

Aberdeen City Council  
Internal Audit Outsourced Activity  
Progress Report  
DRAFT

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# Section 1 – Introduction

## Background

- 1.01 The assurance you receive through the internal audit programme is a key component of your overall governance framework, ultimately reflected in the Statement on Internal Control. Whilst this assurance is of the utmost importance, internal audit should also add value for the future. The purpose of this report is to highlight the key findings arising from the Internal Audit work completed by PwC.

## Outsourced Internal Audit Activity

- 1.02 During February, March and April 2010 we conducted several internal audit reviews as part of our outsourced internal audit activity. We identified a number of areas of immediate priority and also identified a number of key areas where we feel we can complement the existing in-house team through provision of ongoing support. Our overall approach to internal audit is to deliver challenge and support across the continuum from value protection (where we primarily provide assurance by protecting the current position) and value enhancement (where we add value for the future with forward looking reviews).

### *Completed reviews*

- Housing Capital and Repairs Budget (Housing and Environment Directorate);
- Internal Management Information (Housing and Environment Directorate); and
- Risk Management (Council wide).

### *In-progress*

- Waste Management (Housing and Environment Directorate).
- Information Security
- Project Management (Council wide).

## Reports Presented for Audit Committee Consideration

- 1.03 The reports presented for consideration by the Audit Committee are noted below. The key findings of each report have been summarised in Sections 2 - 4. Full copies of all reports can be provided to members on request.

# Finalised Reporting to June 2010 Audit Committee

<b>Section</b>	<b>Review Title</b>
2	Housing Capital and Repairs Budget Management
3	Internal Management Information
4	Risk Management

## Section 2 – Housing Capital and Repairs Budget

Number of Recommendations				
Critical	High	Medium	Low	Total
-	1	10	1	12

### Background

- 2.01 Aberdeen City Council (ACC) is the 4<sup>th</sup> largest local authority landlord in Scotland, currently managing around 23,000 homes and has the 5<sup>th</sup> largest Housing Revenue Account budget in Scotland (2009/10: £68.6m). Unlike other city local authorities (Edinburgh or Glasgow for example) there has been no stock transfer to housing associations. Housing stock currently comprises a diverse range of house types from multi-storey flats to sheltered housing.
- 2.02 The Housing Capital and Housing Repairs teams were aligned in July 2008 as part of the wider organisational restructuring within Aberdeen City Council. The restructuring of Housing has seen a move from 3 separate housing capital and repairs teams (former North, Central, South structure) to one consolidated, Aberdeen City-wide, function.
- 2.03 Unlike the old structure, both the capital and repairs teams come together under one Head of Service and one Corporate Director. We acknowledge that the revised structure should enact positive change both in efficiency and effectiveness of working practices.

### Approach and Scope

- 2.04 Our approach considered the information provided as part of the Repairs Budgeting and reporting to understand whether Management have the appropriate information to allow them to make informed decisions on the Capital Planning / cost avoidance for existing and planned Housing stock. The primary focus of this review was to assess:

- The accuracy and fitness for purpose of current reporting on repairs expenditure (including trend analysis);
- The linkage between capital spend and repairs cost avoidance;
- The decision making process for a sample of capital projects; and
- The current contracting strategy with consideration of the Value for Money derived from this approach.

- 2.05 Our approach included interviews with management, staff and review of key documentation.

### Summary of Findings

- 2.06 Overall, our review highlighted that the recent restructuring of the Housing Team should facilitate further improvements to the setting and management of the Housing Repairs and Housing Capital budgets, and support the achievement of Best Value.
- 2.07 Good progress has already been made in the development and use of the Consillium system, together with changes in working practices and terms and conditions of employment which is effectively contributing to the productivity and profitability of the business.

- 2.08 The team have been presented with a number of significant challenges in terms data quality in establishing SHQS priorities. Appropriate decisions have been made and effective workarounds implemented, where practicable.
- 2.09 Based on the work undertaken during our review we identified the following as key areas which could inform further improvement activity.

