

# Public Document Pack



To: Councillor Macdonald, Convener; Councillor Houghton, Vice-Convener; and Councillors Ali, Allard, Bonsell, Bouse, Fairfull, McLellan, Massey, Nicoll, Radley, Stewart and van Sweeden.

Town House,  
ABERDEEN 25 January 2023

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

The Members of the **AUDIT, RISK AND SCRUTINY COMMITTEE** are requested to meet in **Council Chamber - Town House** on **THURSDAY, 2 FEBRUARY 2023 at 2.00 pm**. This is a hybrid meeting and Members may also attend remotely.

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

JENNI LAWSON  
INTERIM CHIEF OFFICER - GOVERNANCE

## **BUSINESS**

### **NOTIFICATION OF URGENT BUSINESS**

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

### **DETERMINATION OF EXEMPT BUSINESS**

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

### **DECLARATIONS OF INTEREST**

3.1. Members are requested to intimate any declarations of interest

## **DEPUTATIONS**

- 4.1. There are no requests at this time

## **MINUTE OF PREVIOUS MEETING**

- 5.1. Minute of Previous Meeting of 13 December 2022 (Pages 5 - 10)

## **COMMITTEE PLANNER**

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

## **NOTICES OF MOTION**

- 7.1. There are none at this time

## **REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES**

- 8.1. There are none at this time

## **COMMITTEE BUSINESS**

### **Legal Obligations**

- 9.1. Use of Investigatory Powers Annual Report - COM/23/031 (Pages 17 - 38)

### **Scrutiny**

- 9.2. Altens East Recycling and Resource Facility - Fire Investigation Report - OPE/23/030 (Pages 39 - 48)

### **External Audit**

- 9.3. External Audit Report - Charities Account (Pages 49 - 68)

### **Annual Reports and Accounts**

- 9.4. Annual Accounts for Those Registered Charities where the Council are the Sole Trustee - RES/22/260 (Pages 69 - 100)

## **Internal Audit**

- 9.5. Internal Audit Progress Report - IA/23/001 (Pages 101 - 114)
- 9.6. Out of Authority Placements - AC/2301 (Pages 115 - 132)
- 9.7. Heritage and Historical Assets - AC/2305 (Pages 133 - 148)

## **EXEMPT/CONFIDENTIAL BUSINESS**

- 10.1. None at this time

EHRIAs related to reports on this agenda can be viewed [here](#)

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

Website Address: [aberdeencity.gov.uk](http://aberdeencity.gov.uk)

Should you require any further information about this agenda, please contact Karen Finch, tel 01224 522723 or email [kfinch@aberdeencity.gov.uk](mailto:kfinch@aberdeencity.gov.uk)

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## Audit, Risk and Scrutiny Committee

ABERDEEN, 13 December 2022. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Macdonald, Convener; Councillor Houghton, Vice-Convener; and Councillors Ali, Allard, Bonsell, Bouse, Copland (as substitute for Councillor McLellan), Crockett (as substitute for Councillor Stewart), Fairfull, Massey, Nicoll, Radley and van Sweeden.

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.

### DECLARATION OF INTEREST OR TRANSPARENCY STATEMENTS

1. At this juncture, in the interests of transparency the following statement was made: Councillor Ali advised that he had a connection in relation to agenda item 9.1 (ALEO Assurance Hub) due to his appointment as a Director of Aberdeen Heat and Power, however having applied the objective test he did not consider that he had an interest and would not be withdrawing from the meeting for the item.

### MINUTE OF PREVIOUS MEETING OF 27 SEPTEMBER 2022

2. The Committee had before it the minute of its previous meeting of 27 September 2022.

#### The Committee resolved:-

to approve the minute as a correct record.

### COMMITTEE BUSINESS PLANNER

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

#### The Committee resolved:-

- (i) to note that items 11 (External Audit Report for Charity Accounts) and 12 (Audited Annual Accounts for those Charities where the Council is the sole Trustee) would be presented to the February meeting of this Committee; and
- (ii) to otherwise note the content of the Committee Business Planner.

### ALEO ASSURANCE HUB

4. The Committee had before it a report by the Director of Commissioning which provided assurance on the governance arrangements, risk management and financial

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

13 December 2022

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;
- (b) note that the report incorporated Hub officers' initial levels of assurance of the governance arrangements, risk management and financial management of bp Aberdeen Hydrogen Energy Limited; and
- (c) note that the Assurance Hub officers and ALEO Service Leads would discuss any outstanding issues specified in the appendices and identified at the Audit, Risk and Scrutiny Committee with ALEO representatives, with a view to further improving the assessment ratings at the next Hub meeting.

### **The Committee resolved:-**

to approve the recommendations contained in the report.

## **EXTERNAL AUDIT REPORT**

5. The Committee were advised that the item had been withdrawn.

## **AUDITED ANNUAL ACCOUNTS FOR THOSE REGISTERED CHARITIES WHERE THE COUNCIL IS THE SOLE TRUSTEE - RES/22/260**

6. The Committee were advised that the item had been withdrawn.

## **ANNUAL ACCOUNTS 2022-23 - KEY DATES AND ACTIONS - RES/22/261**

7. The Committee had before it a report by the Director of Resources which provided high level information and key dates in relation to the 2022/23 Annual Accounts including linkages to the plans and timetables to the Council's External Auditors.

### **The report recommended:-**

that the Committee note the information in relation to the 2022/23 annual accounts process contained within the report.

### **The Committee resolved:-**

to approve the recommendation contained in the report.

## **USE OF INVESTIGATORY POWERS QUARTERLY REPORT - COM/22/258**

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

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8. With reference to article 17 of the minute of its previous meeting, the Committee had before it a report by the Director of Commissioning which was presented to ensure that Elected Members reviewed the Council's use of investigatory powers on a quarterly basis and had oversight that those powers were being used consistently in accordance with the Use of Investigatory Powers Policy.

**The report recommended:-**

that the Committee note the update within the report in respect of the Council's use of investigatory powers during Quarter 3 of the current year.

**The Committee resolved:-**

- (i) in relation to a question regarding the outcome of the interactive poll issued in December 2022, to note that the Interim Chief Officer – Governance would circulate a response by email; and
- (ii) to otherwise approve the recommendation contained in the report.

### **SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS, INSPECTOR OF CREMATORIA COMPLAINT DECISIONS - CUS/22/259**

9. With reference to article 18 of the minute of its previous meeting, the Committee had before it a report by the Director of Customer 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 cycle, to provide assurance that complaints and Scottish Welfare Fund applications are being handled appropriately.

**The report recommended:-**

that the Committee note the details of the report.

**The Committee resolved:-**

to approve the recommendation contained in the report.

### **INSPECTION REPORT OF ABERDEEN CREMATORIUM BY THE SENIOR INSPECTOR OF BURIAL, CREMATION AND FUNERAL DIRECTORS - OPE/22/256**

10. The Committee had before it a report by the Director of Resources which presented the Inspection Report of Aberdeen Crematorium which was carried out by the Senior Inspector of Burial, Cremation and Funeral Directors on 11 October 2022.

**The report recommended:-**

that the Committee note the inspection report.

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

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In response to a comment made in relation to whether some of the information could be presented in a different way due to the sensitivity of it, the Interim Chief Officer – Governance advised that the current content didn't present any issues in relation to Data Protection legislation however for future reports, consideration would be given to the way in which the report was presented.

### **The Committee resolved:-**

- (i) to thank officers for their work in this area specifically during the covid pandemic;
- (ii) to note that for future reports, consideration would given as to how data was presented due to the sensitive nature of it; and
- (iii) to otherwise approve the recommendation in the report.

### **INTERNAL AUDIT UPDATE REPORT - IA/22/006**

11. 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 has made with implementing recommendations agreed in Internal Audit reports.

In response to a question relating to Audit AC2201 – IT Infrastructure Resilience, the Chief Officer – Digital and Technology advised that in order to achieve PSN accreditation, an independent audit was required which had been delayed until the previous Thursday. The audit contained some recommendations which were being worked through and the completion date of 31 December 2022 was expected.

### **The Committee resolved:-**

to approve the recommendations contained in the report.

### **TRANSFORMATIONAL PROGRAMME - IJB - IA/AC2211**

12. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to IJB Transformational Programme which was undertaken to provide assurance that the IJB were continuing to make progress with delivery of its transformation agenda.

### **The report recommended:-**

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



**AUDIT, RISK AND SCRUTINY COMMITTEE**

13 December 2022

**The Committee resolved:-**

to note the content of the report.

**COMMISSIONING - IA/AC2205**

13. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Commissioning which was undertaken to review plans and progress with implementation of the Councils Strategic Commissioning Approach set out in the Council Delivery Plan.

**The report recommended:-**

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

**The Committee resolved:-**

to endorse the recommendations for improvement as agreed by the relevant Function.

**ATTENDANCE MANAGEMENT - IA/AC2216**

14. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Attendance Management which was undertaken to obtain assurance over compliance with corporate policy and determine whether the Council's absence improvement plan was having a positive impact on attendance.

**The report recommended:-**

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

**The Committee resolved:-**

to note the content of the report.

**CHILDREN WITH DISABILITIES - IA/AC2206**

15. The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Children with Disabilities which was undertaken to obtain assurance that care for children with disabilities via contracts and direct payments were being arranged and paid for in accordance with procedure to secure Best Value outcomes. The report advised that that payments relating to out of authority placements had not been included as these would be considered in a separate audit planned for 2022/23.

**The report recommended:-**

**AUDIT, RISK AND SCRUTINY COMMITTEE**

13 December 2022

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

In response to questions relating to the new D365 database and whether it went live in September and whether child plans and associated plan would be available in the system, the Lead Service Manager advised that the system went live in October and that all new plans were in the system with a period of transformation to get current plans moved across.

In response to a question relating to contracts not being awarded in line with Procurement Regulations, the Lead Service Manager advised that at the time, a report was submitted to Committee explaining the vulnerability of the children and that a direct award was preferable for those children and that what hadn't been included was a specific request to set aside Section 15 of the Procurement Regulations, which has been noted for future reports.

In response to a question relating to how the Delegated Procurement Authority training for staff was progressing, the Lead Service Manager advised that all staff were trained in the old system and that they were half way through the training for the new system and was expected to be complete by 31 January 2023.

**The Committee resolved:-**

to endorse the recommendations for improvement as agreed by the relevant Function.

**CORPORATE HEALTH AND SAFETY - IA/AC2304**

16. The committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Corporate Health and Safety which was undertaken to provide assurance that appropriate processes were being employed in managing health and safety at a corporate level.

**The report recommended:-**

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

**The Committee resolved:-**

to endorse the recommendations for improvement as agreed by the relevant Function.

- **SANDRA MACDONALD, Convener**

	A	B	C	D	E	F	G	H	I
1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
	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	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
3	<b>2 February 2023</b>								
4	Use of Investigatory Powers Annual Report	to present the annual use of investigatory powers report	Item 9.1	Jessica Anderson	Governance	Commissioning	5.2		
5	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4	R	This is a standing item on the agenda and there have been no decisions since the report submitted to Committee in December 2022.
6	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.	Item 9.5	Jamie Dale	Governance	Commissioning	2.2		
7	Out of Authority Placements	The objective of this audit is to ensure the system for commencing and reviewing out of authority placements is adequate effective, and consistently applied.	Item 9.6	Jamie Dale	Governance	Commissioning	2.2		
8	Heritage and Historical Assets	The objective of this audit is to consider whether adequate control is exercised over heritage / historical assets' inventory management.	Item 9.7	Jamie Dale	Governance	Commissioning	2.2		
9	External Audit Report for Charity Accounts	To present the External Audit report in relation to the Audited Annual Accounts for those registered charities where the Council is the sole trustee	Item 9.3	Michael Wilkie	Governance	Commissioning	3.1		
10	Audited Annual Accounts for those registered charities where the Council is the sole trustee	ARSC Cttee 27 Sept 22 to note that the presentation of the audited Annual Accounts 2020/21 for those registered charities where the Council is the sole trustee has been deferred until the next meeting of this committee on 13 December 2022.	Item 9.4	Lesley Fullerton	Finance	Resources	4.1		

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11	Altens East Recycling and Resource Facility - Fire Investigation Report	The purpose of this report is to provide information to the committee on the outcome of the Scottish Fire and Rescue Service (SFRS) report (see Appendix A) on the fire at Altens East Recycling and Resource Facility on 8th July 2022.	Item 9.2	Pamela Walker	Operations and Protective Services	Resources	6.4		
12	<b>23 March</b>								
13	Use of Investigatory Powers Quarter 1 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
14	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
15	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
16	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
17	Internal Audit Plan 2023-2026	to present the Internal Audit Plan for 2023-26		Jamie Dale	Governance	Commissioning	2.1		
18	ALEO Workplan 2023 and Terms of Reference	To present the ALEO Assurance Hub Workplan for 2023 including the dates for reporting.		Vikki Cuthbert	Governance	Commissioning	1.3		
19	Business Continuity Annual Review	To present the annual review of the Council's Business Continuity arrangements.		Ronnie McKean	Governance	Commissioning	1.2		
20	Corporate Risk Register and Assurance Maps	To present the Corporate Risk Register and Assurance Maps.		Ronnie McKean	Governance	Commissioning	1.1		
21	Annual Review - Risk Appetite Statement	The purpose of this report is to present the Council's updated Risk Appetite Statement.		Ronnie McKean	Governance	Commissioning	1.1		

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1	<b>AUDIT, RISK &amp; SCRUTINY COMMITTEE BUSINESS PLANNER</b>								
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22	Best Value Auditing	To present information regarding the change to how Best Value will be audited and reported.		Vikki Cuthbert	Governance	Commissioning	3.1		
23	<b>11 May</b>								
24	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
25	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
26	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
27	Unaudited Annual Accounts 2022-23	To present the unaudited accounts for 2022-23		Lesley Fullerton	Finance	Resources	4.1		
28	<b>27 June</b>								
29	Use of Investigatory Powers Quarter 2 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
30	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
31	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
32	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		

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33	Audited Annual Accounts 2022-23	To present the audited accounts for 2022-23.		Lesley Fullerton	Finance	Resources	4.1		
34	ALEO Assurance Hub Update	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Commissioning	1.3		
35	<b>14 September</b>								
36	Use of Investigatory Powers Quarter 3 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
37	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
38	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		
39	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
40	Information Governance Annual Report	to present the annual report for the Council's Information Governance		Caroline Anderson	Data Insights	Customer	1.3		
41	<b>23 November</b>								
42	Use of Investigatory Powers Quarter 4 Report	to present the quarterly use of investigatory powers report		Jessica Anderson	Governance	Commissioning	5.2		
43	SPSO Decisions, Inspector of Crematoria Complaint Decisions	In order to provide assurance to Committee that complaints and Scottish Welfare Fund applications are being handled appropriately, this report provides information on all Scottish Public Services Ombudsman (SPSO) and Inspector of Crematoria decisions made in relation to Aberdeen City Council since the last reporting cycle.		Lucy McKenzie	Customer Experience	Customer	6.4		
44	Internal Audit Update Report	To provide an update on progress of the Internal Audit Plan, Audit Recommendations Follow Up and other relevant information for the Committee.		Jamie Dale	Governance	Commissioning	2.2		

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45	Internal Audit Reports	Reports which have been finalised will be presented to the Committee.		Jamie Dale	Governance	Commissioning	2.2		
46	ALEO Assurance Hub Update	To provide an update of risk and financial management and governance arrangements in accordance with Hub TOR and annual workplan.		Vikki Cuthbert	Governance	Commissioning	1.3		
47	<b>Service Updates</b>								
48	Reconciliation of Granite - Union Terrace Gardens	<b>ARSC 30 June 2022 - Item 3</b> (v) to add two Service Updates to the business planner, those being: Reconciliation of Granite, Union Terrace Gardens and Review of Items Recorded as 'Missing' From Art Gallery & Museums Collections	Review of Items Recorded as Missing from Art Gallery and Museums Collections was provided in September 2022	John Wilson	Capital	Resources			

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk and Scrutiny Committee
<b>DATE</b>	2 February 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Use of Investigatory Powers- Annual Report 2022
<b>REPORT NUMBER</b>	COM/23/031
<b>DIRECTOR</b>	Gail Beattie
<b>CHIEF OFFICER</b>	Jenni Lawson- Interim Chief Officer- Governance
<b>REPORT AUTHOR</b>	Jess Anderson, Team Leader- Regulatory & Compliance Team, Legal Services
<b>TERMS OF REFERENCE</b>	5.2

### 1. PURPOSE OF REPORT

- 1.1 To provide Elected Members with an overview of the Council's use of investigatory powers during 2022, particularly focussing on the Committees role in respect of assurance. Further, Committee is being asked to confirm that the Use of Investigatory Powers Policy is fit for purpose.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the overview of the Council's use of investigatory powers during the calendar year 2022, as set out in this report.
- 2.2 Agrees that the Use of Investigatory Powers Policy remains fit for purpose and requires no amendment.

