital delivery plans and assess whether the outcomes were as expected. In turn, these assessments should further inform future transformation plans (including workforce digital plans).

# Appendix 1
## Improvement Action plan

| Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|
| 1. **Hybrid working arrangements**<br><br>The council's approach to hybrid working has been developed and needs to be formalised. This should restrict the differences between staff who wish to work remotely and managers who would prefer them to be more onsite. | The council has made significant progress in developing a revised hybrid working approach and should now formalise the arrangements. | Agreed – a revised Smarter Working Policy and Guidance is due to be considered by the Staff Governance Committee In November 2024 |
| 2. **Impact of workforce planning**<br><br>While there are regular progress reports on workforce delivery plan workstreams, there is limited reporting to demonstrate the wider impact of workforce and digital innovation. | With regard to the council's change and transformation plans, there is scope to consider service improvements and lessons learnt, quantify the savings and efficiencies identified from workforce and digital delivery plans and assess whether the outcomes were as expected. In turn, these assessments should further inform future transformation delivery plans (including workforce digital plans). | Agreed in principle – format being discussed/considered further with auditor. |

# Workforce innovation - how councils are responding to workforce challenges

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