#### Accuracy of Housing Repairs Budget Forecast

- 2.10 Best practice guidance suggests that the ratio of planned to reactive maintenance is a good indicator of the effectiveness of a council's maintenance regime. A 60:40 split – or better – of planned to reactive maintenance is an accepted indicator of good practice.
- 2.11 In 2009/10 ACC's budget was set with a 58% planned and 42% maintenance; however the projected outturn for this budget (as at December 2009) shows a 50:50 split. In addition at the time of our review (February 2010) the 2009/10 budget spend versus projected outturn by budget highlighted large variances between the two, ranging from projected overruns of £900k to underspends of £1.3m. In addition, the HRA budget approved in February 2010 for the following 3 years suggests a 50/50 budget split.
- 2.12 Currently, planned maintenance is based on a cyclical basis of works and partly on reactive requests that come into the Council rather than on an asset management basis.

#### Recommendations

- Whilst pre-empting responsive repairs with an appropriate planned repair strategy is the ideal: we acknowledge that there will always be, however, a responsive repair demand. Audit Commission best practice guidance on an integrated capital and planned maintenance strategy recommends the implementation of a planned maintenance strategy. This approach should use information from stock condition surveys and trends within the responsive repairs spend to prepare a programme of component lifecycle renewals. **(Medium)**.
- The link between responsive, planned repairs and Capital Improvements also needs to be matched with close working and communication at an operational level (between the Repairs and Capital Teams), to help to reduce responsive repairs orders. **(Low)**.

#### Housing Management Systems

- 2.13 On an annual basis information from the capital programme is passed to repairs. This details the planned programme of works at that point in time, including the address and type of works to be conducted. Whilst this information is sent to repairs (with a view to informing repairs works) it is not currently disseminated to the wider team as it is deemed to be too cumbersome.
- 2.14 Currently no link exists between the housing management systems: the Asset Register (Codeman) and the Repairs system (Consillium) and since the information provided by capital is not disseminated, repairs can often be instigated where renewal of that particular element of the building is to be delivered through a capital works contract in the near future.
- 2.15 Consideration should be given to establishing an interface between the Consillium and TotalRepairs systems. In the interim period, a review should be undertaken of the information which could be shared by the capital and repairs teams. Communication between the two teams could be strengthened to ensure that the benefits of any information shared between the 2 sources can be maximised.

### Recharges for defective works

- 2.16 The Council has agreed to provide the repairs service for any defects arising from capital works by a third party contractor where the defect arises out of hours (for customer satisfaction) and where an element of tenant safety is at risk (for example secure entry). These costs should be recharged to the contractor if the capital works were performed in the past year. However discussions with staff revealed that few instances where such a recharge has been made, citing inadequate access to information from capital teams. The housing repairs budget will therefore reflect this cost, rather than it being recharged to the contractor.

#### *Recommendation (Medium)*

Improved communications between the housing capital and housing repairs team should be taken forward as this will improve the level of information available to repairs in order to identify potential recharges to contractors. Recharges should also be monitored on a monthly basis to ensure that call centre staff are adhering to prescribed procedures. The Council should review all significant capital works provided to housing stock in the prior year as recovery of revenue from the contractor may still be made.

### Business Plan and Budget Monitoring

- 2.17 The capital budget for the year is driven by the HRA Business Plan, created by CIPFA and members of the in-house Finance team, which forecasts income, expenditure, investment and borrowing needs for a 30 year business planning period. There are a number of key assumptions within the model that must be managed in order to make sure that the model operates effectively. Our review highlighted that there is a lack of internal ownership of the Housing Revenue Account business model.
- 2.18 Our review has also highlighted that there is insufficient budget scrutiny to ensure that both the capital and repairs budget stay on track. Currently there are no formal meetings that take place between finance and repairs or finance and capital.

#### *Recommendation (Medium)*

Strategic Accounting skills are required to support both Housing Capital and Housing Repairs functions. This support will be beneficial in aiding the integration of housing and capital as they move towards an asset management and planned maintenance approach to housing stock.

### Capital Budget Spend

- 2.19 Whilst the capital budget has been re-profiled to reflect current strategy, it currently contains 58 budget lines. This level of detail has resulted in the need for budget virements between budget lines in 2008/09 of £9.6m and as at January 2010, £6.5m for the year to date.
- 2.20 In addition, as at 31 December 2009 only £35.75m of the approved capital budget had been spent with £48.5m committed, leaving a £13.25m capital allocation unspent. This position mirrors that of the preceding years where the capital allocation was not spent in full.

#### *Recommendation (Medium)*

Closer scrutiny and monitoring of the capital budget management is required to ensure that the delays in terms of delivery of the capital programme are not impacting upon service or performance commitments against which the Council will be measured.