### 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<sup>1</sup>. 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 are working together to put in place operational procedures to permit the Council to use these powers and ensure compliance with the requirements of the IPA.
- 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 last inspection took place in April 2020 and as reported to this Committee on 8<sup>th</sup> October 2020<sup>1</sup>. The next is due 2023/2024.
- 3.4 The Council approved the Use of Investigatory Powers Policy in December 2021. 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 review of the use of these powers during 2022 and agree that the Use of Investigatory Powers Policy remains fit for purpose.

### **Use of Investigatory Powers Policy**

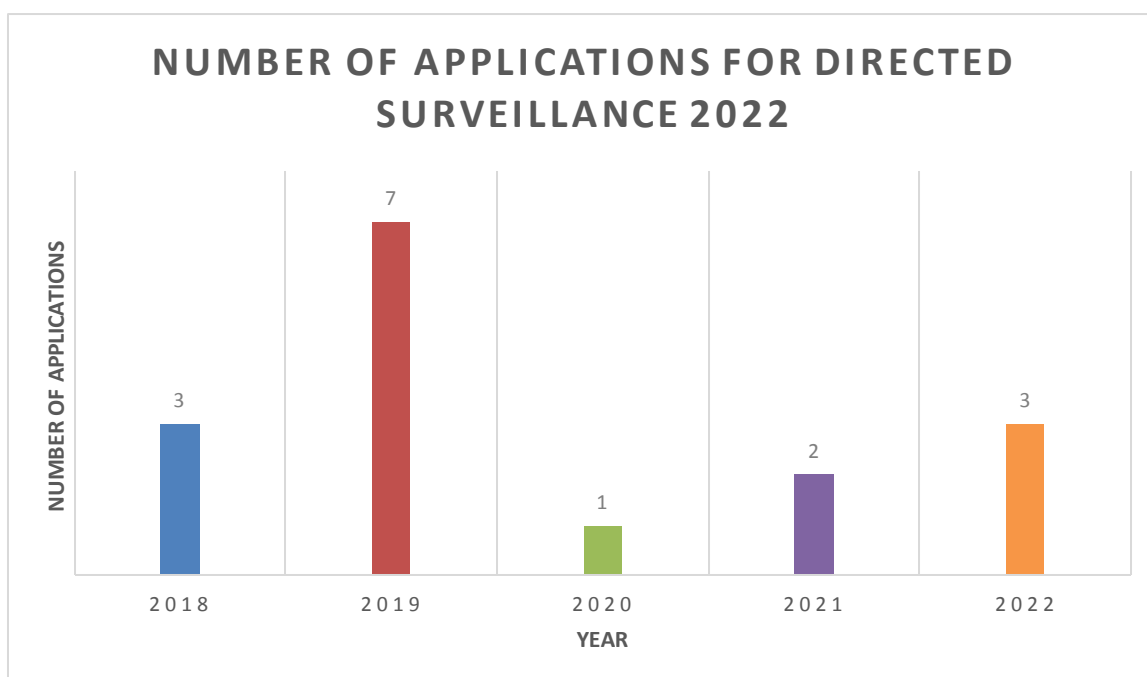
- 3.6 The policy was approved by this Committee in December 2021. The Team Leader, Regulatory and Compliance, Legal Services, as the Council's RIPSA Co-Ordinator, has made a minor change to the policy by deleting references to the Designated Senior Officer, a role which is no longer referred to and confirms that other than that amendment, the policy still remains fit for purpose.
- 3.7 Committee is asked to note that the Policy is supported by operational procedures. The Covert Surveillance Procedure has also been reviewed and no further changes are required.

3.8 The Access to Communications Data Procedure has yet to be finalised and signed off. The delay has been due to technical difficulties in accessing the NAFN online training platform.

### Applications for covert surveillance

3.9 During 2022, there were three Directed Surveillance authorisations, two in Q3 and the other in Q4. As reported throughout the year, these were in relation to the sale of Age Restricted goods, in particular, test purchases of Tobacco and Nicotine Vapour products. All three applications came from the Operations and Protections Cluster. There were no further authorisations under RIPSAs in 2022.

3.10 The graph below shows the numbers of applications authorised by year, since 2018. Members will note that surveillance powers were utilised in 2020 and 2021 albeit, not frequently. This was due to the Services who would normally use RIPSAs to carry out test purchases, being involved in implementing lockdown measures, restrictions on social distancing and supporting compliance with the Coronavirus legislation to ensure safe practices were being adhered to across the city.



3.11 At the time of writing this report, the Council has not acquired any Communications data. Any activity under the IPA will form part of the normal quarterly reporting cycle to this Committee.

## Training

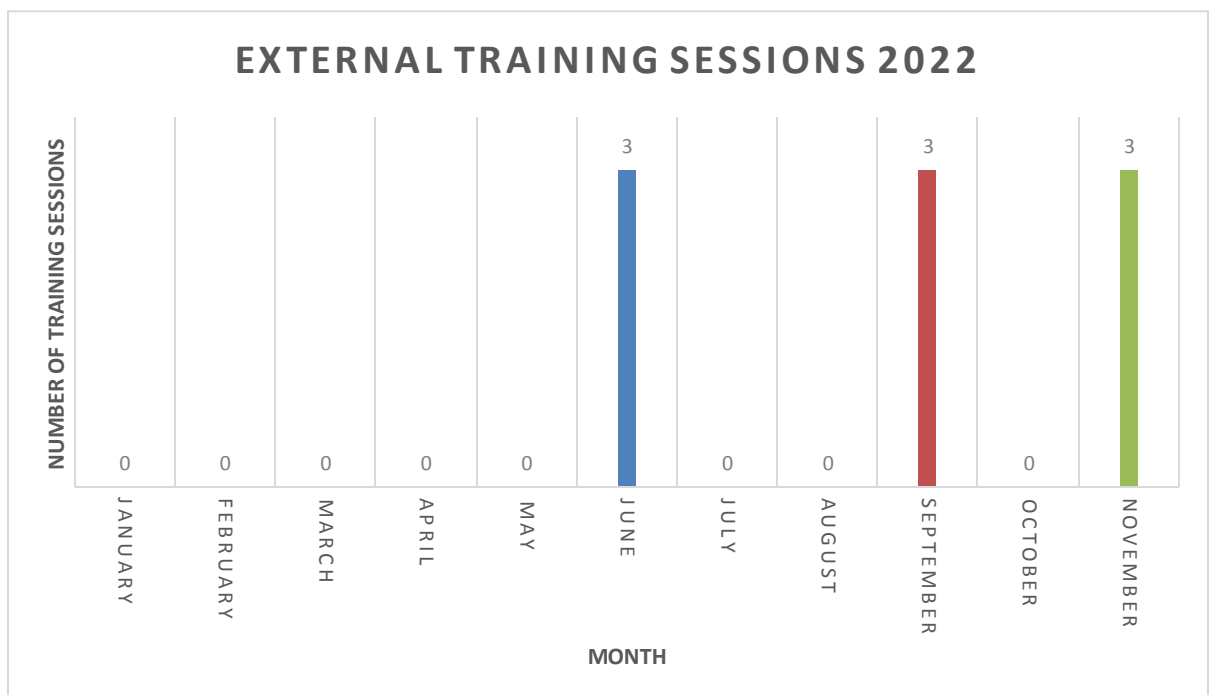
- 3.12 Refresher training on RIPSAs was delivered in Quarter 3 to Council staff who have been trained to apply for, and authorise (where policy prescribes it), covert surveillance. One session was offered in person and two were online sessions via Microsoft Teams. There were interactive parts to all the sessions. The training focussed on a reminder of the essentials/ key principals of RIPSAs, updates in case law and procedure.
- 3.13 Additionally, full training was provided in Quarter 2 to staff whose job requires them to have a working knowledge of RIPSAs and an awareness of surveillance operations.
- 3.14 The Council's Legal Services were commissioned to deliver three RIPSAs training events for a Scottish Council in 2022. Each event consisted of 3 sessions, all were remote, via Teams and each session had interactive elements to encourage audience participation. Feedback from the events were positive, and some are noted below for information;

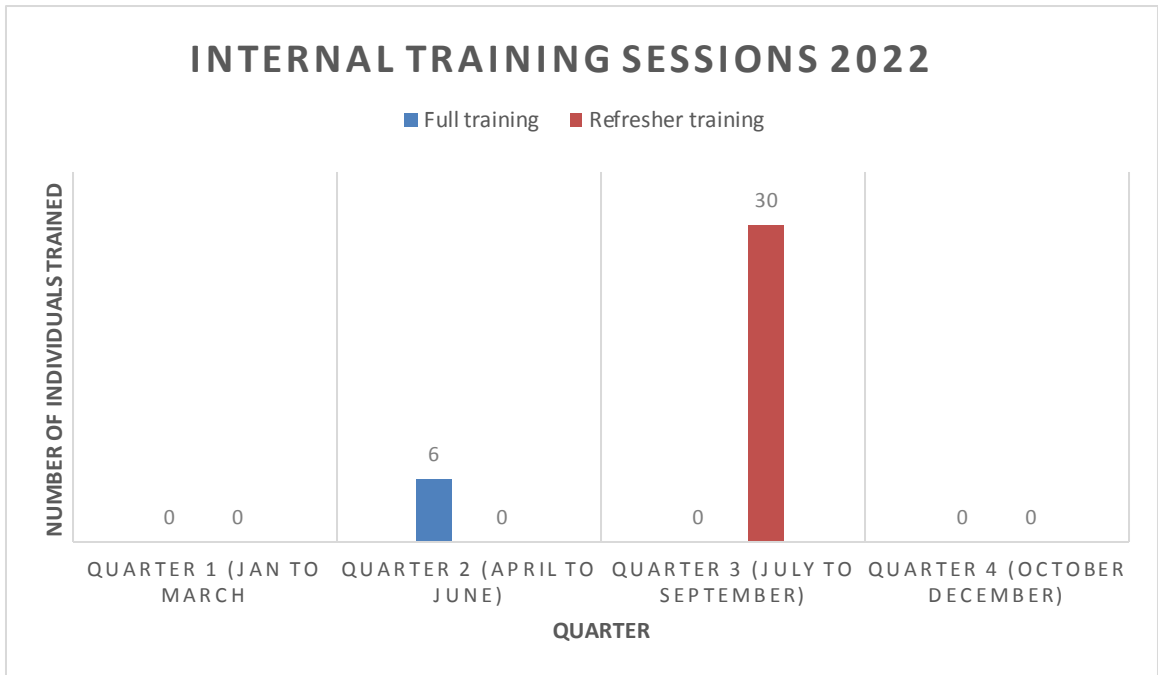
*"It was excellent and [the Speaker] has unparalleled practical and legal experience to share".*

*"Very bright and accommodating; I certainly felt engaged throughout the sessions and got the impression we were being given more than a simple script, very excellent"*

*"Very good, made all the information very easy to understand, and made a subject that is normally difficult to keep engaged with very easy to stay tuned."*

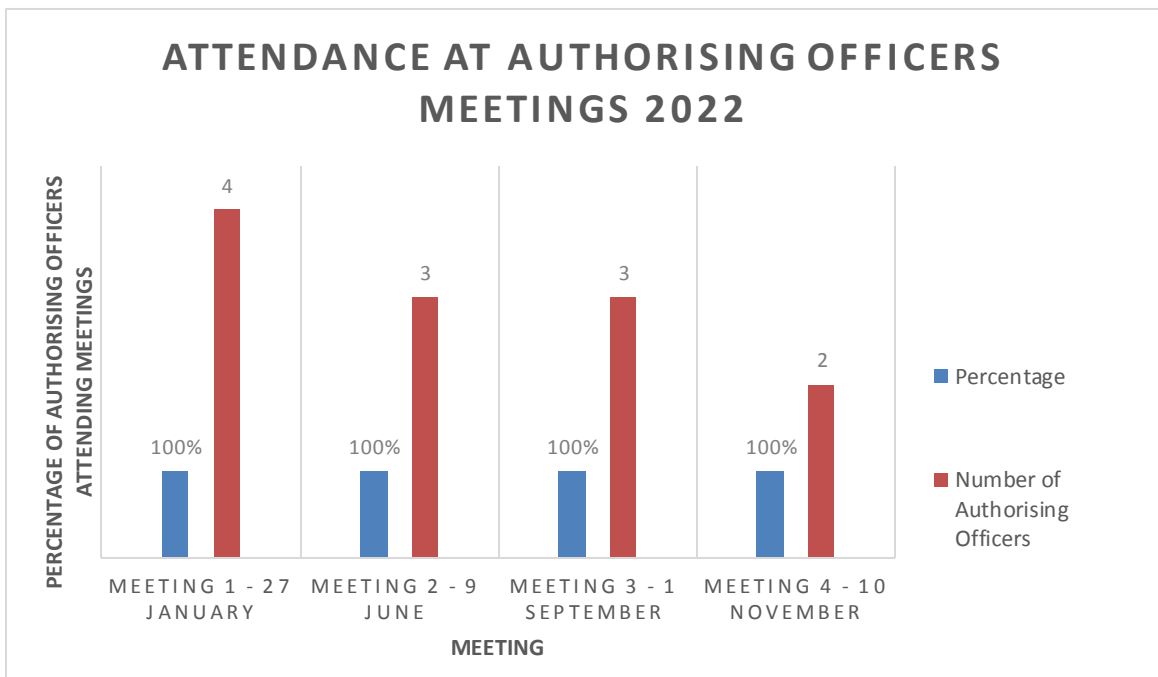
*"The course was engaging and fun, made understanding the content very easy!"*





### Awareness Raising

3.15 The Authorising Officers (AO's) meetings take place after the Directors' Deadline for the committee reporting cycle. This is so that AO's can be made aware of any matters which will be raised in the upcoming quarterly report to Committee. As such, we've had 4 AO meetings throughout 2022. The attendance rate is shown below.

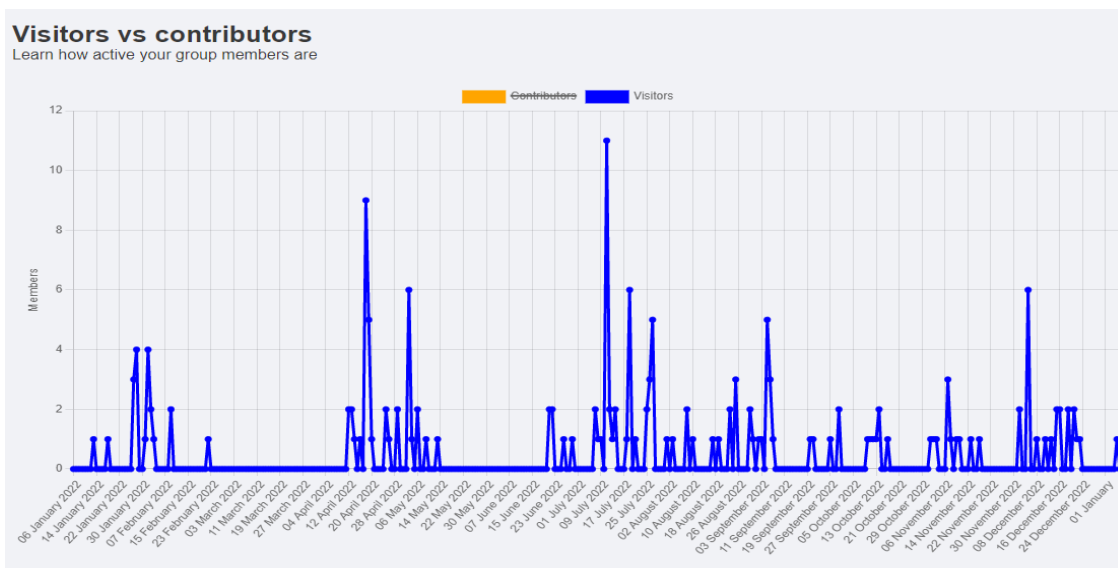


3.16 At the start of 2022 there were four AOs in post. Presently there are now two, due to staff changes. As reported in December 2022, Legal Services are in the

process of trying to obtain another AO to ensure that there is enough cover when an application is submitted. Whilst the Council usually authorises 5-6 covert surveillance operations per year and these are planned, the need to have an AO available on a certain day can be an additional burden for those AO's currently carrying out these duties. It is hoped that an additional AO will allow more flexibility.

