

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	14 February 2019
REPORT TITLE	Internal Audit Report AC1907 – Digital Strategy
REPORT NUMBER	IA/AC1907
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
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 Digital Strategy.

2. RECOMMENDATION

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

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Digital Strategy.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights 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
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1907 – Digital Strategy.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Customer

Digital Strategy

Issued to:

Andy MacDonald, Director of Customer
Andrew Howe, Chief Officer – Digital and Technology
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
Craig Innes, Chief Officer – Commercial and Procurement
External Audit

EXECUTIVE SUMMARY

In 2016, as part of the Council's ongoing transformation, the Digital Strategy was approved by the Finance, Policy and Resources Committee, with the aim "To change how we do business to meet outcomes and customers' expectations through digital solutions". The three main areas covered by this strategy are Improving Customer Experience, Improving Staff Experience, and Improving ACC's Use of Resources.

A project programme was created detailing the projects that would be carried out to cover the above areas, however this is currently being updated. In 2016 a capital budget of £4.5 million had been set aside for implementing this strategy. This was subsequently merged with and included in the Transformation Fund (£15 million), set up from reserves to aid implementation of the Target Operating Model.

The objective of this audit was to provide assurance that there are appropriate plans in place to manage the Council's digital strategy including reporting of progress against established milestones.

The Service has procured the services of a digital partner, and whilst the procurement generally followed standard practice, there was no documentary evidence to confirm that the instruction of Committee regarding consultation on the contract award was complied with, and not all work had been instructed on an official purchase order in advance or included on the contracts register. The Commercial and Procurement Shared Service has been consulted and considers that the process was sufficiently transparent, and going forward procurement intentions and authorisations will be more clearly recorded through submission of annual procurement workplans to the Strategic Commissioning Committee. Purchase orders have now been raised for ongoing and future work.

The 2016 Strategy incorporated a strategic plan which set out measurable targets for each year up to 2021. Progress towards meeting these targets has not been monitored. Instead a gap analysis was carried out in March 2018 setting out the remaining technological changes required to implement the strategy, concluding with a 'roadmap' of actions with indicative timescales.

Whilst the Service plans to utilise an Agile project management methodology for certain projects within the overall Digital Programme, processes and documentation to support this are not yet all in place. There is regular reporting on the current state of each project, but limited information on delivery of the programme and its planned outcomes. The Service has confirmed that an overall programme plan is being brought together based on the individual project plans.

1. INTRODUCTION

- 1.1 In 2016, as part of the Council's ongoing transformation, the Digital Strategy was approved by the Finance, Policy and Resources Committee, with the aim "To change how we do business to meet outcomes and customers' expectations through digital solutions". The three main areas covered by this strategy are Improving Customer Experience, Improving Staff Experience, and Improving ACC's Use of Resources.
- 1.2 A project programme was created detailing the projects that would be carried out to cover the above areas, however this is currently being updated. In 2016 a capital budget of £4.5 million had been set aside for implementing this strategy. This was subsequently merged with and included in the Transformation Fund (£15 million), set up from reserves to aid implementation of the Target Operating Model.
- 1.3 The objective of this audit was to provide assurance that there are appropriate plans in place to manage the Council's digital strategy including reporting of progress against established milestones.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Andrew Howe, Chief Officer – Digital and Technology, and Craig Innes, Chief Officer – Commercial and Procurement.