## Capital Plan Preparation

- 2.21 At the time of our review, the preparation of the Capital Plan did not fully take into consideration the actual condition of the stock at that time. In addition, the Capital Plan does not consider any planned repairs for the year (from repairs side) as this information is not made readily available. Currently information that is passed from repairs to capital is limited to door replacement and smoke detector fitting. However the information provided is not comprehensive enough to allow the capital team to update the asset register (i.e. there is no specification attached to this). In addition, whilst the capital team have read-only access to the repairs system, this is used to inform customer queries they receive rather than inform the capital plan.
- 2.22 Our review also highlighted that some properties are excluded from the Capital plan at present as there are no technical specification drawings available – which are necessary to inform the contractor of the layout of property, for example for kitchens and bathrooms modernisation – for a total of 8,500 properties.

### **Recommendation (High)**

The Council should draw up capital plans based on a balanced view of the condition of the stock, the lifecycle of the asset to be replaced and the last replacement date. An asset management approach should be considered for managing the capital investment, an approach championed by the Scottish Housing Regulator and Audit Scotland. The Council should also take action to survey the stock which does not currently have technical drawings.

## Internal Communication

- 2.23 We reviewed the process for preparing the capital plan for kitchens and bathrooms modernisation, window replacements and heating upgrades. This highlighted that completeness of information issues arising in fixed asset system as a result of internal communication issues. For example, when the windows replacement programme was set for 2009/10, the

technical team highlighted 68 properties included in the list prepared by the Capital team that had already been replaced. This information had not been communicated to the Capital team – responsible for maintaining the asset register.

### **Recommendation (Medium)**

Improved communication between the capital team and the construction consultancy team is required to ensure that asset information recorded centrally (on Codeman) is kept up to date.

## Capital Plan Approval

- 2.24 The detailed Capital plan is approved by the Housing and Environment Committee for the coming fiscal year alongside an indicative spend for the following 2 years. The capital team currently prepare a one year "program" of activity which details the type of capital works to be carried out on individual addresses. The Council aims to prepare address lists for the full 3 years. However at the time of our review (February 2010) the 2010/11 address list was still to be finalised and the 2011/12 and 2012/13 plans were in their infancy. Delays in the preparation of the capital plan means contracts cannot be arranged (for new) and programmes of work cannot be passed to the contractor (for existing).

### **Recommendation (Medium)**

The Capital team should ensure that address lists are pulled together as far in advance as possible, i.e. to mirror the approval of the capital budget.



### Asset Management and Options Appraisal Model

- 2.25 The Council contracted CIPFA in 2008 to assist in the revision of their Asset Management Model. This model is a tool which can be used to inform capital investment decisions (on a traffic light system) as it identifies poorly performing areas but also provides an analysis of the drivers behind the identified poor performance by grading each unit of Council stock in terms of ability to generate cash flow over a 10 year period and long term sustainability.
- 2.26 In addition, the Council also contracted CIPFA to expand on the Asset Management Model in the creation of an Options Appraisal Methodology. This work is the logical next step in providing guidance on how capital projects should be treated in terms of ensuring that all capital investment decisions were underpinned by robust option appraisal methodology. Neither model is currently employed by the department.

#### *Recommendation (Medium)*

The asset management model should be utilised to inform capital investment decisions. The principles and outputs of the model should be considered in the context of physical and financial constraints and also the demands of meeting the SHQS standard.

This will better inform the long term decision making of capital investment within the capital plan. The use of this model should be coupled with the Option Appraisal Methodology prepared by CIPFA.

### Contracting Strategy

- 2.27 ACC's current contracting strategy is at present unclear: there are a variety of contract types in place: short, term and framework, but there is no set approach for selection of contract types. The implementation of the framework contract, for example, was initiated as a result of an external advisor performing an options appraisal exercise.
- 2.28 In addition, the Council do not currently have a long term contract in place for the delivery of heating replacement works. The Council faced a

legal challenge to the award of the heating framework tender previously and have been unable to proceed.

- 2.29 Our review of the capital budget planning process also revealed that there is often a tight turnaround time for contracts to be arranged by the in-house team, as a result of the 1-year capital plan lead in time. This causes increased pressure for the market to adequately respond to tender requests, for example if sub-contracting is required.