3.17 In addition to AO meetings, Legal Services have been keeping the restricted online portal updated throughout the year. There are 49 members. During 2022, there were 172 visits to the portal with 38 contributions being made. Reports show that there were 126.32% more visits in 2022 compared to 2021. This is not concerning and should be viewed in context; there was only one authorisation in 2021 due to the pandemic, so we expected less activity online. The graph below shows when staff accessed the system in 2022 (shown in Blue).<sup>2</sup>

3.18 It should be noted whilst there are 49 members of the online portal, not all will have used covert surveillance powers. It is a mandatory requirement of the Use of Investigatory Powers Policy that all staff MUST have been trained in order to be able to apply for covert surveillance, however, many have had no need to apply to use such powers. It is within this context that members are asked to consider the statistics referred to in this report.

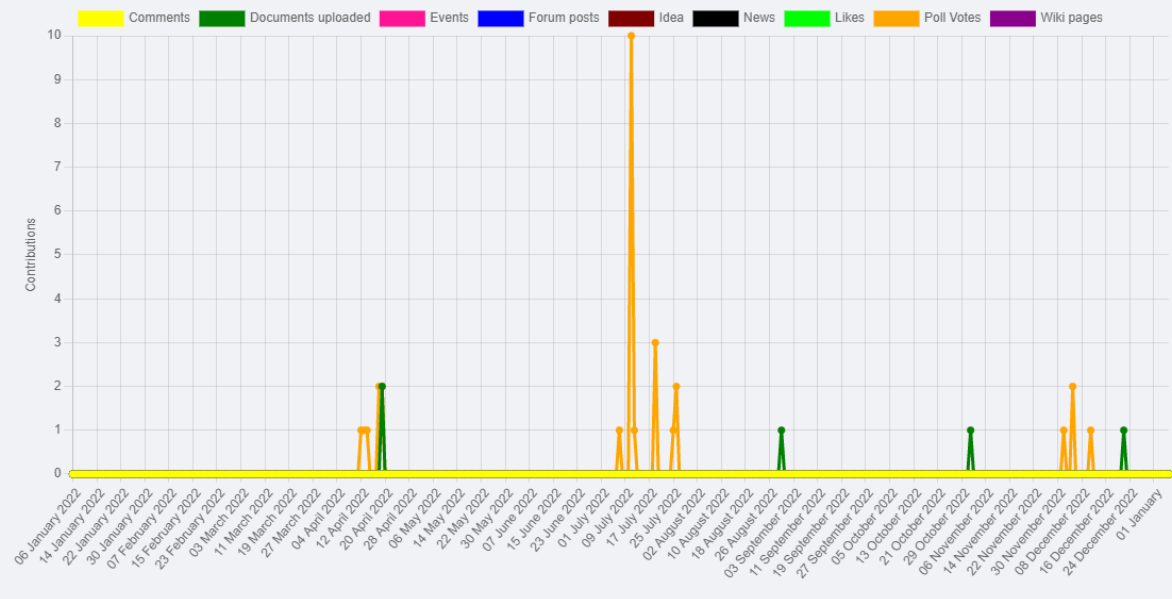


3.19 There were 38 contributions to the portal throughout the year. These are shown in the graph below. Members will see that these relate to documents uploaded and polls posted on the site by. The documents uploaded related to IPCO newsletters, the IPCO Annual Report and the Refresher training slides.

<sup>2</sup> Contributors means how many visitors made a contribution.

## Contributions by content type

Learn what information is shared in your group - Click the labels to show or hide each



## Workplan 2023

- 3.20 The focus this year is to encourage members to visit and interact with the online portal. Legal Services will aim to generate more interactive posts, online discussions about topics of interest (where this is appropriate) and updates from the AO meetings. This is building on areas of good practice currently in place but perhaps focusing it in a more targeted way.
- 3.21 Further, we will look to continue to invite officers from other parts of the Council to attend AO meetings to inform AO's of the investigatory/ enforcement work they undertake. These sessions help to develop an AO's knowledge of the work of the Council but also broadens their understanding of overt investigatory powers and what options might be expected to be utilised before covert surveillance is required.
- 3.22 The IPCO inspect the Councils use and management of RIPSAs every 3/ 4 years. The last inspection was 2020 so it is likely that the Council will be inspected this year. Members will be updated in the quarterly reporting cycle if the Council receives notification that an inspection will be conducted.

## 4. FINANCIAL IMPLICATIONS

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

## 5. LEGAL IMPLICATIONS

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

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

- 5.2 The Home Office Code of Practice on Communications Data states that any public authority wishing to acquire Communications Data must have regard to the Code and that there should be a robust process in place for accessing such data which should be overseen by the Senior Responsible Officer.
- 5.3 Annual and 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 the policy remain fit for purpose.
- 5.4 The management, knowledge and awareness of those involved with RIPSAs activity was something which was commended by the IPCO in his 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?
<b>Strategic Risk</b>	There are no strategic risks		L	<b>Yes</b>
<b>Compliance</b>	That the Council's use of RIPSAs is not legally compliant.	This report sets out the Use of investigatory Powers Annual Report, which fulfils the requirements placed upon the Council under paragraph 4.43 of the	L	<b>Yes</b>



	The Council's acquisition of communications data does not comply with the Home Office Code of Practice.	Scottish Government's Code of Practice for Covert Surveillance and Property interference. Further, this Committee receives quarterly reports on its use of investigatory powers under RIPSAs and the IPA and related policy mitigates this risk highlighted in this section.		
<b>Operational</b>	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	<b>Yes</b>
<b>Financial</b>	There are no financial risks arising from this report		L	<b>Yes</b>
<b>Reputational</b>	Failure to update Committee on RIPSAs activity would mean that the Council would be at risk of reputational damage when this is raised	External inspections on RIPSAs activity operate every 3-4 years. This provides external assurance to the Committee of the Council's compliance with RIPSAs. Further, whilst there is no requirement to report to Committee	L	<b>Yes</b>

	by the IPCO in their Inspection.	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.		
<b>Environment / Climate</b>	There are no environmental or climate impacts arising from this report.		L	<b>Yes</b>

## 8. OUTCOMES

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

Prosperous Place Stretch Outcomes	
<b>Regional and City Strategies</b>	This report does not have an impact on the Regional and City Strategies.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	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.
<b>Data Protection Impact Assessment</b>	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.
<b>Other</b>	There are no other impact assessments relevant to this report.

## 10. BACKGROUND PAPERS

- 10.1 Use of Investigatory Powers Policy, (v.2 February 2023) (attached)  
 Use of Investigatory Powers policy Integrated Impact Assessment Refresh 2023 (attached)

## 11. REPORT AUTHOR CONTACT DETAILS

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# The Use of Investigatory Powers Policy

Approved by Audit, Risk and Scrutiny Committee on 2 December 2021 with an implementation date of 2 December 2021

## Document Control

<b>Approval Date</b>	2 December 2021
<b>Implementation Date</b>	2 December 2021
<b>Policy Number</b>	Request from Assurance Team
<b>Policy Author(s) and Owner</b>	Jess Anderson, Fraser Bell
<b>Approval Authority</b>	Audit, Risk and Scrutiny Committee
<b>Scheduled Review</b>	12 months
<b>Date and Changes:</b> 28 Sept 2021 – Policy Group Review 5 Oct 2021- Risk Board Review and approval Dec 2021- Committee approved policy Feb 2023- No changes made- Committee approved policy	

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# 1 Why does the Council need this Policy?

- 1.1 There are a range of situations in which Council officers in the course of their duties have to carry out investigations and activities for legitimate purposes and it's deemed necessary and proportionate to use investigatory powers to acquire information about a person, either in their personal capacity, or about their trade or business.
- 1.2 The Council's policy documents are control documents designed to mitigate risks. Policies are key controls in the Council's Risk Management Framework. This policy sets out the monitoring and assurance framework (such as a robust application/authorisation process, audits, training and awareness raising provided by Legal Services) around the Council's use of specific investigatory techniques and powers by trained officers to enforce statutory duties the Council is tasked with discharging. By doing so, this policy mitigates any potential risks in relation to an unlawful interference with a person's right to a private and family life under the Human Rights Act 1998 (HRA)<sup>1</sup>, and ensures that the Council and its officers have clarity on the reporting arrangements in respect of this type of activity.
- 1.2 In particular, this policy ensures the Council complies with the requirement in the Scottish Government's "Covert Surveillance and Property Interference Code of Practice" and "Covert Human Intelligence Sources Code of Practice" that elected members set the policy for covert surveillance activity on an annual basis and ensure it remains fit for purpose. Additionally, this policy harmonises the assurance and monitoring in place for covert surveillance and extends that to situations where authority to acquire Communications data is sought and obtained.
- 1.3 In setting policy each year, members are giving that formal endorsement that the arrangements in place and monitored by the Chief Officer- Governance as Senior Responsible Officer (SRO), comply with the relevant legislation through practical application of the operational procedures, training and awareness raising.

## 2 Application and Scope Statement

- 2.1 The Council does, and shall, continue to use the powers available to it under the Investigatory Powers Act 2016 (IPA) and the Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) respectively, as key investigation tools where it has a lawful purpose to do so. This policy relates to the Council's use of covert surveillance and the acquisition of Communications data and defines the control environment and principles around the use of such investigatory powers. This policy does not extend to officers who do not have an investigatory or enforcement role whereby this type of activity is a real likelihood, nor does it apply to any external or partner organisations.

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<sup>1</sup> Article 8 of the HRA.



- 2.2 The Council has specific powers under RIPSAs to conduct Directed Surveillance and its officers may authorise the use of a Covert Human Intelligence Source (CHIS) (where it is deemed necessary and proportionate). Directed Surveillance is surveillance for a specific investigation or operation, is covert, and is likely to result in the obtaining of private information about an individual. A CHIS is essentially an undercover officer. The purpose of a CHIS is to establish or maintain a false personal relationship with others to obtain or access information covertly. Covert Surveillance is covert where it is carried out in such a way that anyone subject to it is unaware that the surveillance is taking place. An example of when the Council may use surveillance is to covertly record Trading Standards test purchasing.
- 2.3 The acquisition of Communications data is permitted by the IPA. Communications data is the way in which, and by what method, a person or thing communicates with another person or thing. It excludes anything within a communication including text, audio and video that reveals the meaning, other than inferred meaning, of the communication.
- 2.4 Any officer requiring to use investigatory powers for a lawful purpose must be trained to do so, prior to applying for, using, and/ or authorising the use of investigatory powers. The operational procedures, referred to at section 4 of this policy, set out the training plan for covert surveillance and the acquisition of Communications data. Further, Authorising Officers are required to attend the same training prior to authorising an application for the use of investigatory powers and attend/ participate in quarterly meetings. Sections 1.3 and 1.4 of this policy set out the role which Elected Members play in setting policy.
- 2.5 The Council has entered into a contract with the National Anti-Fraud Network (NAFN) who provide assurance and advice to council officers where there is a lawful purpose to access Communications data. It is a requirement of the IPA that the Council has a person/ organisation in place to undertake this role. NAFN is the only provider approved by the Home Office to carry out these services.

### 3 Responsibilities

- 3.1 The Chief Officer - Governance as SRO is responsible for this policy. The SRO is the main point of contact for the Council with the Investigatory Powers Commissioner (IPC), the Office for Communications Data Authorisations, and the Home Office. The SRO is responsible and answerable to the IPC for the Council's compliance in respect of the use of these investigatory powers. The SRO has delegated powers to appoint

Authorising Officers for covert surveillance and Approved Rank Officers for the acquisition of Communications Data. The SRO shall continue to report to the Audit Risk and Scrutiny Committee on a quarterly basis on covert surveillance activity, and he shall also report on Communications data activity in so far as it does not impact on operational matters.

- 3.2 A willful breach of this policy by any Council officer shall be considered a disciplinary matter and will be dealt with under the Council's agreed disciplinary procedures or as a contractual dispute where the breach was caused by a third party engaged by the Council in the acquiring of Communications data. Further, a breach of this policy and supporting procedures may also be a breach of Data Protection Legislation and be reported and investigated internally having regard to the Corporate Information Policy and supporting Information Handbook of procedures. These responsibilities are highlighted in the training provided on the use of these investigatory powers.
- 3.4 As noted at 2.6 above, the Council contracts with NAFN to carry out the role of a Single Point of Contact (SPoC). The SPoC is there to ensure that any applications for the acquisition of Communications data are practical and lawful. The SPoC also provides objective judgement and advice to the Council and the Protective Services Manager on the application.
- 3.5 The Regulatory and Compliance (R&C) Team, Legal Services monitor compliance regarding covert surveillance activity and Communications data requests. Primarily this is done by maintaining a central record for covert surveillance and Communications data activity. Access to this record is restricted to the R&C Team and this record includes every application, authorisation or refusal made by the Council. The R&C Team also provides regular awareness raising, on the quality of applications/authorisations (in respect of covert surveillance only), and training to officers.

## 4 Supporting Procedures & Documentation

- 4.1 This policy is supported by two operational procedures: **namely Covert Surveillance and the Acquisition and Retention of Communications Data**. These procedures govern how applications and authorisations for the use of investigatory powers shall be made, reviewed and cancelled. They also set out how any data obtained shall be used, kept, accessed and destroyed, having particular regard to Data Protection Legislation and Data Assurance. They are available on the a restricted online portal which all trained officers have access to, along with this policy. A copy of this policy is available on the Council's intranet.
- 4.2 Officers who have received training on **Covert Surveillance** and/or the **Acquisition and Retention of Communications Data** will be provided with access to an online restricted portal where these procedures, guidance, news/updates and application/authorisation forms (for covert surveillance only) will be accessible. This online resource was developed and is maintained by the R&C Team.

- 4.3 The Chief Officer – Governance has the power under the Council’s Scheme of Governance to approve any necessary changes to the procedures referred to in 4.1 above. At all times, the procedures will be consistent with the terms of this Policy.
- 4.4 Any changes to process, or law shall be notified to officers through the online portal (referred to at 4.2 above), and amendments to this policy or the procedures shall be uploaded after approval, so that the information available on that portal is up to date and accurate at all times.

## 5 About this Policy

- 5.1 This policy demonstrates the Council’s intention to exercise the powers available to it under the IPA and RIPSAs and provides a framework to ensure that the powers are exercised in accordance with the law.

## 6 Risk

- 6.1 This policy and its supporting procedures will manage the following risks:
- **Compliance Risks** - The policy and supporting documentation will reduce the risk of non-compliance with the Human Rights Act 1998, IPA and RIPSAs, by setting out the standards and behaviours required in order to ensure compliance. This policy sets out how routine monitoring is in place to ensure continued compliance with these documents and the relevant legislation.
  - **Reputational Risks** – The policy and supporting documentation sets out the standards required when considering and applying to use these investigatory powers. Failure to report to committee on covert surveillance activity and follow procedure could lead to reputational damage when this is identified by the IPC at their inspection. This risk is mitigated by reporting to the Audit, Risk and Scrutiny Committee on a quarterly basis. Further, any IPC inspection report is shared with Committee and any resultant action plan is endorsed by Committee.
  - **Operational Risks** – the policy and supporting documentation sets out the process all Council officers must follow when they wish to use investigatory powers under the IPA and RIPSAs. Further, it is a requirement of this policy that officers receive training prior to applying to use investigatory powers. Officers who have not been trained shall not be permitted to use the investigatory powers referred to under this policy. This risk is managed by managers highlighting which staff require

training due to their enforcement/ investigatory roles. Awareness-raising in this regard and the wider impact of surveillance work is done on a biennial basis.

## 7 Environmental Considerations

- 7.1 This policy does not relate to, nor have an impact on, any environmental factors. As such an Environmental Assessment was not undertaken.

## 8 Policy Performance

- 8.1 Setting policy is a requirement under the Code of Practice on Covert Surveillance and Property Interference. Assurance that the policy is effective when conducting covert surveillance falls to the Audit, Risk and Scrutiny Committee. Covert surveillance activity has been reported regularly to this committee since Autumn 2017 and it is considered prudent to extend that oversight role to the acquisition of Communications data, albeit such extension is not a statutory requirement. The effectiveness of this policy will be demonstrated by the feedback during inspections undertaken by the IPC but also in the quarterly reporting on the use of these powers to this Committee and compliance with this policy and its operational procedures. Committee will continue to receive updates on the use of investigatory powers on a quarterly basis.
- 8.2 The R&C Team, Legal Services undertake audits of all authorisations of covert surveillance applications and feedback is provided to council officers. Additionally, the R&C Team will maintain a record of all applications where these are refused or authorised, reviewed, renewed and/or cancelled in respect of both covert surveillance and the acquisition of Communications data. Additionally, any errors made by the Council under the IPA are reported to the Chief Officer- Governance. Collectively, this gives assurances that the policy is performing well, as there is a framework to mitigate and manage non- compliance.
- 8.3 The Investigatory Powers Commissioner (IPCO) has oversight of the Council's use of investigatory powers under the IPA and RIPSAs by way of an inspection every 3 or 4 years. The IPC focuses on the Council's compliance under those legislative regimes. As a matter of course, the IPC reviews the Council's policy and any feedback on its performance, clarity or meaning would be reflected in the IPC inspection report which this Committee will be sighted on.

