

## REPORT TO THE AUDIT COMMITTEE –20 MAY 2021

### INTERNAL AUDIT REPORTS

#### 1. Reason for Report / Summary

- 1.1 This report advises the Committee of completed audits and of progress with implementing agreed recommendations.

#### 2. Recommendation

**The Committee is recommended to:**

##### **2.1 Review, discuss and comment on the issues raised within this report and the attached appendices**

#### 3. Purpose and Decision Making Route

##### 3.1 Purpose

- 3.1.1 Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Board. In Aberdeenshire Council, this is the Audit Committee. This report helps satisfy the requirement.

##### 3.2 Decision Making Route

- 3.2.1 The results from individual audit activities detailed in Section 4, below, have not previously been considered by this, or another Committee, with the exception of any outputs relating to audits contained in the Aberdeenshire Integration Joint Board Internal Audit Plan. In such cases, the output will have been considered by the Aberdeenshire Integration Joint Board Audit Committee prior to being considered by this Committee.

#### 4. Discussion

##### **Internal Audit Reports**

The following Internal Audit reports have been finalised and agreed with Services since the Audit Committee's last meeting:

##### **4.1 IJB Data Protection (Internal Audit Report 2005 – March 2021)**

*(NB the following summary is not in the revised format agreed by the Audit Committee on 25 March 2021, as this was reported to the IJB Audit Committee prior to the new format being agreed)*

- 4.1.1 The General Data Protection Regulation (GDPR) and the majority of the provisions of the Data Protection Act 2018 (the 2018 Act) came into force on 25 May 2018. Together this legislation (Data Protection legislation) replaced the Data Protection Act 1998 (the 1998 Act).
- 4.1.2 The objective of this audit was to provide assurance that the IJB has implemented appropriate arrangements to ensure the security of data and that they are being complied with. The IJB includes 'Adherence to data legislation' on its strategic risk register (IJB5), highlighting risks in terms of both inappropriate disclosure of personal information, and of not sharing information where it is appropriate to do so.
- 4.1.3 Although Aberdeenshire Council and NHS Grampian collect and process the majority of personal data in the same manner as they did before Health and Social Care Integration, they now do so under the direction of the IJB, and under the banner of the Aberdeenshire Health and Social Care Partnership. The IJB is registered as a data controller, and due to an administrative error this lapsed for a short period and has since been reinstated. However, the IJB does not routinely process personal information. Each Partner has a separate legal responsibility in respect of its own data – which each applies through its own procedures.
- 4.1.4 The requirement for a coordinated Partnership approach to data sharing and information security was set out in the Integration Scheme, however progress with this element of integration has developed iteratively as new programmes and projects have been progressed and information sharing requirements identified. The Service has agreed that consistent data sharing agreements across the Grampian Region between the Partners, including Councils and NHS Grampian would provide benefits in terms of efficiency, assurance over completeness, and clarity over practice. This has been raised with the NHS Grampian Data Protection Officer and will be progressed in conjunction with Officers from Aberdeenshire, Aberdeen City and Moray Council.

**4.2 Out of Authority Placements (Internal Audit Report 2043 – April 2021)**  
– see Appendix A

**4.3 Early Retirement, Voluntary Severance and Redundancy Payments (Internal Audit Report 2104 – March 2021)** – see Appendix B

**4.4 Asset Register (Internal Audit Report 2106 – March 2021)**

*(NB the following summary is not in the revised format agreed by the Audit Committee on 25 March 2021, as it was concluded prior to the new format being agreed)*

- 4.4.1 The Non-current Asset Register is used to record the Council's assets, which are expected to be retained in use for more than one financial year. These include: council dwellings; other land and buildings; vehicles, plant and equipment; infrastructure assets; community assets; surplus assets, assets held for sale; assets under construction; investment properties; heritage assets and intangible assets. These assets will be recognised in the Council's financial accounts after capital expenditure has been incurred

to create or enhance them, will be depreciated / amortised in line with the Council's accounting policies, and where applicable are subject to revaluation at least once every five years.