#### *Recommendation (Medium)*

The Council should establish a clear strategy for procuring housing capital contracts. This strategy should consider:

- Works to be conducted in house or by external contractors;
- The means by which works should be tendered (cost or quality price);
- The preferred type of contract (long or short term, framework or term contracts and so on);
- The methods by which potential contracts are identified (i.e. continued use of the central contracts database: Construction Line); and
- The lead in time for tendering (i.e. the minimum notice period required by capital so that procedures can be followed and the market have sufficient time to respond)

- 2.30 In order to foster appropriate procurement skills with the in house technical team, there should be closer links with the central procurement function so that procurement expertise can be shared. This will ensure that the Council are consistently achieving efficiency and effectiveness within existing staffing levels and provide sustainability to the contractor base available to the Council.

## Contract Management

- 2.31 Long term capital contracts, such as term and framework contracts, should be monitored by the Construction Consultancy Team. This monitoring should include amongst other things monthly update meetings with the contractor and regular review of the KPIs stipulated within the contract. Discussions with staff revealed that neither of these monitoring mechanisms are currently carried out as a result of staffing issues.
- 2.32 A number of issues have arisen with the performance of the framework contracts in recent periods. Customer complaints have been well publicised and the value for money that these contracts offer have been called into question. The negotiations with the contractors are currently in place to identify if rates can be lowered by the Council; these negotiations are currently being undertaken by the Head of Service and the Architect managing the contract.

### *Recommendation (Medium)*

Closer liaison with the central procurement team is required to ensure that value for money is being derived from contracts. More robust monitoring of these contracts is required and advice should be sought from the central team as the best way to take contract management forward.

## Section 3 – Internal Management Information

Critical	High	Medium	Low	Total
-	-	5	6	11

### Background

- 3.01 The Corporate Directors are individually accountable for the performance of their Directorate. The performance management process implemented across the Council should support the Corporate Directors to monitor service delivery, ensure that staff are focused on achievement of key objectives and that performance is managed appropriately. The process also provides a means for monitoring continuous improvement and demonstrating service effectiveness.
- 3.02 Housing and Environment have recently been restructured into one Directorate. The restructuring programme was underway during the period of our review with the appointment of the Heads of Service roles, amalgamation of other posts and the development of the combined Service Plan and Business Plan ongoing.

3.03 Work was also ongoing to review the performance management framework to ensure consistency across each Service. As part of the restructuring project, a number of services such as Waste Management and Waste Disposal are in the process of being transferred over to the Head of Service for Environment and a review of performance indicators (PIs) within the Environment Service has led to the development of a number of new PIs.

3.04 Our review has assessed the processes supporting the performance management framework within the Housing and Environment Directorate as at February 2010. In presenting our findings we would acknowledge that plans are already in place to make improvements to existing arrangements as part of the restructuring programme.

### Approach and Scope

- 3.05 This review assessed the processes for the reporting of management information within the Housing and Environment Directorate. In particular our review focused on the following:
- Establishing Performance Indicators (PI) that are fit for purpose;
  - Establishing appropriate targets for each PI; and
  - Ensuring that there is a robust reporting framework in place.

### Summary of Findings

- 3.06 Overall significant progress has been made towards the implementation of an improved internal performance management system: Covalent. The use of Covalent has led to the streamlining of performance documentation and reporting across the newly formed Directorate. Our review has identified a number of areas of good practice and also highlighted where there are currently plans in place to improve the performance management framework as part of the Directorate restructuring project. Our recommendations have focused on making further suggested improvements to existing reporting and documentation standards as well as identifying areas of focus to ensure Housing and Environment indicators are complete and relevant to monitoring overall Service and Corporate Objectives.

#### Formalised Performance Indicator (PI) Timetable

- 3.07 Our review highlighted that whilst there is an annual process to review the performance indicators for each Directorate, there is however no formal timetable for 2010/11 that specifies dates for review and approval of performance indicators for the Directorate by the Corporate Management Team and Housing and Environment Committee.

#### Recommendation (Medium)

A timetable outlining the Performance Indicator process and deadlines should be developed and communicated to all relevant employees. The timetable should be in line with the Committee cycle to ensure there is timely reporting of performance linked to the risk management and finance reporting processes. The dates for when data should be input into Covalent, prepared for draft submission to Committee and reviewed by Committee should be included as well as the target date for approval for 2010/11 performance indicators.

### SPI monitoring

- 3.08 Each Statutory Performance Indicator (SPI) assigned to Housing and Environment should be included within the Directorate's performance indicators on Covalent. These will be monitored by SMT on a monthly basis and reported to Housing and Environment Committee if required. We noted as part of our review that the SPIs relating to the Scottish Housing Quality Standard (SHQS) and Trading Standards were not included within the Directorate's indicator list on Covalent and were not being reported to either the Directorate Management Team or Committee.