## 9 Design and Delivery

- 9.1 This policy links to the Aberdeen City Local Outcome Improvement Plan (LOIP), particularly the stretch outcomes; Prosperous Economy and Prosperous Place. The LOIP states that “All people in Aberdeen are entitled to live within our community in a manner in which they feel safe and protected from harm”, and “promote wellbeing and good health choices/ to nurture our physical health”. The use of investigatory powers, where this is appropriate, in tackling offences such as the selling of counterfeit goods or routine test purchases of tobacco related products to ensure they are being sold in accordance with the law, demonstrates the Council’s commitment to these outcomes and that it will act, where it is empowered to do so.
- 9.2 Council’s Statutory Obligations - this policy links to the Council’s statutory obligation not to act in a way which is incompatible with a human right, under section 6 of the HRA.

## 10 Housekeeping and Maintenance

- 10.1 This policy shall be reviewed annually by the Audit, Risk and Scrutiny Committee. The procedures which support this policy shall follow the same review timeline, so that changes or amendments to policy flow through to the procedures, where this is necessary.
- 10.2 The SRO as Chief Officer - Governance has delegated powers under the Council’s Scheme of Governance, Powers Delegated to Officers<sup>2</sup> to create and amend procedures, protocols and guidance. Any changes or amendments required will be referred to the SRO for approval.

## 11 Communication and Distribution

- 11.1 This policy will be uploaded to the Covert Surveillance page on the intranet, with a link provided from the Leadership Forum, and it will also be available on a restricted online portal. Access to this portal has been given to all staff who have completed the training.
- 11.2 Further, specific training will also be provided for any officer who requires to work with this policy, and guidance and support shall be provided on an ongoing basis.

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<sup>2</sup> PDO

## 12 Information Management

- 12.1 Any personal information gathered as a result of an officer using investigatory powers shall be processed in compliance with the Data Assurance practices and Data Protection Legislation, as set out in the supporting procedures.

### Definitions

**Communications data**

means the way in which, and by what method, a person or thing communicates with another person or thing. It excludes anything within a communication including text, audio and video that reveals the meaning, other than inferred meaning, of the communication;

**Data Protection Legislation**

means the (i) “UKGDPR” being the retained EU law version of the General Data Protection Regulation ((EU) 2016/679) as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the European Union (Withdrawal) Act 2018 and as amended by Schedule 1 to the Data Protection, Privacy and the Electronic Communications (Amendments etc) (EU Exit) Regulations 2019 (SI 2019/419) and any applicable national implementing Laws as amended from time to time; and (ii) the Data Protection Act 2018 to the extent that it relates to the processing of personal data and privacy;

**Covert Surveillance**

means surveillance by way of either Directed Surveillance or a Covert Human Intelligence Source undertaken for a specific purpose or investigation and in a manner that is likely to result in the obtaining of private information about any person.

**Data Assurance**

means the way in which the Council, officers and elected members understand and have clarity about what happens to information about, and obtained as a result of, using investigatory techniques.

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk & Scrutiny
<b>DATE</b>	2 February 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Altens East Recycling and Resource Facility – Fire Investigation Report
<b>REPORT NUMBER</b>	OPE/23/030
<b>DIRECTOR</b>	Steve Whyte
<b>CHIEF OFFICER</b>	Mark Reilly
<b>REPORT AUTHOR</b>	Pam Walker
<b>TERMS OF REFERENCE</b>	6.4

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide information to the committee on the outcome of the Scottish Fire and Rescue Service (SFRS) report (see Appendix A) on the fire at Altens East Recycling and Resource Facility on 8th July 2022.

### 2. RECOMMENDATION(S)

That the Committee: -

- 2.1 notes the contents of the attached SFRS fire investigation report.
- 2.2. notes that as an organisation, we can conclude from the SFRS report, that the fire at Altens East did not occur as a result of a failure in our system of internal control.

### 3. CURRENT SITUATION

#### BACKGROUND

- 3.1 Altens East Waste and Recycling Facility was severely damaged due to a serious fire commencing on 8<sup>th</sup> July 2022 and being finally extinguished on 13<sup>h</sup> July 2022, after which Scottish Fire and Rescue and Police handed back control of the site.
- 3.2 The facility housed the Council's waste and recycling collection service (including around 180 staff and 57 collection vehicles), as well as the materials recycling facility (MRF) for sorting and processing of recyclable materials from Aberdeen and from other authorities. The site also housed a refuse derived fuel (RDF) facility for processing residual waste which was due to be de-commissioned ahead of the Ness Energy from Waste facility coming onstream.

- 3.3 The facility has been out of commission since the fire in July, since that date, the displaced services have been operating under contingency arrangements.
- 3.4 The Altens East Facility was opened in 2017 and was a relatively new site, it was fitted with the relevant fire safety and fire alarm systems, all of which operated as they should, and beyond, and the fire alarm system activated and alerted the fire service timeously.
- 3.5 Scottish Fire and Rescue produced an investigation report which concluded that the cause of the fire was “accidental”. Deliberate ignition and electrical fault were both discounted and the cause of the fire was “undetermined” as it was not possible to identify exactly what the cause of ignition was.

**NEXT STEPS**

- 3.6 It is widely acknowledged that fire is a serious risk and concern throughout the waste management and recycling industry. A working group has recently been convened to discuss this issue including representatives from SEPA, Scottish Government, Zero Waste Scotland, SESA (Scottish Environmental Services Association), RMAS (Resource Management Association Scotland). Aberdeen City Council’s Waste & Recycling Manager is one of the local authority representatives on this group.
- 3.7 Work is progressing to rebuild and repair the facility. Discussions are ongoing to consider any changes the replacement facility could include to mitigate against this type of event recurring.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no financial implications as a result of the recommendations of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no legal implications as a result of the recommendations of this report.

**6. ENVIRONMENTAL IMPLICATIONS**

- 6.1 There are no environmental implications as a result of the recommendations of 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?
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<b>Strategic Risk</b>	N/A			
<b>Compliance</b>	N/A			
<b>Operational</b>	Risk of recurrence of similar event	Review of fire protection measures for new facility, continued discussion with SFRS  Review of Business Continuity plan for Service	L	<b>Yes</b>
<b>Financial</b>	N/A			
<b>Reputational</b>	N/A			
<b>Environment / Climate</b>	N/A			

**\*Note – if there are inconsistencies between the target risk level and the risk appetite level set, please provide rationale for your proposals.**

## 8. OUTCOMES

<u><a href="#">COUNCIL DELIVERY PLAN 2022-2023</a></u>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <u><a href="#">Working in Partnership for Aberdeen</a></u>	The redevelopment of the Altens facility will allow the continued improvement and expansion of recycling services and householder participation across the city. The need for a sorting facility is particularly important to allow provision of a safe, convenient, and consistent service to all. This also contributes to the net zero goals for the city by providing efficient and effective services.
<u><a href="#">Aberdeen City Local Outcome Improvement Plan 2016-26</a></u>	
Prosperous Economy Stretch Outcomes	None
Prosperous People Stretch Outcomes	The Altens East facility also includes an educational facility and site tours aimed at improving knowledge and encouraging more sustainable and responsible behaviours as citizens.
Prosperous Place Stretch Outcomes	Altens East plays an integral part in achieving Stretch Outcome 13 of the current LOIP (2016-2026) to address climate change by reducing carbon emissions and more widely contribute towards the overall target that Aberdeen will be 'a place where all people can prosper' through providing residents with

	both kerbside and local recycling services, safe and efficient residual waste facilities and the jobs that are provided by operating the facilities.
<b>Regional and City Strategies</b>	Net Zero Routemap – contributing to the circular economy by preventing valuable materials from entering the waste stream and processing them to a high quality. Aberdeen City Waste Strategy 2014-2025 – enabling the provision of consistent and convenient services to all and contributing to the increased recycling of materials in the city.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	Not required
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	Not required

## 10. BACKGROUND PAPERS

N/A

## 11. APPENDICES

11.1 **Appendix A:** Scottish Fire and Rescue Service Fire Investigation Report

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Pam Walker
<b>Title</b>	Waste & Recycling Manager
<b>Email Address</b>	PWalker@aberdeencity.gov.uk
<b>Tel</b>	01224 387602



**SCOTTISH**  
FIRE AND RESCUE SERVICE

**SUMMARY FIRE INVESTIGATION REPORT**

**To:** *(Enter Name, Role and Locus of officer originating request for advice)*  
 Area Commander (AC)

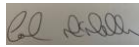
**Cc:** *(Enter Name, Role and Locus of officer completing IRS, if different from above)*

**Incident Details:**

<b>Incident No:</b>	12518
<b>Date/Time of Call:</b>	Friday 8 July 2022 at 1636hrs
<b>Address:</b>	Suez, Hareness Place Altens, Aberdeen AB12 3GX
<b>Outline Details:</b>	<p>At 1636hrs on Friday 8 July 2022, Scottish Fire and Rescue Service (SFRS) Dundee Operations Control (DOC) received an emergency call reporting a fire at Suez, Hareness Place Altens, Aberdeen. DOC mobilised a Rescue Pump (RP) from Altens Fire Station with Crew Commander (CC) in charge. Altens booked in attendance at 1644hrs. CC assumed the role of Incident Commander (IC).</p> <p>At 1648hrs the IC sent an assistance message to DOC requesting make pumps two (one additional RP) stating this was for Breathing Apparatus (BA), fire within recycle yard. DOC mobilised another appliance from Altens Fire Station with Watch Commander (WC) in charge. They booked in attendance at 1653hrs.</p> <p>At 1655hrs the IC sent an informative message to DOC stating a refuse centre on one floor, measuring approximately 60m by 100m. Fire within ground floor storage area. Two BA in rapid deployment and one main jet were being used. Crews were in Oscar Offensive Mode.</p> <p>At 1701hrs WC sent an assistance message to DOC stating this was now a Level 2 incident (four additional RP's), Command Support Unit (CSU) not required. The IC further stated Rendezvous Point (RVP) for further appliances will be at the front of the building, further information to follow.</p> <p>At 1707hrs the IC sent an informative message to DOC stating recycling plant building measuring approximately 100m by 60m. There was 50m by 40m of mixed waste approximately 10m in height well alight. Two BA in Stage 1 and one main jet were being used, awaiting on the arrival of oncoming appliances.</p> <p>At 1714hrs Station Commander (SC) booked in attendance at the</p>

**FIO Submitting:**

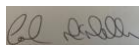
**Cc: Station Commander (FI Coordinator) for file**

<b>Name and Role:</b>	WC McMillan	 (Signature)
<b>Date of report:</b>	19/07/2022	

	<p>incident.</p> <p>At 1728hrs Group Commander (GC) booked in attendance at the incident.</p> <p>At 1741hrs the IC sent an informative message to DOC stating SC had been fully briefed and now IC, WC Ops Commander, the incident was sectorised. Sector 1, CC in charge. Sector 3, WC in charge, Q03P1 was now Command Support (CS). Four BA and two main jets under Stage 1 procedures were being used. The IC further stated crews were currently in Delta Defensive Mode, Analytical Risk Assessment (ARA) underway and Safety Officer was CC.</p> <p>At 1754 the IC sent an informative message to DOC stating GC had been fully briefed and now IC.</p> <p>At 1803hrs the IC sent an assistance message to DOC requesting height vehicle (HV) and welfare pod required at incident.</p> <p>At 1808hrs the IC sent an assistance message to DOC requesting water carrier required at incident.</p> <p>At 1844hrs the IC sent an informative message to DOC stating Sector 1 continuing to contain fire, two BA Stage 1, one jet and one monitor were being used. Sector 2 now open, WC Sector Commander and standing by to proceed with ventilation, nothing in use. Sector 3 undertaking a watching brief, nothing in use. BA Sector WC, Water Sector CC, Health and Safety Functional Officer SC. The IC further stated ARA now completed and communicated to all, Firefighter Safety Resource (FSR) Officer SC. Withdraw plan complete and sufficient. Control measure complete, Functional Officer and Ops Assurance SC. HV now in attendance and being set up in Sector 1. Crew welfare had been reviewed and was sufficient. A multi agency meeting will be held at 1845hrs with Police Scotland (PS) and Scottish Ambulance service (SAS).</p> <p>At 1908hrs the IC sent an informative message to DOC stating CSU now command pump.</p> <p>At 1930hrs the IC sent an informative message to DOC stating Sector 1, Sector Commander was WC, fire now contained and surrounded within building, two BA, one main jet and one monitor were being used, HV operating within Sector as observation platform. Sector 2 undertaking watching brief, Sector 3, Sector Commander WC. Sector preparing for positive pressure ventilation (PPV), setting up six PPV fans. Water Sector CC, water carrier in attendance setting up dam for ferrying water. Sprinklers were being used, fed from mains supply, BA Sector CC. Incident Support Vehicle (ISV) in attendance supporting BA Sector. The IC further stated utilities had not been isolated to allow use of</p>
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**FIO Submitting:**

**Cc: Station Commander (FI Coordinator) for file**

<b>Name and Role:</b>	WC McMillan	 (Signature)
<b>Date of report:</b>	19/07/2022	

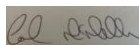
	<p>suppression systems, ARA reviewed and communicated to all, crew welfare reviewed and sufficient at this time, hydration strategy implemented. Can DOC contact Scottish Environmental Protection Agency (SEPA) to make them aware of incident, fire run off was being contained within premise interceptor tanks, large volume of smoke from general waste of unknown materials, request SFRS media officer be informed of incident.</p> <p>At 2029hrs the IC sent an informative message to DOC stating Sector 1, site engineer assisting with removal of refuse for dampening down utilising site machinery with positive pressure contained cabs, engineer working within inner cordon, crews dampening down refuse, two main jets were being used, Marshalling Officer in use. Sector 2, two PPV fans were being used for positive pressure ventilation. Sector 3, natural ventilation only. Second multi agency meeting now complete, outcomes of joint understanding of risk agreed, joint tactical plans agreed, media strategy agreed with PS. PS now released from incident, SAS Special Operations Response Team (SORT) remaining on scene for firefighter safety, crew welfare reviewed and satisfactory, welfare unit in attendance and operational. The IC further stated ARA updated and communicated to all personnel, utilities remain on for use of suppression systems, HV will be released from incident in approximately ten minutes, this will be a protracted incident.</p> <p>At 2051hrs the IC sent a Stop Message to DOC stating Sector 1 BA discontinued, two on site diggers removing waste to open air, crews dampening down, two main jets, FPPP dust masks were being used for crew safety. Sector 2 PPV fans were being used. Sector 3 now closed. BA Sector now closed, crew welfare reviewed and sufficient. Welfare unit to be released from incident in thirty minutes, welfare will be utilised using onsite facilities. Stonehaven and Kintore to be released from incident in fifteen minutes. Central to be released in thirty minutes. Altens to be released from incident in forty minutes. The IC further stated ARA had been reviewed and communicated to all.</p> <p><b>Saturday 9 July 2022</b> The incident escalated in the early hours of the morning. This was a protracted incident and finally concluded on Wednesday 13 July 2022.</p>
--	--

**Advice**

<b>Advice Requested:</b>	At 0819hrs on Monday 11 July 2022 Fire Investigation Officer (FIO) WC Caddell contacted Area Commander (AC) to gather preliminary information. AC stated SFRS were in attendance at a Level 2 incident.
<b>Advice Given:</b>	At approximately 1300hrs on Wednesday 13 July 2022, FIO's WC McMillan and WC Caddell attended the incident to assist SFRS with a Level 2 investigation. The building involved was a recycling plant, consisting of one floor, with an office block attached to the frontside of the building. The office block

**FIO Submitting:**

**Cc: Station Commander (FI Coordinator) for file**

<b>Name and Role:</b>	WC McMillan	 (Signature)
<b>Date of report:</b>	19/07/2022	

consisted of three floors. The building measured approximately 100 metres by 60 metres and 10m in height. The building was a single storey steel portal frame building with block construction walls and boxed steel Structural Insulated Panels (SIPS) on the walls and steel profile roof with fibreglass roof lights. There was separation to a separate facility with a 10m high concrete wall. There were multiple rear doors to the building. These doors were approximately six meters in height and three metres in width and were a roll over type. The floor was of concrete construction. The building was serviced with mains electricity from an onsite sub station.

The building had sustained severe fire, heat and smoke damage throughout. The roof had partially collapsed inside onto the floor, and sections of the concrete internal walls were cracked and unstable.

Due to the high level of structural instability sustained from fire and heat damage, access inside the building was restricted. An excavation of the fire debris was therefore not undertaken.