- 4.4.2 As at 31 March 2020, the total value of assets held in the register was £2.164 billion. The value of Non-current Assets held as at 31 March 2019 was £1.964 billion.
- 4.4.3 The objective of this audit was to consider whether procedures for ensuring assets are recorded timeously following acquisition are adequate and that capital charges to Services are accurately calculated and in general, this was the case.
- 4.4.4 An inventory style check was originally planned to ensure that a sample of recorded assets exist and those that should be recorded are. However, given restrictions on site visits due the Covid-19 pandemic, assurance over the existence of recorded assets was obtained from receipted invoices rather than physical verification of the assets in situ.
- 4.4.5 Finance monitors acquisitions and disposals throughout the financial year by various means, and compiles this information at year end to update the asset register and the annual accounts.
- 4.4.6 Procedures are in place covering capital accounting requirements and the use of the Asset Register. However, minor variations in practice were identified which could be resolved through updates to internal guidance on Capital from Current Revenue (CFCR), and more detailed records in support of Finance's determination of CFCR transactions. Finance has agreed to update guidance to promote consistency, but considers that the assessment process, conducted by appropriately qualified professional staff, would not benefit from additional administration. Internal Audit considers that in the absence of supporting documentation / explanations there is less assurance that adjustments to capital transactions are only made where appropriate to do so, in line with the capital accounting rules and internal procedures.
- 4.4.7 As highlighted previously in Internal Audit Report 1851, the Council's depreciation policy is not fully detailed in the annual accounts. Application of the policy has been consistent for a number of years, and therefore this has not been highlighted as a material issue by External Audit. However, it is important that the methods used are clearly noted in the accounts to aid understanding and comparability. Finance has again agreed to clarify this in the 2020/21 Accounts.
- 4.4.8 Finance reviews the accuracy of Non-current Asset Register entries every two years in collaboration with relevant Services. Plant and equipment was not included as part of the last review, and one Service did not provide a response for 2019/20. Finance has highlighted that for more material assets verification of acquisitions and disposals is already provided regularly to Finance through other mechanisms, however the frequency and content of the requests will be reviewed and Services will be asked to update their data in advance of the 2020/21 annual accounts process.

4.5 **Adult Support & Protection (Internal Audit Report 2114 – March 2021)**  
– see Appendix C.

## 5. Council Priorities, Implications and Risk

5.1 The work of Internal Audit covers all of the Council’s Priorities. It aims to provide assurance over the adequacy and effectiveness of the Council’s framework of governance, risk management and control, which underpin the delivery of all priorities.

5.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial		X	
Staffing		X	
Equalities		X	
Fairer Scotland Duty		X	
Town Centre First		X	
Sustainability		X	
Children and Young People’s Rights and Wellbeing		X	

5.3 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no differential impact, as a result of this report, on people with protected characteristics.

5.4 There are no staffing or financial implications arising directly from this report other than those implicit in the improvement of internal controls recommended in the Internal Audit reports.

5.5 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management.

5.6 Recommendations are risk assessed and graded by Internal Audit as set out in Appendix D.

## 6. Scheme of Governance

6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

6.2 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

**CHIEF INTERNAL AUDITOR**

Report prepared by Colin Harvey, Chief Internal Auditor.  
4 May 2021.

- Appendices -**
- Appendix A** - Out of Authority Placements
  - Appendix B** - Early Retirement, Voluntary Severance and Redundancy Payments
  - Appendix C** - Adult Support and Protection
  - Appendix D** - Grading of Recommendations

## APPENDIX A

### Out of Authority Placements

#### Internal Audit Report 2043 – April 2021

##### Background

The Council is under a statutory obligation to provide education for children and young persons up to 18 years of age living in the Aberdeenshire area, including those with additional support needs. In addition, the Council has a duty to offer looked after young people, born after 1 April 1999, a care placement until the age of 21. Furthermore, all care leavers aged between 19 and 26 can apply for “Aftercare” support from the local authority, including financial support towards education and training. Where a child’s needs are best met by an external provider, the Council’s Out of Authority Placement (OAP) scheme facilitates the provision of specialist support from outwith the Council.