2. FINDINGS AND RECOMMENDATIONS

2.1 Resourcing

- 2.1.1 The Being Digital Strategy was first reported to the Finance, Policy and Resources Committee in September 2016. This included a Strategic Plan outlining the key areas of focus and anticipated outcomes over the following four years, and measures to indicate progress with their achievement. A Technology Roadmap was also set out: indicating key elements of the supporting technology which needed to change – as part of a ‘Deliberate Plan’; and areas where technological progress would need to be kept under review to inform an ‘Emergent Plan’. Governance arrangements (reporting lines) were also referenced. For the initial investment of £4.5 million, over five years, a net annual saving of £5.5 million was anticipated.
- 2.1.2 Approval was delegated to the Head of IT & Transformation, in consultation with the Head of the Commercial and Procurement Service and the Head of Legal and Democratic Services, to approve the expenditure and enter into contracts for any supplies and services required for the Digital Strategy regardless of value, as and when required, provided that the procurements were undertaken in accordance with the Aberdeen City Council Procurement Regulations and the total budget approved was not exceeded.
- 2.1.3 In August 2017 Council approved a transformation programme in order to refocus on its key priorities as set out in the Local Outcomes Improvement Plan, and to rebalance its resources in order to achieve balanced future budgets. This included review and rationalisation of the organisational structure, a change in the approach to commissioning, a move towards new digital solutions, and development and implementation of new governance arrangements to support these changes.
- 2.1.4 At this point, a need for a digital partner to support the Council in identifying, designing and adopting new technological solutions was highlighted. As part of a wider £15 million Transformation Fund to be generated from reserves, an indicative allocation of £4.5 million was set out for this purpose. Use of the Fund was delegated to the Strategic Transformation Committee (STC).
- 2.1.5 At its first meeting in October 2017 the STC was asked to note that procurement for the business digital partner was underway, to agree to allocate up to £4.5 million from the Transformation Fund for this purpose, and to delegate appointment to the Chief Executive, following consultation with the Convener and Vice Convener of the Finance, Policy and Resources Committee.
- 2.1.6 A digital partner was selected through a competitive process under a national procurement framework, which commenced in September 2017 and concluded in November 2017. However, there is no documentary evidence to confirm that the required consultations took place. The Commercial and Procurement Shared Service has been consulted and considers that the process was sufficiently transparent, and going forward procurement intentions and authorisations will be more clearly recorded through submission of annual procurement workplans to the Strategic Commissioning Committee.

Recommendation

The Service should ensure that there is appropriate evidence that Committee instructions have been complied with.

Service Response / Action

Agreed. As part of revisions to the Council’s governance arrangements, going forward procurement authorisations will be more clearly recorded.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Chief Officer – Commercial and Procurement	Significant within audited area

2.1.7 For each project that they assist with, a Statement of Works (SoW) is written up and agreed by both the Council and the digital partner prior to commencing. This details what is expected to be delivered, the total price of the project, the expected date of completion and the required resources (digital partner and Council). Six SoWs have been agreed to date, with a further two still in draft, with a combined value of £796,025. Included within this figure is £123,680 for a Customer Digital Strategy and implementation plan which, as the first piece of work, it was agreed would only be chargeable if the full £4.5 million contract value was not achieved. Up to a further 5% (£39,800 on current SoW's) may be added as expenses.

2.1.8 Purchase Orders have not been raised for either the SoW's or for £58,000 of work by the digital partner on the Council's Digital Technology Roadmap between June and July 2017. Although the SoW's clearly set out the nature and cost of the work, and are signed by appropriate officers, the Council's internal Financial Regulations require an official purchase order to be raised.

<u>Recommendation</u>		
The Service should ensure that purchase orders are raised in accordance with the Council's Financial Regulations.		
<u>Service Response / Action</u>		
Agreed. This is now implemented, and orders have been raised for the existing agreements.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Chief Officer – Digital and Technology	Significant within audited area

2.1.9 The Council's Procurement Regulations require all contracts to be included on the Council's contracts register promptly following their agreement. As at September 2018 the digital partner contract for £4.5 million which commenced in November 2017 had yet to be added to the register.

<u>Recommendation</u>		
The Service should ensure contract details are added to the contracts register promptly and in full following their agreement.		
<u>Service Response / Action</u>		
Agreed. CPSS will support the Service to ensure the contracts register is updated.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Business & Procurement Improvement Manager	Significant within audited area

2.1.10 Payment is made to the digital partner upon completion, or monthly throughout the duration, of each project depending on what has been specified within the SoW. The digital partner must provide confirmation of the time spent on the project as well as the final cost prior to payment being made. As of August 2018, only two projects have reached payment stages, and one has been paid. There is evidence of expenses having been reviewed and challenged where appropriate.