The building had been in operation the day off the fire. This was consistent with the statements from the fire crews and onsite personnel. The building stored approximately 550 tonnes of Dry Mixed Recycle (DMR) at the time of the fire. The post fire indicators showed that the DMR material was stored to two thirds of the height of the four metre separating concrete walls. These walls did not go to the roof of the building. This material would be placed into a hopper by a mechanical digger to be processed by the Material Recovery Facility.

The fire started within the DMR in Bay B of the building. This was consistent with statements from SFRS crews and onsite personnel. There were no electrical sources in Bay B. The electrical supply was not isolated at the start of firefighting operations as the buildings sprinkler suppression systems were continuing to assist with firefighting operations.

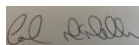
**OTHER RELEVANT INFORMATION:**

The building stored approximately 550 tonnes of Dry Mixed Recycle (DMR) at the time of the fire

**Deliberate Ignition:**  
Following enquiries by PS there was no evidence of any unauthorised persons having been in the building immediately prior to the fire starting. Deliberate ignition was considered and was discounted as the cause of

FIO Submitting:

Cc: Station Commander (FI Coordinator) for file

<b>Name and Role:</b>	WC McMillan	 (Signature)
<b>Date of report:</b>	19/07/2022	

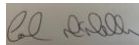
	<p>this fire.</p> <p><b>Fault or failure within an electrical appliance or distribution system:</b>                  The building was supplied with mains electricity from an onsite sub station which was live at the time of the fire. This was consistent with the statements from fire crews. Due to the high level of structural instability sustained from fire and heat damage a full excavation could not be completed. The fire originated within DMR in bay B of the building. There were no electrical sources in Bay B. Fault or failure within an electrical appliance or distribution system was considered and discounted as a cause of this fire.</p> <p><b>Accidental Ignition:</b>                  There were no electrical sources in Bay B. We were unable to excavate and establish if there were any lithium batteries, discarded barbeque coals, gas disposable lighters or other ignition sources within the DMR in Bay B of the building. The fire within the DMR in Bay B of the building was consistent with statements from SFRS crews and onsite personnel. Accidental ignition of material within Bay B was considered and could not be ruled out as a cause of this fire.</p> <p><b>Conclusion:</b></p> <p><b>Due to the high level of structural instability sustained from fire and heat damage, access inside was not possible. An excavation of the fire debris was therefore not undertaken. Having considered all the above information that this incident should be recorded as an accidental fire, however the official cause would be recorded as undetermined.</b></p>
--	--

**Reason for delayed submission:** *(Enter if report dated more than 7 days after incident date)*

Not Applicable

**FIO Submitting:**

**Cc: Station Commander (FI Coordinator) for file**

<b>Name and Role:</b>	WC McMillan	 (Signature)
<b>Date of report:</b>	19/07/2022	

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# Year end report 2021/22

## **Aberdeen City Council – Charitable Trusts**

Audit Risk and Scrutiny Committee 2 February  
2023

**DRAFT**

# Introduction

## To the Audit, Risk and Scrutiny Committee of Aberdeen City Council

We are pleased to have the opportunity to meet with you on 2 February 2023 to discuss the results of our audit of the financial statements of Aberdeen City Council – Charitable Trusts (“the Charity”), as at and for the year ended 31 March 2022

This report should be read in conjunction with our audit plan and strategy report, presented on 22 February 2022. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantively complete. There have been no significant changes to our audit plan and strategy.

We issued an unmodified Auditor’s Report for the Charity.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report;
- Limitations on work performed;
- Status of the audit; and
- Restrictions on distribution of this report.

KPMG LLP  
January 2023

## How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define ‘audit quality’ as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Some of the ways in which we drive audit quality are demonstrated throughout our report and include:

**DRAFT**



**Understanding the entity**



**Quality reviews**



**Robust challenge**

## Contents

Important notice	3
Key findings	4
Appendices	5



This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

This Report has been prepared for the Council's Audit Committee, in order to communicate matters of interest as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Aberdeen City Council – Charitable Funds (“the Charity”), prepared in accordance with applicable law and UK Generally Accepted Accounting Practice, including Financial Reporting Standard 102, Part VII of the Local Government (Scotland) Act 1973, and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, as at and for the year ended 31 March 2022.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Charity’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

Our audits are substantially complete however the matters communicated in this Report may change subject to resolving outstanding matters. The outstanding areas are:

- Receipt of signed management representation letter following approval by the Board.
- Completion steps in the Audit File.

## Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit, Risk and Scrutiny Committee and Trustees of the Charity; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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## The Charity

### Summary of findings

- We have used total revenue as the benchmark for setting our materiality threshold for the audit of the 2021/22 accounts. Materiality was set at £6,500 and we report all individual errors in excess of £325.
- The audit was planned in January 2022 following a discussion with management. International Standards on Auditing require us to consider, as part of our work, the following significant risks:

- Fraud risk from management override of controls.

We have carried out specific testing over journals, judgements & estimates, and any significant or unusual transactions. We have not identified any issues from the audit work performed.

- Fraud risk from revenue recognition

We have reviewed the terms of legacies and donations and corresponding treatment to ensure the completeness and restriction of revenue where appropriate. We consider the restricted or unrestricted nature of funding as well as the period of recognition in line with recognition criteria in line with the SORP and FRS 102.

- Revaluation of Investment Properties

We have used our valuation specialist to review the key assumptions used by the Council valuer's that derive the asset values, such as construction costs, forecast yields, and comparable evidence of asset sales in the region. For each management assumption we have challenged the evidence provided and we have not identified any issues from the audit work performed.

- We have identified 0 control weaknesses during the audit the details are included in Appendix 1.
- We have identified 4 audit misstatements during the audit, the details are included in Appendix 2. No unadjusted audit misstatements were identified.
- The financial statements adopted appropriate accounting policies and are in accordance with disclosure requirements of relevant charities legislation, UK GAAP (FRS 102) and the Statement of Recommended Practice.
- We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards; and any other audit matters of governance interest. We have not identified any other matters to specifically report on that have not been documented elsewhere in this Report.

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# Appendices

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1 Recommendations raised and followed up	6
2 Audit differences	7
3 Required communications with the Audit Committee	8
4 Audit independence	9
5 KPMG's Audit quality framework	10

# Control Weakness recommendations raised



No recommendations were raised as a result of our work in the current year.

# Recommendations followed up

There were no recommendations from prior years to follow up.

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# Audit Differences



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £325 are shown below:

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

## Corrected audit misstatements

Corrected audit misstatements (£)					
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Cashflow Statement	Comments
1.	Charitable Activities	£430		-	Being the correction of a creditor being incorrectly entered as a Debtor in error
	Prepayments and Accrued Income		(£215)		
	Provisions, Accruals and Deferred income		(£215)		
2.	Sale Proceeds (cashflow)			£9,000	Being the correction of the sale proceeds for the sale of the two investment properties in 2021-22, gains on disposal and associated balance sheet items
	Gains and losses on Disposal	(£5,000)			
	Investment in Loans Fund Debtors		(£3,000) (£1,000)		
3	Debtors		(£15,000)	-	Write off debtor with ACC as balance amalgamated in the Gains and Losses to Investments in SOFA
	Gains and loss on Investments	£15,000			
4	Creditors		£3,039	-	Being the clearance of income suspense codes to Revenue
	Income	(£3,039)			
Total		£7,391	(£16,391)	£9,000	

**Uncorrected misstatements** There are no uncorrected misstatements to report

# Required communications with the Audit Committee



Under UK auditing standards (ISA (UK) 260) we are required to set out certain communications to the Audit Committee. We have summarised below the required communications and the status of these.

Type	Status	Response
<b>Our draft management representation letter</b>		Our draft representation letter is included for the Committee's review. We have included one specific representation where we are asking Trustees to confirm the ongoing commitment of £150,000 to the renovation of Glover House.
<b>Adjusted and unadjusted audit differences</b>		We have provided a summary of audit differences in Appendix Two.
<b>Control deficiencies</b>		We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit. Details of our recommendations are provided in Appendix One.
<b>Related parties</b>		There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit Committee</b>		There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Actual or suspected fraud, non-compliance with laws or regulations or illegal acts</b>		No actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
<b>Significant difficulties</b>		No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>		None.
<b>Disagreements with management or scope limitations</b>		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>		No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports.
<b>Breaches of independence</b>		No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>		Over the course of our audit, we have evaluated the appropriateness of the Charity's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
<b>Significant matters discussed</b>		The were no significant matters arising from the audit.



# Audit independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

**To the Audit Committee members**

**Assessment of our objectivity and independence as auditor of Aberdeen City Council Charitable Trusts**

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Breaches of applicable ethical standards;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

**General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

**Independence and objectivity considerations relating to the provision of non-audit services**

**Summary of fees**

No non-audit services have been provided during the year

**Independence and objectivity considerations relating to other matters**

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

**Confirmation of audit independence**

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Companies and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

*KPMG LLP*

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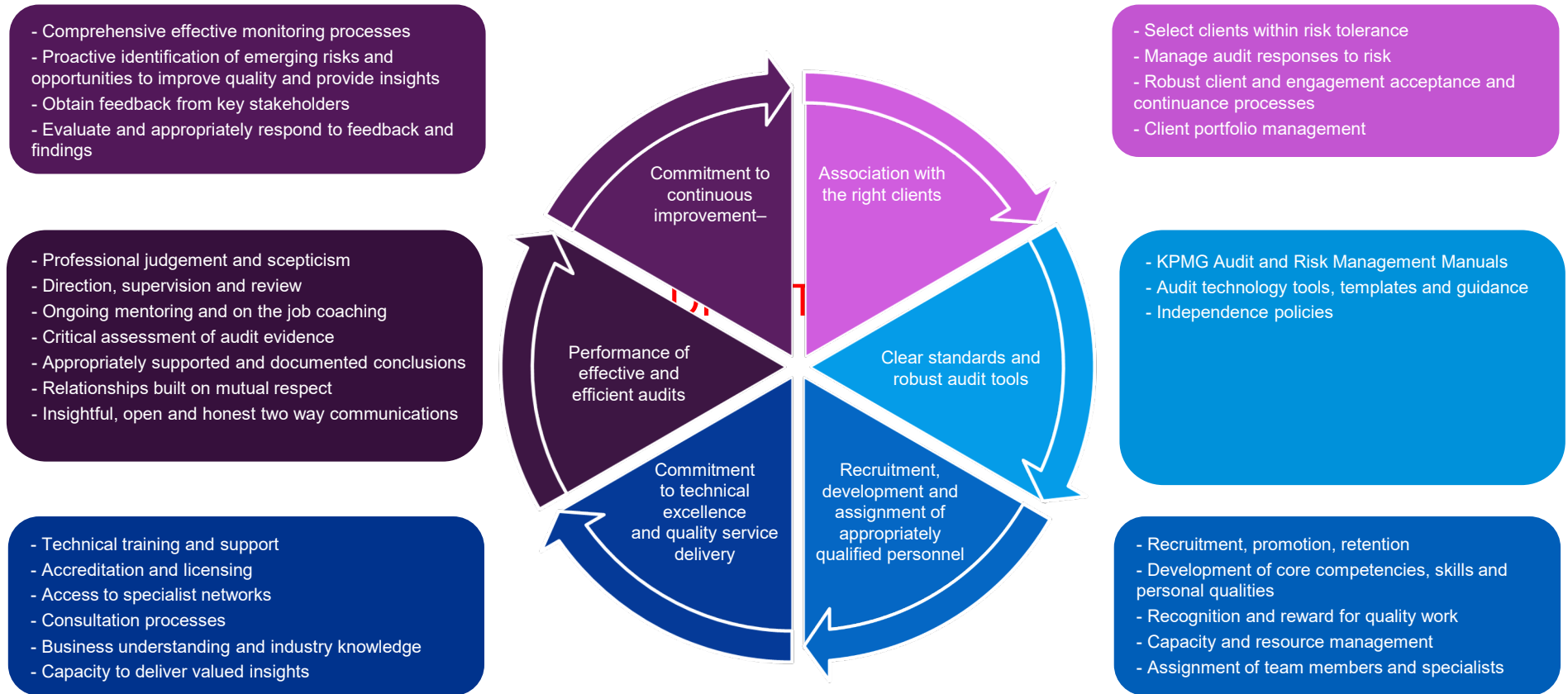
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# KPMG's audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

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[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



[kpmg.com/app](https://kpmg.com/app)



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Your Ref:  
Our Ref: JB/LF  
Contact: Jonathan Belford  
[jbelford@aberdeencity.gov.uk](mailto:jbelford@aberdeencity.gov.uk)  
Location: 2<sup>nd</sup> Floor, West,  
Date: 2 February 2023

KPMG LLP  
319 St Vincent Street Glasgow  
G2 5AS

Dear Michael,

## LETTER OF REPRESENTATION

This representation letter is provided in connection with your audit of the financial statements of Aberdeen City Council Charitable Trusts ("the Charity"), for the year ended 31 March 2022, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Charity's affairs as at 31 March 2022 and of its incoming resources and application of resources for the year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)); and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

These financial statements comprise the Statement of Financial Activities, the Balance Sheet and the Statement of Cash flows and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Trustees confirm that the Charity is exempt from the requirement to also prepare consolidated financial statements.

The Trustees confirm that the representations they make in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Trustees confirm that, to the best of their knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing themselves:

## **Financial statements**

1. The Trustees have fulfilled their responsibilities, as set out in the terms of the audit engagement dated 31 May 2016, for the preparation of financial statements that:
  - i. give a true and fair view of the state of the Charity's affairs as at the end of its and of its incoming resources and application of resources for the year then ended;
  - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)); and
  - iii. have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

The financial statements have been prepared on a going concern basis.

The Board of Trustees confirm that the Charity meets the definition of a qualifying entity and meets the criteria for applying the disclosure exemptions with Financial Reporting Standard 102.

2. Measurement methods and significant assumptions used by the Trustees in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which section 32 of FRS 102 requires adjustment or disclosure have been adjusted or disclosed.

## **Information provided**

4. The Trustees have provided you with:
  - access to all information of which they are aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Trustees for the purpose of the audit; and
  - unrestricted access to persons within the Charity from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Trustees confirm the following:
  - i) The Trustees have disclosed to you the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Trustees have disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Charity and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Charity's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Trustees acknowledge their responsibility for such internal control as they determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Trustees acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

- 7. The Trustees have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- 8. The Trustees have disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with section 21 of FRS 102 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- 9. The Trustees have disclosed to you the identity of the Charity's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with section 33 of FRS 102 .
- 10. The Trustees confirm that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the charity's ability to continue as a going concern as required to provide a true and fair view.
  - b) No events or circumstances have been identified that may cast significant doubt on the ability of the Charity to continue as a going concern.
  - c) It is still the commitment of the Trustees to provide £150,000, from the Bridges of Aberdeen Heritage Trust, to the renovation of Glover House and is therefore appropriately recognised as a creditor in these financial statements.

This letter was tabled and agreed at the meeting of the Trustees on 2 February 2023.

Yours faithfully,

Councillor A McLellan

Trustee



## **Appendix to the Trustees' Representation Letter of Aberdeen City Council Charitable Funds: Definitions**

### **Criteria for applying the disclosure exemptions within Financial Reporting Standard 102**

- The Charity discloses in the notes to its financial statements:
  - A brief narrative summary of the disclosure exemptions adopted; and
  - The name of the parent of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained

### **Financial Statements**

A complete set of financial statements (before taking advantage of any of the FRS 102 exemptions) comprises:

- a Balance Sheet as at the end of the period;
- a Statement of Financial Activities for the period;
- a Cash Flow Statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## **Qualifying Entity**

A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation by means of full consolidation.

## **Related Party and Related Party Transactions**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 102 as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.

- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity, or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit Risk & Scrutiny Committee
<b>DATE</b>	2 February 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Charitable Trusts Audited Annual Accounts 2021/22
<b>REPORT NUMBER</b>	RES/22/260
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	4.1

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2021/22 audited Charitable Trusts Annual Accounts.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Approve the Council's audited Charitable Trusts Annual Accounts for the financial year 2021/22 as presented, subject to the final amendments being agreed with external auditors, following consultation with the Chief Executive and five political group leaders; and
- 2.2 Approve Councillor Alex McLellan, as Convener of Finance & Resources Committee to sign the 2021/22 Charitable Trusts Annual Accounts.

### 3. CURRENT SITUATION

- 3.1.1 On 30 June 2022 this Committee considered the unaudited Aberdeen City Council Annual Accounts. These were signed by the Chief Officer - Finance (as Proper Officer). The audited Annual Accounts of Aberdeen City Council were approved at a meeting of this committee on 27 September 2022.
- 3.1.2 At that time, it was advised that the Council's audited Charitable Trusts Annual Accounts 2021/22 would be presented to this committee on 13 December 2022 for approval. The audit was subsequently delayed further, and this report was then postponed until this committee on 02 February 2023.
- 3.1.3 The audited accounts attached at Appendix A have been updated to take into account the findings of external audit.