OAPs may be made in residential children’s homes, residential special schools, day placements in special schools; fostering placements or where required, secure care on the recommendation of the Children’s Panel or the Court. 138 children and young people were in out of authority placements as at 9 April 2021. The 2020/21 OAP provider spend was £13,835,000 compared to a budget of £12,701,000 (£1,134,000 / 9% over budget). The 2019/20 spend was £14,229,000 compared to a budget of £10,972,000 (£3,257,000 / 30% over budget).

In September 2018 an audit was undertaken by Children’s Services to seek clarity on areas of budget spend; investigate the cause of children being placed in OAPs and ensure current processes leading up to, reviewing and exiting OAPs, offers Best Value and meets Aberdeenshire Council’s statutory obligations.

##### Objective

The objective of this audit was to provide assurance that the rapid improvement activity which commenced in April 2018 relating to this area has been implemented and is achieving its desired objectives.

##### Assurance

Out of Authority Placement (OAP) expenditure continues to exceed budget. Workstreams have been initiated to address some of the recommendations from the Service led 2018 audit, with a view to reducing OAPs. This includes improvements to the OAP referral and monitoring processes and awareness raising of respective roles and responsibilities of relevant Council and NHS staff.

However, it has not been possible for the Service to complete a number of agreed actions from the 2018 audit due to the impact of Covid-19, including: the development of a framework of local interventions for children with social and emotional needs; the development of local respite provision; the introduction of a residential assessment centre, to offer a short period of intense support, for children / young people in crises; the development of a quality assurance framework for assessment and planning; and the investigation of joint funding of OAPs with the NHS.

The governance processes for approving and monitoring OAPs are in general fit for purpose however recommendations were made to improve OAP funding decision procedures; contract award practice; individual placement agreements; emergency placement reviews; and OAP exit planning.

### Findings and Recommendations

Progress with addressing the recommendations from the 2018 audit has not been reported to E&CS Leadership Team as agreed due to the impact of Covid-19 on the Service. Whilst workstreams to address the 2018 audit recommendations have responsible officers, implementation dates have not been specified for agreed actions, increasing the risk of project slippage. Recommendations graded as Significant within the audited area were raised with the Service to ensure E&CS Leadership Team can monitor progress with Children's Services OAP audit actions.

Any recommendation to place a child out with the authority in a residential school or in secure care must be considered by the Joint External Placement Group (JEPG). In general guidance on JEPG referral was adequate, however the JEPG referral form does not refer to the requirement to cost placement options, increasing the risk costs will not be given due consideration. A recommendation graded Significant within the audited area was raised to ensure guidance and associated forms cover this.

Contracts were in place with the OAP providers reviewed, with the Service generally procuring OAP provision from three Scotland Excel frameworks. However, one directly awarded contract had not been approved by the Head of Service in advance of the contract commencing. This requirement of Financial Regulations helps ensure direct awards are only made when necessary and Best Value is obtained. A recommendation graded Significant within the audited area was made for OAP procurements to be approved in line with Financial and Procurement Regulations.

In relation to emergency placements, whilst Looked After Child reviews took place, there were cases where a review involving the necessary stakeholders did not take place within 3 working days of the emergency placement, as required by the Looked After Children (Scotland) Regulations 2009 and one case without evidence of the necessary Head of Service approval. A recommendation graded Significant within the audited area was raised to ensure emergency placements are approved by the Head of Children's Services and followed up with the necessary statutory review.

A number of individual placement agreements (IPAs) had not been signed by the provider or the Council and an IPA was absent for one placement reviewed. This increases the risk that the Council will be unable to hold the care providers to account in the event a child / young person's needs are not met. A recommendation graded Significant within the audited area was raised with the Service to ensure IPAs are signed and dated by both parties for all placements.