2.1.11 The SoW that has been completed and payment made (£156,549.75) was for ICT Options Appraisals, which reviewed whether new systems should be purchased, or existing systems enhanced for three parts of the strategy. The Strategic Transformation Committee approved the recommended options in May 2018, and the Strategic Commissioning Committee approved the procurement elements in June 2018. The Service is in the process of renewing and procuring systems as required.

2.2 Progress

2.2.1 As set out at 2.1.1 the Being Digital Strategy was provided to the Finance, Policy and Resources Committee in September 2016. This incorporated a strategic plan which set out the anticipated benefits, key activities, and performance measures. The outcomes included £5 million of savings per annum by 2021; 70% of staff and 95% of customers being satisfied with the available tools; over 90% of data and business intelligence being derived from master data systems; and 80% of transactions being completed through a digital channel. Each outcome had a measurable target value for each year, increasing up to 2021.

2.2.2 The next update to a Committee was not until the STC in October 2017. This included key projects being delivered, and progress with selected elements of these. There was no indication of the extent of progress or delivery against the set performance measures against the original plan.

2.2.3 An update was then provided, with support from the digital partner, to the STC in March 2018. Whilst this more clearly detailed progress with implementing the original plan, it did not include progress with achieving the measures of success outlined in the 2016 strategy.

2.2.4 Within the March 2018 report, a gap analysis set out the remaining technological changes required to implement the strategy and 'target state', and a 'roadmap' showed the next steps including short and longer term actions and timescales. Longer term actions are described as indicative at this stage pending decisions being made.

2.2.5 Individual projects' management and reporting varies – whilst in some cases there is clear documentation demonstrating progress, this is not always the case. Rather than a programme plan with a series of projects, timelines, deadlines and critical paths, the Service indicated that some projects, including Digital First, are instead being implemented in an 'agile' manner. To date this has meant technological development has progressed in line with the availability of resources and ability to deliver under a quick wins / fail fast approach – prioritising delivery of working prototypes rather than, necessarily, fully completed products. Whilst this is consistent with 'agile' project management methodology, the supporting elements, including governance arrangements and documentation, for application of that methodology are not currently in place. Instead, there is an overall programme plan outline, and regular reports to the Digital Programme Board.

2.2.6 The programme plan is not baselined, therefore there is no record of changes or progress recorded against the original plan. Whilst the Service indicated that it was being updated, and individual projects have their own plans and baselines, delays to e.g. the CoreHR system rollout had not been reflected in the overall plan. The Service also holds resource and release plans for different elements of the programme.

2.2.7 Programme and project highlight reports are being presented to the Digital Programme Board. These typically contain a snapshot of the key activities, risks and issues relating to selected projects for the current and following two week period. This provides an immediate view of project activity, from which the present state of programme activity can be gauged. However, there is limited information from which to determine whether each

project and the overall programme are on target for completion. More detailed reports were provided to the Board in May and June 2018, although end dates were 'TBC' for a number of deliverables. It is recognised that a number of the outcomes, and methods of delivery, are still to be defined. However, without an overall plan and governance arrangements supporting its delivery, there is a risk that the outcomes may not be delivered as set out in the strategy.

Recommendation

The Service should ensure a clear plan is in place, with appropriate governance arrangements for its delivery, and that progress against the plan is regularly measured and reported against defined success criteria.

Service Response / Action

Agreed. A Programme Plan is being brought together based on the individual project plans.

Implementation Date

February 2019

Responsible Officer

Chief Officer – Digital and Technology

Grading

Significant within audited area

2.2.8 Delivery is via internal resources and support from the digital partner. The Service has stated that use of internal resources is not separately costed and charged to the transformation budget, because transformational activity is a core function. Only costs for additional temporary resources, and the digital partner, are charged against programme budgets. Based on the expected completion dates detailed on the SoW's there should have been four completed to date. Costs are being charged against specific financial codes set up for this purpose, though as payments are made in arrears it is difficult to gauge progress from spend alone.

AUDITORS: D Hughes
C Harvey
R Brand

Appendix 1 – Grading of Recommendations

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