### 3.2 Financial Performance and Review of the Accounts

3.2.1 The Charitable Trusts Annual Accounts encompasses those trusts, registered with the Office of the Scottish Charity Regulator (OSCR), for which the Council is the sole trustee. There are nine separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. These accounts are subject to the same audit process as the Council's Annual Accounts.

3.2.2 The Committee must now consider the audited Annual Accounts and approve them for signature. The final audit report will follow once the audit has been fully completed.

3.2.3 The deadline for submission of these Charitable Trusts Annual Accounts 2021/22 to OSCR is 31 December 2022.

### 4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications, not already referred to, arising from this report.

### 5. LEGAL IMPLICATIONS

5.1 In terms of section 44 of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006, the Council must send the audited Annual Accounts for the Charitable Trusts to OSCR not more than 9 months after the end of its financial year.

### 6. ENVIRONMENTAL IMPLICATIONS

There are no direct environmental implications arising from the recommendations of 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	None	n/a	n/a	n/a
Compliance	Risk of legislation not being followed	Staff working with external audit to ensure compliance with legislation	L	Yes

<b>Operational</b>	There is the risk that technological issues may prevent the Council from preparing the annual accounts	Staff working with IT ensuring that correct processes are in place to prevent technological disruption	L	Yes
<b>Financial</b>	There is a risk that the external audit reveals errors &/or adjustments	Officers discuss with auditors throughout the external audit process	L	Yes
<b>Reputational</b>	Information contained in the Annual Accounts may cause damage to the Council's reputation	Independent examination by senior staff and external auditors	L	Yes
<b>Environment / Climate</b>	None	n/a	n/a	n/a

## 8. OUTCOMES

<u><a href="#">COUNCIL DELIVERY PLAN</a></u>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>	The proposals within this report provide financial information which supports all services and programmes provided by the Council.
<u><a href="#">Aberdeen City Local Outcome Improvement Plan</a></u>	
Prosperous Economy Stretch Outcomes	The charitable trusts annual accounts for 2021/22 have recognised the role of the Council in delivering specific projects that will deliver economic impacts in their own right.
Prosperous People Stretch Outcomes	The charitable trusts Accounts for 2021/22 provide details of income and expenditure incurred in the provision of charitable services in Aberdeen City for the year.
Prosperous Place Stretch Outcomes	The Annual Accounts report provides financial information to the people of Aberdeen regarding the services in their area.

<b>Regional and City Strategies</b>	The Council's Annual Accounts provides financial information which supports these charitable approaches.
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## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	Full impact assessment not required
<b>Data Protection Impact Assessment</b>	not required
<b>Other</b>	not required

## 10. BACKGROUND PAPERS

- 10.1 Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;
- 10.2 'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016;
- 10.3 Unaudited Charitable Trusts Annual Accounts 2021/22

## 11. APPENDICES

- 11.1 Appendix A – Aberdeen City Council Charitable Trusts Audited Annual Accounts 2021/22

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Lesley Fullerton
<b>Title</b>	Finance Operations Manager
<b>Email Address</b>	lfullerton@aberdeencity.gov.uk
<b>Tel</b>	01224 346402





## **Charitable Trusts**

Annual Report and Financial Statements

For the year ended  
31 March 2022

Registered Numbers:

Guldry & Mortification Funds - SC011857  
Bridges of Aberdeen Heritage Trust - SC018551  
Alexander MacDonald's Bequest - SC018568  
Aberdeen Art Gallery Trusts - SC018575  
Lands of Skene – SC018533  
Lands of Torry – SC021299  
Education Endowment Investment Funds (EEIF) – SC025063

## **Aberdeen City Council Charitable Trusts Trustees Annual Report 2021/22**

Aberdeen City Council acts as the sole trustee for the charities in this report.

Aberdeen City Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet. However, they are included in the Annual Accounts of the Council and its group.

### **Reference and administration details**

At the end of the year the Council acts as the sole trustee for 7 trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The charity names, charity numbers, purposes of the charities, and where available details of governing document for the charities covered by this report are given in Appendix 1 of this document.

### **Principal Address**

Aberdeen City Council,  
Marischal College,  
Broad Street,  
Aberdeen  
AB10 1AB

### **External Auditor**

KPMG LLP,  
319 St Vincent Street,  
Glasgow  
G2 5AS

### **Secretary**

Jenni Lawson  
Chief Officer – Governance Interim  
Aberdeen City Council

### **Treasurer**

Jonathan Belford, CPFA  
Chief Officer - Finance,  
Aberdeen City Council.

## Trustees

As per guidance provided by OSCR, “Trustees” of the Charitable Trusts are those who have “general control and management” of the charity. Decisions regarding the general control and management of the Charitable Trusts are made by the full Council. For the purposes of this report, it is our interpretation of the aforementioned that all elected members are Charity Trustees.

The Trustees are the Councillors of Aberdeen City Council, and are as follows: -

Lord Provost David Cameron LP	Councillor Martin Greig
Councillor Gillian Al-Samarai	Councillor Dell Henrickson
Councillor Nurul Hoque Ali - Appointed 5th May 2022	Councillor Ryan Houghton
Councillor Christian Allard	Councillor Michael Hutchison
Councillor Alison Alphonse	Councillor Michael Kusznir - Appointed 5th May 2022
Councillor Kate Blake - Appointed 5th May 2022	Councillor Sandra Macdonald
Councillor Jennifer Bonsell - Appointed 5th May 2022	Councillor Neil MacGregor
Councillor Marie Boulton	Councillor Avril MacKenzie
Councillor Desmond Bouse - Appointed 5th May 2022	Councillor M. Tauqeer Malik
Councillor Richard Brooks - Appointed 5th May 2022	Councillor Duncan Massey - Appointed 5th May 2022
Councillor Hazel Cameron - Appointed 5th May 2022	Councillor Alexander McLellan
Councillor Donna Clark - Appointed 5th May 2022	Councillor Ken McLeod - Appointed 5th May 2022
Councillor John Cooke	Councillor Ciaran McRae
Councillor Neil Copland	Councillor Jessica Mennie
Councillor Bill Cormie	Councillor Alex Nicoll
Councillor Barney Crockett	Councillor Miranda Radley
Councillor Sarah Cross	Councillor Jennifer Stewart
Councillor Derek Davidson - Appointed 5th May 2022	Councillor Kairin van Sweden - Appointed 5th May 2022
Councillor Steve Delaney	Councillor Lynn Thomson - Appointed 5th May 2022
Councillor Lee Fairfull - Appointed 5th May 2022	Councillor Deena Tissera - Appointed 5th May 2022
Councillor Emma Farquhar - Appointed 5th May 2022	Councillor Simon Watson- Appointed 5th May 2022
Councillor Gordon Graham	Councillor Ian Yuill
Councillor Ross Grant	

All Trustees have served for the whole of the financial year to 31 March 2022 unless otherwise stated.

All the Trustees are normally elected or re-elected at local government elections. By-elections are held when elected members vacate their positions, to elect new members, who automatically become Trustees. New members are supplied with training as part of their induction process.

Following the Local government elections on 5<sup>th</sup> May 2022 the following councillors resigned as trustees:

Councillor Yvonne Allan	Councillor Douglas Lumsden
Councillor Phillip Bell	Councillor Tom Mason
Councillor Alan Donnelly	Councillor Audrey Nicol
Councillor Jackie Dunbar	Councillor Jim Noble
Councillor Lesley Dunbar	Councillor John Reynolds
Councillor Sarah Duncan	Councillor Phillip Sellar
Councillor Claire Imrie	Councillor Gordon Townson
Councillor Freddie John	Councillor John Wheeler
Councillor Jenny Laing	

## **Structure, governance, and management**

The Charitable Trusts are constituted in a variety of ways. The type of governing document is shown at Appendix 1, where they are available. Information regarding some of the trusts is not available owing to their antiquity and the fact that they have been administered by a number of government bodies since coming into public control.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

## **Risk**

The trustees have overall responsibility for the Charitable Trusts system of internal control, including financial reporting and compliance with laws and regulations. The trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## **Objectives and activities**

Information on the purpose and nature of the trusts is given below.

### Bridges of Aberdeen Heritage Trust

The fund formerly known as Bridge of Don Trust changed its name with agreement of OSCR before that it was known as the Brig O' Balgownie Trust Fund. It was set up in 1605 and its original purpose was for the "repair and upholding of the Brig O' Balgownie". Modern charity legislation does not include bridge maintenance as a charitable purpose and OSCR have deemed that the purpose of this trust is the advancement of heritage.

In August 2016 the trust adopted a new constitution.

The Bridge of Don Fund has a 30% interest in the Lands of Skene with the remainder of its funds being invested in the Aberdeen City Council Loans Fund.

### Alexander MacDonald's Bequest

This fund was established in 1882 for the purchase of works of art for the Aberdeen Art Gallery and Museum collection following the death of Mr. MacDonald.

Trust funds are invested in the Aberdeen City Council Loans Fund.

### Aberdeen Art Gallery Trusts

This trust was reorganised in March 2014 by the adoption of a new trust deed and funds are used for the advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum.

Trust funds are invested in the Aberdeen City Council Loans Fund.

### Guildry and Mortification Funds

The Guildry has a history that goes back 800 years ago, when merchants of Aberdeen were given considerable powers within the town of Aberdeen, those merchants were Burgesses of the Guild. Over time that power has diminished, and the trusteeship of the Guildry switched to a predecessor of Aberdeen City Council.

The Burgesses of Guild of the City and Royal Burgh of Aberdeen remain a membership-based group of people where membership is no longer restricted to merchants and admission is carried out in presence of the Council. Today the Burgesses exist for promotion of the City of Aberdeen.

The governance of the Guildry was last updated by a Court of Session decision in 1996 which recognised the financial assistance scheme to Burgesses and their family members and a scheme of educational bursaries.

The Lord Dean of the Guild of the City and Royal Burgh of Aberdeen provides recommendations on expenditure proposals, from the Burgesses to the Guildry and Mortifications Board of the Council, maintaining that link between the Burgesses and the Guildry and Mortifications Funds charity. As trustees for the charity, the Council, must approve any decisions.

Educational bursaries have not been awarded for a number of years and the Lord Dean of the Guild has been working with Aberdeen University, Robert Gordon University and the North East Scotland College to identify potential candidates for bursaries.

Recently, work on drafting a revised constitution to enable participation in a wider range of charitable activities has been carried out and an application to OSCR aims to be ready soon.

Trust assets are a 40% share in the Lands of Skene and investments in the Aberdeen City Council Loans Fund.

### Lands of Skene

The Lands of Skene goes back to 1710 when the east half of the Lands of Skene was purchased on behalf of certain accounts. This was followed in 1712 by the purchase of the west half. Two feuing schemes were carried out in 1789 and 1816 and the land now remaining is known as the Lands of Easter Carnie.

In recent years, a number of properties have been sold off and funds have been invested in the Aberdeen City Loans Fund.

The free revenue from the Lands of Skene is split between the following:

Guildry Funds – 40%

Bridges of Aberdeen Heritage Trust – 30%

Common Good Fund – 30%

This is believed to represent the share of investment in the original purchase of the lands.

### Lands of Torry

The Lands of Torry goes back to at least 1704 when they were purchased on behalf of certain accounts:

Duncan Liddel's Mortification – Professor of Mathematics – 25%

Duncan Liddel's Mortification – Library of College – 2%

James Cargill's Mortification – Bursary Fund – 10%

Patrick Copland's Mortification – Professor of Divinity – 12%

Common Good Fund – 51%.

The annual surplus from this fund is now split between the following:

Common Good Fund – 51%

University of Aberdeen Bursary Fund – 49%.

### Education Endowment Investment Funds (EEIF)

The EEIF comprises over 60 smaller trusts, bequests and legacies split over 3 general areas.

- Education – primarily concerned with prizes or awards at schools
- Social Work – largely to provide comforts at residential homes
- John Murdoch Henderson Bequest – to be used for the purchase of music of intrinsically Scottish interest for the Central Library, Aberdeen.

In general, the charities activities are limited to the accrual of income from investments for use as appropriate given the purposes of the charity.

While reviewing records as part of the Council's reorganisation of charitable trusts, OSCR advised that only a small number of trusts previously reported as part of the EEIF were registered as charities. Only accounts in relation to these registered charities are contained in this document. A review will take place of all trusts that were previously reported as part of the EEIF to consider a reorganisation in consultation with OSCR.

The charitable trust now comprises of the trusts listed in appendix 2, sixteen of these trusts relate to prizes or awards at school while the other trust is for the purchase of music.

The John Murdoch Henderson Trust adopted a new constitution in 2015 which allows for the purchase of a wider range of music. This trust has funded the subscription to on-line music services for Aberdeen City Library Service users. This trust will be wound up once its funds have been expended.

## **Financial Review**

The Trusts' total income decreased from £333k in 2020/21 to £220k in 2021/22.

Total Expenditure increased from £231k in 2020/21 to £235k in 2021/22.

The value of Investments decreased by £361k in 2021/22 compared to an increase of £270k in 2020/21.

Investments in the City of Aberdeen Loans Fund have increased from £3.631 million in 2020/21 to £4.113 million in 2021/22.

The following financial statements for all the Charitable Trusts have been prepared using the connected charities provision. They show the income and expenditure for the individual charities along with the surplus or deficit for the year. None of the individual charities are carrying forward a deficit on their reserves.

Where Governance Costs are allocated to charities these are in proportion to the value of the sums invested with the Council and are based on time spent by officers of Aberdeen City Council providing financial and other support to the organisations.

The investment policy of the Trust is to invest any surplus monies in the Aberdeen City Council Loans Fund.

The charities have no fundraising activities, as such, their annual income is earned through rentals on land and buildings, interest on cash balances, or through investment income by holding assets from securities to holdings in investment trusts. Consequently, the trusts' annual income will reflect the current record low interest rates and the limitations on increasing rents on farm properties governed by agricultural tenancies.

## **Reserves Policy**

The Charitable Trusts have no explicit reserves policy, but as a general principle the "capital" of the funds is held effectively as a permanent endowment with only the annual income available for disbursement in the year.

The exceptions to this rule are for charities with little funds and a governing document that specifically states that the capital can be expended. An example of this would be the John Murdoch Henderson Bequest, which as noted above adopted a new constitution to enable the expenditure of the entire capital.

Aberdeen City Council Charitable Trusts hold unrestricted reserves totalling £7,919 million which are made up of unrestricted funds of £4.038 million and designated funds of £3.880 million. There are no restricted funds. Designated funds are those funds which relate to Aberdeen City Council non-charitable trusts which have invested in the Lands of Skene and Torry and at present no plans exist to spend this money.

## **Achievements and performance**

A number of trusts have limited activity pending re-organisation, namely the EEIF and Guildry and Mortification Funds. The main charitable expenditure is the transfer of funds to the Aberdeen City Common Good Fund which finances a variety of activities for the benefit of the population of Aberdeen and funding for the Aberdeen University Bursary Fund. Further details are shown in the accounts within note 3.

## **Future plans**

The Guildry and Mortification Funds has been working with the University of Aberdeen, Robert Gordon University and North East Scotland College to find candidates for its bursary scheme. A new constitution for the Guildry is being drafted and initial conversations have taken place with OSCR. Work continues to have this ready for trustee approval as soon as possible.

The EEIF is currently being reviewed as a number of school prizes relate to schools that no longer exist.

The limited funds held by the Alexander MacDonald Bequest will be used to fund the purchase of a work of art. The future of this trust and the Aberdeen Art Gallery Trusts will be reviewed in due course as both trusts have minimal funds.



**STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

The Trustees are responsible for preparing the Trustees' report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the Trustees are required to:

- select suitable accounting policies and apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 and the provisions of the Trust Deed. The Trustees are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

Signed on behalf of the trustees on

.....  
Councillor A McLellan  
Trustee

## Appendix 1

### Charity Name, Number and Purpose

<b>Charity Name</b>	<b>Charity Number</b>	<b>Purpose</b>	<b>Governing Document</b>
Guildry	SC011857	Support the Guildry activities including financial assistance scheme and educational bursaries	Court of Session decision 1996
Bridges of Aberdeen Heritage Trust	SC018551	The advancement of Heritage	Constitution dated August 2016
Alexander MacDonald's Bequest	SC018568	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed 11 December 1882
Aberdeen Art Gallery Trusts	SC018575	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed March 2014
Lands of Skene	SC018533		Unavailable
Lands of Torry	SC021299	The advancement of Education	Unavailable
Education Endowment Investment Funds	SC025063	The advancement of Education and the advancement of the Arts, Heritage, Culture and Science	Unavailable except for John Murdoch Henderson Trust Deed of May 2015

## APPENDIX 2

### EEIF Charitable Trusts

D M Andrew Bequest	For prizes in Classics at Aberdeen Grammar School
Miss Elizabeth H Bain Bequest	For music tuition and for instruments to pupils in city schools
Mrs Athol Benzie Prize Fund	For best all round pupil in fifth year at Aberdeen Academy
Edith and David R Bishop Prize Fund	For prizes to pupils at Aberdeen Grammar School selected by the rector
Mrs Mina Brooks Memorial Prize	For prizes for children's theatre
Miss Lucy Cruickshank Prize Fund	For prize to best pupil or pupils in French or German at High School for Girls
Jessie Durno Prize Fund	For prize in Mathematics at Aberdeen Academy
Mary Durno Prize Fund	For prize in English at Aberdeen Academy
Margaret Duthie Memorial Prize Fund	For pupil showing the greatest endeavour at Dyce School
Miss Margaret C Harper Prize Fund	For best pupil in German at Aberdeen Academy
Miss Bessie Heriot Prize Fund	For prize to best girl at Kaimhill Secondary School
John M Robertson Memorial Prize Fund	For prize to best pupil in commercial subjects at Aberdeen Grammar School
Kenneth MacIntosh Bequest	For paying or supplementing the expenses of pupils at Aberdeen Grammar School who might otherwise not be able to afford the cost of school trips
Dr Charles McLeod Trust	For purchase of books on Physical Science or Astronomy at Aberdeen Grammar School
William Meston Bursary Fund	For bursary to pupil of merit at Culter School taking a secondary course
Dr George MacKenzie Prize Fund	For prize to best pupil in German in Aberdeen Academy
John M Henderson Bequest	To purchase music of intrinsically Scottish interest for the Central Library, Aberdeen

**Aberdeen City Council Charitable Trusts**  
**Statement of Financial Activities**  
**For the year ended 31 March 2022**

	Unrestricted Funds 2021/22 £'000	Restricted Funds 2021/22 £'000	Endowment Funds 2021/22 £'000	Total Funds 2021/22 £'000	Total Funds 2020/21 £'000
	<u>Note</u>				
<b>Income and endowments from:</b>					
Incoming resources from generated funds					
Donations & Legacies	-	-	-	-	129
Other Trading Activities	-	-	-	-	-
Investments	220	-	-	220	204
Total	220	-	-	220	333
<b>Expenditure on:</b>					
Raising Funds					
Charitable Activities	235	-	-	235	231
Other	-	-	-	-	-
Total	235	-	-	235	231
Net income/expenditure	(15)	-	-	(15)	102
<b>Other recognised gains/(losses):</b>					
Debtor writeoff	(15)	-	-	(15)	-
Gains/(losses) on investment assets	21	-	9	30	270
Net movement in funds	(9)	-	9	(0)	372
<b>Reconciliation of funds</b>					
Total funds brought forward	7,928	-	145	8,073	7,701
Total funds carried forward	7,919	-	154	8,073	8,073

**Aberdeen City Council Charitable Trusts  
Balance Sheet as at 31 March 2022**

	Note	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Investments	5	4,093	4,454
<b>Total fixed assets</b>		<b>4,093</b>	<b>4,454</b>
<b>Current assets</b>			
Debtors	6	53	67
Investments - City of Aberdeen Loans Fund	7	4,113	3,631
Cash at bank - Guildry Investment Account		-	100
<b>Total current assets</b>		<b>4,166</b>	<b>3,798</b>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	8	(186)	(179)
		<b>(186)</b>	<b>(179)</b>
Net current assets/(liabilities)		<b>3,980</b>	<b>3,619</b>
<b>Net asset/(liabilities )</b>		<b>8,073</b>	<b>8,073</b>
<b>The funds of the charity</b>			
Endowment funds		154	145
		<b>154</b>	<b>145</b>
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,533	2,526
Dr Duncan Liddel's Mortification - Professor of Mathematics		693	692
Dr Duncan Liddel's Mortification - Library of College		35	35
James Cargill Mortification - Bursary Fund		282	282
Patrick Copland's Mortification - Professor of Divinity		338	338
Unrestricted funds		4,038	4,055
<b>Total unrestricted funds</b>		<b>7,919</b>	<b>7,928</b>
<b>Total charity funds</b>	9	<b>8,073</b>	<b>8,073</b>

These accounts have been prepared in accordance with the Financial Reporting Standard 102.

The financial statements were approved and authorised for issue by the trustees on

.....  
Councillor A McLellan  
Trustee

**Aberdeen City Council Charitable Trusts**  
**Statement of Cash Flows**  
**For the year ended 31 March 2022**

	<u>Note</u>	Total Funds £'000	Prior Year Funds £'000
<b>Net cash used in operating activities</b>	12	<u>(229)</u>	<u>(110)</u>
<b>Cash Flows from investing activities</b>			
Dividends, interest and rents from investments		220	204
Purchase of investments		-	-
Proceeds from sale of investments		391	-
<b>Net cash provided by investing activities</b>		<u>611</u>	<u>204</u>
<i>Net cash provided by (used in) financing activities</i>			
<b>Change in cash and cash equivalents in the year</b>		<b>382</b>	<b>94</b>
Cash and cash equivalents brought forward		3,731	3,637
<b>Cash and cash equivalents carried forward</b>	13	<u><b>4,113</b></u>	<u><b>3,731</b></u>

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**  
**1 - Accounting policies**

**Accounting convention**

The accounts are prepared under the historical cost convention, and include the results of the Trusts' operations, all of which are continuing.

The accounts have been prepared in accordance with applicable accounting standards and comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 published September 2016.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trust funds for which Aberdeen City Council acts as sole Trustee are connected charities. As such, the accounts for the statements contain all relevant information that the individual accounts would have contained if they had been prepared on an individual basis.

**Going concern**

The accounts have been prepared under the going concern concept on the basis that Trustees have considered it and are satisfied that the going concern concept is appropriate.

**Recognition of revenue and expenditure**

All income and expenditure due to be paid or received in respect of the year ended 31 March 2022 has been provided for within these accounts. Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

**1 - Accounting policies (continued)**

**Incoming resources**

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it relates. Interest on invested funds is included when it is paid or when it is notified as being due.

Rent from properties is recognised as it is due.

**Resources expended**

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis based on the size of the fund.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

**Cash Balances**

It is the policy of the Council to apportion the cash balances of the Aberdeen Common Good and Guildry Investment Account, based on the sums invested from the outset, which was a ratio of 95% Common Good and 5% Guildry Trust.

**Funds**

Unrestricted funds include incoming resources receivable or generated for the objectives of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the trustees.



Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the Trustees Annual Report.

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

**1 - Accounting policies (continued)**

**Funds (continued)**

Endowment funds represent those Assets which must be held permanently by the charity. Income arising on the endowment funds can be used in accordance with the objectives of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. These funds are to be used in accordance with the specific restrictions imposed by donors.

**Taxation**

The Trusts are recognised by HM Revenue and Customs as charities and because of the tax reliefs available, income is not liable to taxation.

**Investments**

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

**Trustee Remuneration and Staff Costs**

The Trusts have no employees. None of the Trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.

**Interest & Management Charges**

Interest & Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charities during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>2 INVESTMENT INCOME</b>		
Interest receivable	23	11
Rent from Investment Properties	197	193
Share of lands free revenue	-	-
	<u>220</u>	<u>204</u>
<b>3 CHARITABLE ACTIVITIES</b>		
Donations and expenditures	13	11
Payments to Beneficiaries:		
Common Good Fund	88	84
Dr Duncan Liddel's Mortification - Professor of Mathematics	43	42
Dr Duncan Liddel's Mortification - Library of College	2	2
James Cargill Mortification - Bursary Fund	18	17
Patrick Copland's Mortification - Professor of Divinity	21	21
Property costs	5	13
	<u>190</u>	<u>190</u>
<b>4 GOVERNANCE COSTS</b>		
Accounting and administration	37	33
Audit Fee	8	8
	<u>45</u>	<u>41</u>

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>5 TANGIBLE FIXED ASSETS</b>		
Market Value at 1 April	4,454	4,184
Net investment gains/(losses)	39	270
Purchases	-	-
Disposals	(400)	-
Market Value at 31 March	<u>4,093</u>	<u>4,454</u>
Investments at market value Comprised:		
Investment Properties	3,961	4,332
Gilts	5	5
Equities	127	118
	<u>4,093</u>	<u>4,454</u>

The property portfolio was valued internally by Deborah Wylie, Bsc MRICS and Cate Armstrong MRICS who are Registered Valuers in accordance with the Statement of Assets Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS).

Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.

<b>6 DEBTORS</b>		
Prepayments & accrued income	<u>53</u>	<u>67</u>
<b>7 INVESTMENTS HELD AS CURRENT ASSETS</b>		
City of Aberdeen Loan Funds	<u>4,113</u>	<u>3,631</u>

The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.

<b>8 CREDITORS: Amounts falling due within one year</b>		
Accruals and deferred income	186	179
Short Term Loan - Aberdeen City Council	-	-
	<u>186</u>	<u>179</u>

<b>9 ANALYSIS OF NET ASSETS IN FUNDS</b>	<b>Tangible fixed assets</b>	<b>Current assets (liabilities)</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Unrestricted funds	4,093	3,980	8,073	<u>8,073</u>

<b>10 CONTROLLING INTEREST</b>	
Each charity is under the control of its trustees.	

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>11 RELATED PARTY TRANSACTIONS</b>		
Aberdeen City Council provides the accounting services for the trust for which a management fee is charged.	<u>35</u>	<u>35</u>
The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 7.		
<b>12 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	-	372
Adjustments for:		
(Gains)/losses on investments	(39)	(270)
Dividends, interest and rents from investments	(220)	(204)
Loss/(profit) on the sale of fixed assets	9	-
Decrease/(increase) in stocks	-	1
Decrease/(increase) in debtors	14	(14)
Increase/(decrease) in creditors	7	5
Net cash provided by (used in) operating activities	<u>(229)</u>	<u>(110)</u>
<b>13 ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Investments - City of Aberdeen Loans Fund	4,113	3,631
Cash at bank - Guildry Investment Account	-	100
	<u>4,113</u>	<u>3,731</u>

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

14 ANALYSIS OF CHARITABLE TRUSTS

	Charity Number	Individual Trust Balances					Balance as at 31 March 2022 £'000
		Balance as at 1 April 2021 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	
EEIF	SC025063	(321)	-	6	(3)	3	(315)
Guildry	SC011857	(2,611)	-	(8)	(11)	19	(2,611)
Bridges of Aberdeen Heritage Trust	SC018551	(1,215)	-	(6)	(2)	1	(1,222)
Alexander MacDonald Bequest	SC018568	(29)	-	-	-	1	(28)
Aberdeen Art Gallery Trust	SC018575	(22)	-	-	-	7	(15)
Lands of Skene	SC018533	(3,753)	-	(19)	(35)	35	(3,772)
Lands of Torry	SC021299	(2,748)	-	(2)	(173)	173	(2,750)
<b>Total</b>		<b>(10,699)</b>	<b>-</b>	<b>(29)</b>	<b>(224)</b>	<b>239</b>	<b>(10,713)</b>

The above table shows the balances of the individual trust fund before the removal of intra trust transactions as both the Guildry (40%) and the Bridges of Aberdeen Heritage Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

	Charity Number	Individual Trust Balances after adjusting for intra trust transactions					Balance as at 31 March 2022 £'000
		Balance as at 1 April 2021 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	
EEIF	SC025063	(321)	-	6	(3)	3	(315)
Guildry	SC011857	(993)	-	-	(9)	19	(983)
Bridges of Aberdeen Heritage Trust	SC018551	-	-	-	-	-	0
Alexander MacDonald Bequest	SC018568	(31)	-	-	-	1	(30)
Aberdeen Art Gallery Trust	SC018575	(22)	-	-	-	7	(15)
Lands of Skene	SC018533	(3,958)	-	(19)	(35)	32	(3,980)
Lands of Torry	SC021299	(2,748)	-	(2)	(173)	173	(2,750)
<b>Total</b>		<b>(8,073)</b>	<b>-</b>	<b>(15)</b>	<b>(220)</b>	<b>235</b>	<b>(8,073)</b>

# Aberdeen City Council Charitable Trusts

## Notes to the Accounts

### For the year ended 31 March 2022

#### 15 ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

Charity Name	Charity Number	Individual Trust Balances										Total £'000	
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council		Cash at Bank £'000	Debtors £'000	Creditors £'000		Provision £'000
							Loans	Fund £'000					
EEIF	SC025063	5	124	-	-	-	-	186	-	-	-	-	315
Guldry	SC011857	-	-	1,507	-	-	-	1103	-	-	-	-	2,610
Bridges of Aberdeen Heritage T	SC018551	-	-	1,131	-	-	-	239	-	-	-	(150)	1,220
Alexander McDonald Bequest	SC018568	-	-	-	-	-	-	30	-	-	-	-	30
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	-	16	-	-	-	-	16
Lands of Skene	SC018533	-	-	-	1,237	-	-	2,528	-	8	(2)	-	3,771
Lands of Torry	SC021299	-	-	-	2,725	-	-	14	-	46	(34)	-	2,751
<b>Total</b>		<b>5</b>	<b>124</b>	<b>2,638</b>	<b>3,962</b>	<b>-</b>	<b>-</b>	<b>4,116</b>	<b>-</b>	<b>54</b>	<b>(36)</b>	<b>(150)</b>	<b>10,713</b>

The above table shows the balances of the individual trust fund before the removal of intra trust transactions as both the Guldry (40%) and the Bridges of Aberdeen Heritage Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

Charity Name	Charity Number	Individual Trust Balances after adjusting for intra trust transactions										Total £'000	
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council		Cash at Bank £'000	Debtors £'000	Creditors £'000		Provision £'000
							Loans	Fund £'000					
EEIF	SC025063	5	124	-	-	-	-	186	-	-	-	-	315
Guldry	SC011857	-	-	-	-	-	-	982	-	-	-	-	982
Bridges of Aberdeen Heritage T	SC018551	-	-	-	-	-	-	150	-	-	-	(150)	0
Alexander McDonald Bequest	SC018568	-	-	-	-	-	-	31	-	-	-	-	31
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	-	16	-	-	-	-	16
Lands of Skene	SC018533	-	-	-	1,236	-	-	2,737	-	8	(2)	-	3,979
Lands of Torry	SC021299	-	-	-	2,724	-	-	14	-	46	(34)	-	2,750
<b>Total</b>		<b>5</b>	<b>124</b>	<b>-</b>	<b>3,960</b>	<b>-</b>	<b>-</b>	<b>4,116</b>	<b>-</b>	<b>54</b>	<b>(36)</b>	<b>(150)</b>	<b>8,073</b>

## **Independent auditor's report to the trustees of Aberdeen City Council Charitable Trusts and the Accounts Commission**

### **Reporting on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the statement of accounts of Aberdeen City Council Charitable Trusts for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, Balance Sheet, and Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Aberdeen City Council Charitable Funds as at 31 March 2022 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charities in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.



Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

### **Responsibilities of the trustees for the financial statements**

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charities are complying with that framework;
- identifying which laws and regulations are significant in the context of the charities;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions,

misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Reporting on other requirements**

### **Statutory other information**

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### **Opinion prescribed by the Accounts Commission on the Trustees' Annual Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

### **Matters on which we are required to report by exception**

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Wilkie, Senior Statutory Auditor  
for and on behalf of KPMG  
319 St Vincent Street  
Glasgow  
G2 5AS

February 2023

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	02 February 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Update Report
<b>REPORT NUMBER</b>	IA/22/XXX
<b>DIRECTOR</b>	N/A
<b>CHIEF OFFICER</b>	Jamie Dale, Chief Internal Auditor
<b>REPORT OFFICER</b>	Jamie Dale, Chief Internal Auditor
<b>TERMS OF REFERENCE</b>	2.3

### 1. PURPOSE OF REPORT

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

### 2. RECOMMENDATIONS

It is recommended that the Committee:

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

### 3. CURRENT SITUATION

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

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

**4. FINANCIAL IMPLICATIONS**

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

**5. LEGAL IMPLICATIONS**

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

**6. ENVIRONMENTAL IMPLICATIONS**

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

**7. RISK**

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

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Ability of the Council to meet its strategic objectives	The Internal Audit process considers strategic risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those	M	Yes

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

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



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

**8. OUTCOMES**

- 8.1 The proposals in this report have no impact on the Council Delivery Plan.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

**9. IMPACT ASSESSMENTS**

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

**10. BACKGROUND PAPERS**

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

**11. APPENDICES**

11.1 Appendix A – Internal Audit Update Report

**12. REPORT AUTHOR CONTACT DETAILS**

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## **Internal Audit**

# **Audit, Risk and Scrutiny Committee Internal Audit Update Report February 2023**

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# 1 Executive Summary

## 1.1 Introduction and background

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

This report advises the ARS Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2022-23 Internal Audit plan, 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:

- Three reports have been finalised.
- Seven audits are currently in progress.
- One audit recommendation has been closed, with two carried forward.