#### Recommendation (Medium)

The Trading Standard indicator has been added recently to Covalent but no data has been input or reported on. SHQS and Trading Standard SPIs should be reported to and monitored by the Housing and Environment Committee and Housing and Environment Directorate Management Team in the same way as the other SPI performance indicators.

### Quality and customer focused performance indicators

- 3.09 From a review of the full listing of PIs and discussion with management we identified the performance management framework should have a greater focus on service quality and customer satisfaction. Management are in agreement that more work is required to implement performance indicators to drive quality improvements and there are a number of projects to collate customer feedback through City Wide residents' survey (albeit only carried out once to-date), City Voice, one off departmental surveys and other projects. However this data does not directly feed into the performance management process to assess and monitor performance on a continuous basis.

**Recommendation (Medium)**

Each Directorate and Service should develop performance indicators which monitor and measure quality of service and customer satisfaction on at least an annual basis. These should be developed with reference to the Customer Feedback Strategy and with the assistance of the Performance Management and Quality Assurance Team, where necessary. Heads of Services should also consider what feedback is required from customers to inform the measurement of the quality of service provision. The Council should ensure that the City-wide residents' survey is performed bi-annually.

**Department overlaps in providing combined Council services.**

- 3.10 Inherent to the Council's organisational structure - a number of services are provided by a combination of departments from across the Housing and Environment Directorate. For example, rent management, homelessness and the city warden service. Through discussions with staff we identified that increased communication is required between Heads of Service to clarify roles and responsibilities for performance of such services. Although services are collectively working towards the Council's overall objectives, managers will set and monitor their own performance as an individual unit. For example, Community Safety and Environment departments were both monitoring the same performance indicator on City Wardens without knowledge of what the other was doing.

**Recommendation (Medium)**

A review should be carried out in a similar format to Void Stat of key services where performance is impacted by a number of departments. The purpose of this review should be to map service provision and ensure that there is a clear agreement on responsibilities across each Head of Service for each stage of the process and achievement of corresponding performance levels.

**Level of performance reporting**

- 3.11 We reviewed the list of indicators reported at SMT and Committee and held discussions with members of each group to determine the suitability of performance information provided at each meeting. At the moment, Committee receive detailed information every cycle but best practice would dictate that the level of detailed reporting be reduced to ensure that the Elected Members have the relevant information for an appropriate level of challenge. By reporting on a 6-weekly basis, the emphasis is less on holding officers accountable for long-term performance and more focus on the short-term. From discussions with senior management, they have found it more effective to submit detailed one off reports on services such as Homelessness rather than just an increased list of PIs as this provides Elected Members with background information on service provision to add context to PI results.

**Recommendation (Medium)**

Consultation between Elected Members and Senior Management should take place to agree on a more suitable reporting timetable and what performance information should be provided. We are aware of the plans to increase the Committee cycle to eight weeks. Elected Members should also be consulted fully on what indicators they require updates on and where additional reports such as the one prepared for Homelessness can be used to inform the scrutiny of indicator information. We would also recommend that a review be carried out on the reporting of indicators at CMT level to ensure that they reflect the key priorities in the combined Service Plan.

## Section 4 – Risk Management

Number of Recommendations				
Critical	High	Medium	Low	Total
-	-	9	2	11

### Background

- 4.01 Given the significant challenges facing the Council this review has provided an independent challenge of the adequacy of the risk management arrangements as they currently apply. The implementation of effective and robust risk management arrangements will be particularly important for maintaining continuity of services during a period of change in terms of organisational structure, appointment of staff to new posts and implementation and delivery of key projects.

### Approach and Scope

- 4.02 We undertook an independent review to assess the effectiveness of the risk management arrangements and processes for identifying, assessing, and prioritising risk. We also considered the extent to which risk management informs the coordination and economical application of resources to deliver key service objectives and prioritises and minimise, monitor, and control the likelihood and impact of events impacting upon Council operations. Specifically we considered:

- The adequacy of existing policies and procedures in relation to risk;
- The process for risk identification and measurement across the Corporate and Service Registers;
- The process for the regular reporting of risk; and
- Consideration of whether robust action plans exist in order to mitigate risk.