Whilst a Looked After Child review involves a review of a Child's Plan it does not involve consideration of a child's exit plan from their out of authority placement. The Service maintains a useful listing of all out of authority placements for monitoring purposes, however a number of anticipated OAP leaving dates had been recorded as "unknown". This increases the risk that exit plans will not be progressed. A recommendation graded Significant within the audited area was raised with the Service to ensure anticipated leaving dates are established for all placements and ensure Looked After Child reviews include consideration of out of authority exit plans.

### Management Response

The Service has agreed actions in response to each of the recommendations raised. The Service intends to report regularly to E&CS Leadership Team on progress with the 2018 audit recommendations; will ensure OAP costs are detailed for consideration by the JEPG; ensure

signed Individual Placement Agreements are in place; and improve compliance in relation to procurement requirements of Financial Regulations and statutory reviews of emergency placements. In addition, the Service intends to ensure exit dates are established for all out of authority placements to progress and monitor placement exit plans.

## APPENDIX B

### Early Retirement, Voluntary Severance and Redundancy Payments

#### Internal Audit Report 2104 – March 2021

##### Background

Redundancy, Voluntary Severance and Early Retirement of employees are key methods used to facilitate organisational change, to reshape the workforce so that it can efficiently and effectively meet its objectives and achieve cost savings as appropriate.

Council policy requires a costed business case for each early departure case which must be approved by the Service Director and Heads of Service Finance and Legal and People. The benefit / impact of the early departure needs to be considered as do any costs which would not normally arise were the employee to leave or retire under normal circumstances. In order to be considered viable, the cost of redundancy payments, Compensatory Added Years (CAYs) pension enhancements, and strain on fund charges must be recovered within three years through savings made as a result of the departure.

During 2019/20 the Annual Accounts show that the Council committed to expenditure of £1.43 million for the early departure of twenty-six staff (4 compulsory and 22 voluntary). Overall expenditure in 2019/20, which includes the ongoing costs of early departures agreed in previous years, was £3.09 million.

##### Objective

The objective of this audit was to provide assurance that rules are applied consistently, and payments are appropriately controlled. This involved ascertaining the system and reviewing a sample of cases of early retirements, voluntary severances, redundancies and confidential conversations.

##### Assurance

In general, rules had been applied consistently and payments were appropriately controlled, however, recommendations were agreed with Legal and People to improve procedures and supporting documentation.

##### Findings and Recommendations

Early departure procedures were historic and did not reflect current practice. In addition, there is no approved procedure covering settlement agreements; such agreements are generally complicated and can result in significant costs to the Council. Also, the calculation of early departure cost payback periods and what is deemed to be an acceptable payback period is inconsistent between Services. Whilst some early departures require a payback of early departure costs within three years for each employee considered, others allow employees early departure with longer payback periods, provided payback for a group of employees meets the three-year rule. Recommendations, graded as Significant within the audited area, were raised with the Service, to update early departure procedures to address these points, with input from Finance, in the interests of consistency and equity. This will be covered in a detailed administration handbook covering the various Service responsibilities.

Documentation supporting early departure cases is being held in various formats and in different locations. Further, copy authorisation e-mails showing Head of Service / Director approval do not detail the early departure costs being authorised; and the related early departure cost spreadsheets are not always dated, making the chronology of the case difficult

to follow, meaning it is unclear which costs have been authorised. A recommendation, graded as Significant within the audited area, was raised with the Service, to review back-up documentation relating to early departures to ensure it is retained in a standard accessible format which provides a chronologically clear audit trail of discussion, calculations and authorisation.

Early departure savings through deletion of post / positions is not formally tracked, increasing the risk savings will be double counted or not realised at all should posts / positions be subsequently refilled. Recommendations, graded as Significant within the audited area, were raised with the Service, to address this by recording details of posts / positions to be deleted on business cases and by notifying Finance once posts / positions have been deleted.

In breach of Financial Regulations, purchase orders are not being raised prior to payment of strain on fund and historic CAYs invoices from North East Scotland Pension Fund (NESPF). As well as being a requirement of the Council's Financial Regulations, raising a purchase order would ensure a mechanism is in place for identifying any variation in actual compared to estimated costs, which can then be reviewed prior to approval. It was also noted the actual strain on fund invoices and CAYs (lump sum and annual costs) were not supported by a related calculation from NESPF, meaning the Council does not gain assurance over the accuracy of these costs beyond what is invoiced by NESPF. Recommendations, graded as Significant within the audited area, were made to the Service, to raise purchase orders for estimated strain on the fund and historic CAY costs when the business case is approved and to verify strain on fund and CAY costs to supporting calculations prior to payment.

Currently the Council only accrues exit package expenditure at the end of the financial year, therefore there is no mechanism via the financial ledger to track costs of employees who have agreed to leave the Council during the financial year with a leaving date after the financial year end. A recommendation, graded as Significant within the audited area, was raised with the Service, to maintain an ongoing record of early exit costs.

#### Management Response

Legal and People has agreed actions in response to each of the recommendations. The Service intends to update procedures to reflect current organisational management structures and the roles and responsibilities of all relevant stakeholders, to tie in with the next phase of the current Voluntary Severance exercise, whilst taking account of agreed recommendations made as part of this audit. Finance and the North East Scotland Pension Fund will be consulted where relevant as part of this process.

## APPENDIX C

### Adult Support and Protection

#### Internal Audit Report 2114 – March 2021

##### Background

The Adult Support & Protection (Scotland) Act 2007 places a duty on Local Authorities to make any necessary enquiries and investigations to establish whether an adult is at risk of harm. Thereafter there is a duty to protect their interests including well-being, property and financial interests. In order to meet their obligations under this Act the Council has a dedicated Adult Support & Protection Service which works closely with internal Services and external agencies including NHS Grampian, Police Scotland and other Local Authorities.

Section 15 of the Adult Support & Protection (Scotland) Act 2007 also requires that Councils establish multi-agency Adult Protection Committees to monitor and advise on adult protection procedures and to improve the skills and knowledge of Officers with responsibility for protection of adults at risk.

##### Objective

The objective of this audit was to provide assurance that the Service is adhering to legal and procedural requirements, that eligibility criteria is being applied appropriately, and to compare against best practice.

##### Assurance

The Service has procedures in place, maintains records of compliance with its obligations and criteria applied, and the Adult Protection Committee periodically undertakes self-assessment exercises. However, some improvements have been recommended.

##### Findings and Recommendations

Whilst the Service has comprehensive written procedures in respect of Officer responsibilities, not all elements were fully up to date, and a recommendation graded as Important within the audited area was made.

From a sample of cases, records examined demonstrated that referrals had been dealt with promptly, and where required, Interagency Referral Discussions (IRD) had taken place within the required two-day timeframe. Following an IRD if an Adult Protection Case Conference (APCC) is required, this should take place within four weeks, however this was not always the case. Similarly, Investigation reports were not all completed within three weeks. Risk Identification forms and Chronologies had also not all been completed as anticipated. Whilst the Service was able to provide reasons for delays, these had not always been recorded on the system. Recommendations graded as Significant within the audited area have been made in respect of ensuring documentation is completed fully and timeously.

##### Management Response

The Service has agreed to review and update guidance, and Officers will be reminded of the importance of ensuring that all documentation is completed within required timescales, and reasons recorded where this is not possible. The Adult Protection Network will monitor completion and share any difficulties in implementation with the Adult Protection Committee. The Data Sub-group will monitor any delays. Monthly case-file audits have also recently been re-established to identify and address any recurring issues.

**APPENDIX D**

**Grading of Recommendations**

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