- 4.03 Our review assessed the processes risk management on both a corporate and service level considering the progress to date as well as the areas of improvement or rolling out of best practice Council wide. We held meetings with Corporate Management Team (CMT) representatives and a sample of risk owners from each Service. Meetings were also held with the Service Operational Support Managers, Risk Co-ordinator and External Consultant support.

### Summary of Findings

4.04 We recognise that improvements to the risk management process have been made over the past 18 months and the Service registers for Education, Culture & Sport and Social Care and Wellbeing are close to completion. Our review has highlighted a number of areas for development which would improve the identification, mitigation and management of risks including:

#### Corporate Risk Register

4.05 From a review of the risks on the Corporate register, we noted the following areas where improvements could be made:

- Increased consideration of the impact of external risks on the Council;
- Potential exclusion of risks specific to the delivery of the interim business plan;
- Risks not formally linked to corporate objectives;
- Number of risks excessive for corporate register (38 at the time of our review);
- Register is reviewed in isolation to other processes such as performance management and corporate plans.

#### Recommendation (Medium)

The corporate risk register should be reviewed by the CMT and consideration be given to best practice:

- Reduce the number of risks (best practice 15-20);
- Identify external risks to the Council;
- Align risks to corporate objectives; and
- Formally reviewing the register as part of the annual timetable of corporate plan updates, budgetary assessment and performance management reporting.

4.06 We recognise that since our review, an annual timetable for review is now in place. We also note that Committee agreement has been obtained to link the reporting of risks with performance, actions and budgeting.

#### Service Risk Registers

4.07 From a review of Service risk registers and discussions with management we have identified the following areas for improvement:

- No categorising of risks to ensure all relevant service risks are identified;
- Replication of similar or identical risks for each team on the service register;
- Actions are not consistently linked to service and team plans;
- Service registers are reviewed in isolation to other processes such as performance management and corporate plans; and
- Risk updates are not provided to the service Committees.

#### Recommendation (Medium)

The service risk registers should be reviewed by the SMT and consideration be given to the following best practice:

- Amalgamate similar risks on each register into one high level risk with sub risks for each team;
- Align risks to service objectives;
- Formally review the registers as part of the annual timetable of delivery plan updates, budgetary assessment and performance management;
- Categorise risks and identify additional risks going forward; and
- Provide risk updates to Elected Members on each service Committee as part of the reporting of performance management.

4.08 We recognise that since our review, action has been agreed on all of the above recommendations and work has already commenced on their implementation.



### Linkage of Corporate and Service risk registers

- 4.09 From a review of the Risk Management Manual and discussions with staff, we identified that the procedure for the escalation of risks between registers is not clear.

#### *Recommendation (Medium)*

Formal guidance should be developed and communicated to management which states the circumstances under which risk should be escalated and how this should be achieved. This should be supported by the proposed changes to the reporting timetable to ensure risks can be escalated or de-escalated to/from the corporate and service risk registers on a timely basis. We acknowledge that discussion is ongoing to change the quarterly reporting dates for corporate and service registers.

### Risk Management responsibilities

- 4.10 At the time of our review, there were inconsistent arrangements for allocating responsibilities within each service for risk management. Furthermore, the role of Risk Manager is currently part of the Financial Services Manager job description and the external consultant's appointment is on a temporary basis until service registers are in place. We acknowledge that plans are still to be finalised on the risk support function going forward.

#### *Recommendation (Medium)*

The Council should consider the following allocation of responsibilities with regard to establishing an appropriate structure to support the implementation and embedment of risk management on a consistent basis:

- Risk Manager – responsible for assisting with the Corporate risk register and promoting, supporting and overseeing of the risk strategy across the Council. Full risk management training should be provided on an ongoing basis to ensure they are up-to-date on developments within the industry (such as the Institute of Risk Management and ALARM).
- Risk Champions – appointment of fully trained risk “champions” within each team who will oversee and provide support on risk issues.
- Risk Management Group – made up of Risk Champions and Risk Manager who would meet quarterly to discuss corporate and service risk management and promote the sharing of best practice.

### Accountability and review of risks

- 4.11 From discussions with staff we identified that some teams do not fully appreciate the benefit or the value of maintaining their registers. This is evidenced by the number of risk owners not updating risks on Covalent. Staff commented that they have not been consistently challenged or held accountable for their assigned risks once reported via Covalent. A number of reminders are also sent by Operational Support Managers within each service to update registers.



#### **Recommendation (Medium)**

- The Council should implement a consistent approach to the review and accountability for risk mitigation.
- We would recommend the following good practice which is already in place within certain of the services in the Council:
  - Risk management should be included as a CMT standing agenda item and a meeting dedicated every quarter to review the risk register;
  - Risk management should be included as a SMT standing agenda item and a meeting dedicated every quarter to review the register which coincides with the reporting timetable; and
  - Risk management should be added as a standing item in the Heads of Service one-to-ones with their managers alongside performance management.

- 4.12 Note, that since our review we recognise there has been the appointment of a new Performance, Audit and Risk Manager who will provide a co-ordination and oversight role to supporting the above recommendation.

#### **Training of Elected Members**

- 4.13 The Vice Convenor and Convenor of the Audit and Risk Committee have recently received risk management training as the Committee now receive bi-annual updates on the Corporate register. However there were no formal plans at the time of our review to provide risk management training to the remaining Audit and Risk Elected Members.

#### **Recommendation (Medium)**

As part of best practice, the remaining Elected Members of the Audit and Risk Committee should receive training on risk management already provided to the Convenor and Vice Convenor. If risk management updates are submitted to Service Committees, the Elected Members of the Service Committees should also receive risk management training.

#### **Completeness of risk registers**

- 4.14 From a review of the corporate and service risk registers, we noted that the critical success factors for a number of risks have not been added or are marked as “No action”. We also identified that actions do not always follow the SMART principle (specific, measurable, achievable, relevant and time bound). Actions are not consistently clear on who should be completing, at what cost and by what deadline. The registers for Education, Culture & Sport and Social Care & Wellbeing are at the final stages of completion. Risks have been identified by each Service but approval is required by the SMT once each risk has been assigned and rated.

#### **Recommendation (Medium)**

The SMART principle for documenting actions should be communicated to staff as well as ensuring actions link directly to service and corporate objectives. Staff should be reminded to update all critical factors and actions on a regular basis. The Education, Culture & Sport and Social Care & Wellbeing Registers should be completed as soon as possible and approved by the SMT as planned.

#### **Assignment of risks**

- 4.15 From discussions with managers we identified that service risk registers are not always communicated to staff and some risk owners are not aware of all the risks assigned to them.

#### **Recommendation (Medium)**

Management should ensure all employees are aware of all risks assigned to them and there is formal agreement that they will manage these risks and provide updates to senior management. Where possible, risks should be additionally assigned to third tier managers in addition to heads of service to ensure that they are being managed on a day-to-day basis during the restructuring period. Consideration should be given to including risk management responsibilities within job descriptions. This has been identified as best practice by industry standards.

### Project Management Risk Registers

- 4.16 The Project Management Guidance stipulates that risk registers should be developed for each project. However staff confirmed that registers are not always put in place for all projects. We also note that there were no existing risks for 3Rs on the Education, Culture and Sport register and Marischal College on the Enterprise, Planning and Infrastructure register at the time of our review

#### *Recommendation (Medium)*

Management should seek to raise the awareness of project risk registers and promote their importance within the project management process. Additional guidance should also be provided for the escalation procedures of project risks to the relevant service and corporate registers to ensure significant risks associated are identified at the appropriate reporting level.

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ABERDEEN CITY COUNCIL - INTERNAL AUDIT

MANAGEMENT STATEMENT ON INTERNAL AUDIT

TITLE : Risk Management

**STATEMENT**

The Directorate is pleased that the audit recognises the progress and improvements which have been made over the past 18 months. Further progress has been made since the audit fieldwork and a number of the issues raised by the auditors were already being implemented. Specifically, recent improvements over the last few months include:-

- Cross-referencing of Service Risk Registers to identify actions for Service Business Plan;
- Categorizing risks in line with Accounts Commission guidance as professional, financial, legal, physical, contractual, technological, environmental;
- As mentioned above, the agreement of the Corporate Policy & Performance Committee to put in place a single performance reporting model including quarterly reporting to each service committee of PIs, actions, budgets and risks;
- Quarterly monitoring of risks by the Corporate Management Team and Services' Senior Management Teams;
- Inclusion of risk in 1-2-1 line management meetings;
- The completion of all Service Risk Registers;
- Work on revised competencies for managers which specifically include risk management.

The audit does highlight areas where further development is required and these improvements will form the basis of our improvement plan over the coming year.

CORPORATE DIRECTOR: ..... *Glenis Connell* .....

DATE:..... *28/5/10* .....