## 1.3 Action requested of the ARS Committee

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

## 2 Internal Audit Progress

### 2.1 2022-23 Audits

Service	Audit Area	Position
Commissioning	Contract management	Review in progress
Commissioning	ALEOs - Performance and Payments	Review in progress
Customer	Benefits	Review in progress
Customer	Recruitment	Not started – Review scheduled for Q4
HSCP	Adults with Incapacity (Management of funds)	Not started – Review scheduled for Q4
Integration Joint Board	IJB Data Sharing	Final audit report issued <sup>1</sup>
Children's and Family Services	Out of Authority Child Placements	Final audit report issued
Commissioning	Heritage and Historical Assets	Final audit report issued
Resources	Following the Public Pound	Review in progress
Children's and Family Services	Scottish Milk and Healthy Snack Scheme	Not started – Review scheduled for Q4
Pensions	Pension Fund Governance Arrangements Including Risk Management	Review in progress
Resources	Corporate Asset Management	Not started – Review scheduled for Q4
Resources	Lease Financing	Review in progress
Resources	PVG & Disclosure Checks	Review in progress

### 2.2 Audit reports presented to this Committee

Report Title	Assurance Year	Conclusion
AC2301 – Out of Authority Placements	2022-23	<p>The level of net risk is assessed as <b>MODERATE</b>, with the control framework deemed to provide <b>REASONABLE</b> assurance over the Council's management of OAPs.</p> <p>The Service has developed a well-defined process for determining whether children's residential placements need to be made with an external provider out of the authority area or can be delivered locally. Despite this, the OAP budget has been overspending on a recurring basis and is forecast to overspend again in 2022/23 by £2.19m (20%) against a budget of £10.84 million with planned savings through reduction of OAPs not being realised. However this overspend is offset by a £900k underspend in out of authority foster placements; Management has advised they have asked Finance to vire between the budgets accordingly. Where management are aware of this and have been reporting to Committee, it presents a risk to the effective delivery of OAPs.</p> <p>Where Internal Audit has identified a moderate risk overall, recommendations have been made to strengthen controls,</p>

<sup>1</sup> This will be presented to the IJB Risk, Audit and Performance Committee in February and then to the Council's Audit, Risk and Scrutiny Committee thereafter.

Report Title	Assurance Year	Conclusion
		<p>including Management to ensure plans to improve local support for families and reduce out of authority placements are progressed in a timely manner, and to work with Finance to ensure budgets are realistic and any necessary spend to save funding is identified and allocated to increase local provision.</p> <p>Where reviews are being completed through the LAC process, it was identified that reviews of existing placements by the CSSF are not always being completed as required (this was the case for two (10%) of 20 sampled); this should be addressed to ensure the most appropriate care is being delivered and to avoid OAPs and associated costs continuing unnecessarily where a preferable local alternative is available.</p>
AC2305 – Heritage and Historical Assets	2022-23	<p>The level of net risk is assessed as <b>MODERATE</b>, with the control framework deemed to provide <b>REASONABLE</b> assurance over the Council's management of heritage and historical assets.</p> <p>Internal Audit found AAGM, who manage the Council's heritage and historical assets, to be staffed by a complement of experienced and capable staff who were passionate about their work. AAGM is operating a framework of control that is on the whole conscious and comprehensive of all aspects of operations including acquisitions, loans, disposals, and the wider overarching requirements such as accreditation and security.</p> <p>Testing of the processes around acquisitions, loans and disposals found these to be designed and operating effectively, with no issues noted, and physical verification provided assurance over the location and recording of items. With regards to security arrangements, Internal Audit identified a myriad of different controls used to provide assurance and protection over items, which has been developed over time during different stages across multiple venues.</p> <p>Certain enhancements however could be made to improve controls. AAGM were cognisant of a number of these areas and expressed a desire to improve the control framework, which this audit has looked to do.</p> <p>Where no areas were found to be devoid of controls completely, recommendations have been made for a review of current operations and guidance, specifically concerning overall security arrangements, with these then rolled out and training provided to staff as required. Recommendations have also been made around the approach taken to AAGM gaining internal assurance, along with prioritisation of workload. A final recommendation has been made with regards to the engagement of volunteers and ensuring that they have the Right to Work in the UK.</p> <p>Whilst there is a recognition of issues with regards to historical missing items, this was not a key focus for this audit, which instead focused on the wider control</p>

Report Title	Assurance Year	Conclusion
		framework. However, discussions have been carried out with Management and a review of documentation and reporting shows a focus and efforts to gain further assurances.

### 2.3 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 30 November 2022 (the baseline for our exercise), three audit recommendations were due and outstanding:

- Two rated as Moderate
- One rated as Minor

As part of the audit recommendations follow up exercise, one audit recommendation was closed:

- One rated as Moderate

The outstanding position going forward is that of two audit recommendations<sup>2</sup>:

- One rated as Moderate
- One rated as Minor

For one of the outstanding recommendations, an update was provided and a new implementation date agreed. For the other recommendation, no update was received from Management.

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 nine outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

<sup>2</sup> This is the position with regards to recommendations that were due as at 30 November 2022. Recommendations falling due past this date and those made as part of subsequent Internal Audit Reports will be followed up as part of the standard follow up cycle and reported to Committee session on session.



### 3 Appendix 1 – Grading of Recommendations

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

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

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

## 4 Appendix 3 – Audit Recommendations Follow Up – Outstanding Actions

Overall Report Area	Report	Grading	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
Resources	AC2017 - Industrial & Commercial Properties	Minor	2.3.11 – The Service should review the efficiency of the leasing administration process.	Dec-21	Nov-23	The service continue to review the efficiency of the leasing admin process but are proposing to delay finalising this until the key position (Lead Officer Estates) is filled. This position is currently being advertised.	In progress
Children's Social Work	AC2206 - Children With Disabilities	Moderate	2.4.5 – The Chief Officer - Integrated Children's and Family Services should review authorised signatory requirements for expenditure under the RAF's remit and if appropriate establish the necessary written sub-delegation of officer powers required to allow the RAF to approve expenditure under their remit.	Oct-22	Oct-22	No update provided.	No update provided

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	02 February 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2301 – Out of Authority Placements
<b>REPORT NUMBER</b>	IA/AC2301
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Out of Authority Placements

### 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 Out of Authority Placements

### 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 The proposals in this report have no impact on the Council Delivery Plan.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is 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 AC2301 – Out of Authority Placements

## 12. REPORT AUTHOR CONTACT DETAILS

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<b>Tel</b>	(01467) 530 988



## Internal Audit

### Assurance Review of Out of Authority Placements

**Status:** Final

**Date:** 9 December 2022

**Risk Level:** Cluster

**Report No:** AC2301

**Assurance Year:** 2022-23

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	24-May-22	24-May-22
Scope agreed	31-May-22	8-Jun-22
Fieldwork commenced	6-Jun-22	8-Jun-22
Fieldwork completed	6-Jul-22	27-Oct-22
Draft report issued	20-Jul-22	2-Nov-22
Process owner response	10-Aug-22	29-Nov-22
Director response	17-Aug-22	9-Dec-22
Final report issued	24-Aug-22	9-Dec-22
Committee	2-Feb-23	

Distribution	
Document type	Assurance Report
Director	Eleanor Sheppard, Interim Director, Education and Children's Services
Process Owner	Graeme Simpson, Chief Officer – Integrated Children's and Family Services
Stakeholder	Alison McAlpine, Lead Service Manager
	Gail Anderson, Senior Accountant
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer - Finance*
*Final only	External Audit*
Lead auditor	Lyndsay Jarvis, Auditor

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# 1 Introduction

## 1.1 Area subject to review

The Council is under a statutory obligation to provide education for children up to 18 years of age that are living in the Aberdeen City area, including those with additional support needs. In addition, the Council has a duty to offer looked after young people who are in a care placement on their 16<sup>th</sup> birthday, to remain in that care placement up to the age of 21. The governing legislation is derived primarily from the Children (Scotland) Act 1995, Education (Additional Support for Learning) (Scotland) Act 2004 (as amended), the Looked After Children (Scotland) Regulations 2009 and the Children and Young People (Scotland) Act 2014. 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 out with the Council.

OAPs may be made in residential children's homes, residential additional support schools, day placements in additional support schools or fostering placements. Decisions on approving funding for planned OAPs are made by the Children's Specialist Services Forum (CSSF), made up of representatives from Education & Children's Services and the Health & Social Care Partnership. OAPs have a separate budget line ("Residential Care External Orgs") and budget monitoring is carried out by Finance and discussed in regular meetings with the Service.

The identification of need for an OAP generally arises from a Looked After Child (LAC) review meeting, which are held regularly for all LAC in Council care. Requests for planned placements are made to the CSSF by both an Educational Psychologist (EP) and a Social Worker (SW) and supported by LAC reports and the Child's Plan; outcomes are approved by the CSSF Chair.

There are exceptions to children being presented prior to placement at the CSSF. These relate to when children need to be placed within external providers on an emergency basis. For children who require on an emergency basis to be moved to an OAP who were not previously in an OAP, their circumstances should be presented to CSSF at the earliest opportunity, except for secure placements. Secure placements may be required when a child is judged by Social Work, or the Children's Panel or the Court, to pose a significant risk to themselves or to the community, or in their current circumstances are at immediate risk of significant harm.

The decision to place within a secure resource can only be taken by the Chief Social Work Officer (CSWO) or as instructed by the Court. The Council is liable for the cost of secure resources even when the decision to place them there is taken by Court or Children's Panel and may not have any choice in where to place the child/young person, although where possible CSWO reviews the risk of harm and availability of appropriate resourcing before authorising the placement. Further, emergency moves for children who are subject to compulsory supervision orders require to be scrutinised by CSWO, who must authorise the move under s143 Children's Hearings (Scotland) Act 2011. In these cases, the child/young person's circumstances have been considered and decided upon by CSWO, the placement endorsement does not require to be scrutinised again at CSSF, although the placement should be scheduled for regular review by the CSSF in the usual way. Documents relating to the emergency placement and CSWO review and authorisation are not held by the CSSF but are recorded in the child's secure electronic file.

## Rationale for the review

The objective of this audit is to ensure the system for commencing and reviewing out of authority placements is adequate effective, and consistently applied. The area was last audited in 2018 and processes were found to be generally well defined and carried out timeously, although budgets were regularly overspent.

## 1.2 How to use this report

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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
<b>Moderate</b>	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.	<b>Reasonable</b>

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

Risk Level	Definition
<b>Cluster</b>	This issue/ risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.

### 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 management of OAPs.

The Service has developed a well-defined process for determining whether children's residential placements need to be made with an external provider out of the authority area or can be delivered locally. Despite this, the OAP budget has been overspending on a recurring basis and is forecast to overspend again in 2022/23 by £2.19m (20%) against a budget of £10.84 million with planned savings through reduction of OAPs not being realised. However this overspend is offset by a £900k underspend in out of authority foster placements; Management has advised they have asked Finance to vire between the budgets accordingly. Where management are aware of this and have been reporting to Committee, it presents a risk to the effective delivery of OAPs.

Where Internal Audit has identified a moderate risk overall, recommendations have been made to strengthen controls, including Management to ensure plans to improve local support for families and reduce out of authority placements are progressed in a timely manner, and to work with Finance to ensure budgets are realistic and any necessary spend to save funding is identified and allocated to increase local provision.

Where reviews are being completed through the LAC process, it was identified that reviews of existing placements by the CSSF are not always being completed as required (this was the case for two (10%) of 20 sampled); this should be addressed to ensure the most appropriate care is being delivered and to avoid OAPs and associated costs continuing unnecessarily where a preferable local alternative is available.

### 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	<b>Performance Monitoring &amp; Reporting (Budgets)</b> – Budgets have been overspending on a recurring basis as shown below and action to reduce out of authority	Yes	<b>Major</b>	9

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.																			
	placements is not being delivered as required to make necessary savings in 2022/23.																						
	<table border="1"> <thead> <tr> <th>Year</th> <th>Budget (£m)</th> <th>Actual / Forecast (£m)</th> <th>Variance (£m)</th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>11.27</td> <td>13.91</td> <td>2.64</td> </tr> <tr> <td>2021/22</td> <td>11.45</td> <td>13.57</td> <td>2.12</td> </tr> <tr> <td>2022/23</td> <td>10.84</td> <td>13.03</td> <td>2.19</td> </tr> <tr> <td><b>Total</b></td> <td><b>33.56</b></td> <td><b>40.51</b></td> <td><b>6.95</b></td> </tr> </tbody> </table>	Year	Budget (£m)	Actual / Forecast (£m)	Variance (£m)	2021/22	11.27	13.91	2.64	2021/22	11.45	13.57	2.12	2022/23	10.84	13.03	2.19	<b>Total</b>	<b>33.56</b>	<b>40.51</b>	<b>6.95</b>		
Year	Budget (£m)	Actual / Forecast (£m)	Variance (£m)																				
2021/22	11.27	13.91	2.64																				
2021/22	11.45	13.57	2.12																				
2022/23	10.84	13.03	2.19																				
<b>Total</b>	<b>33.56</b>	<b>40.51</b>	<b>6.95</b>																				

## 2.4 Management response

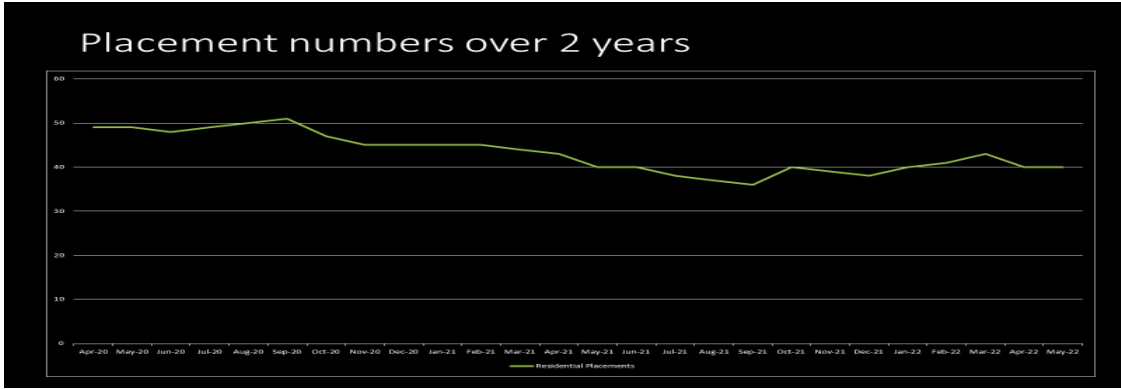
*The service recognises the critical importance of ensuring robust oversight and governance in relation to the placement and review of children placed in OAP's. This is not only in recognition of the costs involved in these placements but also in recognition of the complex needs of the young people, ensuring that the intervention and support provided by the OAP providers is meeting the young person's needs.*

*Most children placed in OAP's have experienced trauma and neglect in their early childhood. Many will have experienced a number of care placements which have been unable to provide them with the security and care on a sustained and lasting basis. Consequently, young people placed in an OAP will have a complexity of social, educational and health needs. OAP's aim to provide holistic reparative care and support that can enable the young person to return to a community setting. Locally and nationally, there is a lack of alternative care options, (fostering and residential care). This can limit the transition planning for young people resulting in delays in them being able to move on.*

*The local authority is not the sole arbitrator as to whether young person should be placed in an OAP. Children's Hearings, Courts and Tribunals can and do make decisions which the local authority is required to implement. Additionally, it is recognised that locally further work is required to be progressed to ensure that all partners are committed to planning within the GIRFEC framework to avoid additional and unnecessary demand on the budget.*

*The commissioning of OAP is overseen by a national Scotland Excel contract. Recognising demand for OAP's outstrips availability this puts providers in a strong negotiating position. The cost of a residential placement is circa £240k per annum per child with a secure placement costing circa £320k. Subsequent to the budget planning process in 2022/23 providers negotiated an increase which on average was above 6%. This increase added a further cost pressure and due to impact of economic climate, further increases are highly likely.*

*The Promise, published in February 2020, reinforced the need for all partners to work collaboratively and intensively to support children remain within their family. Over the past two years Children's Social Work and partners have worked hard to reduce the number of looked after children and limit the use of OAP's. Over the past two years the number of looked after children has fallen by 11%, above the national average in addition there has been circa a 20% reduction in the number of children placed in a residential OAP.*



*At present Aberdeen City sits just above the national average for the percentage of young people placed in OAP's. While the difference is small given the costs associated with each placement it is critical that continuing attention is given by the partnership to support children to remain locally. The Northfield/Lochside pilot's aims to support children identified as being on the edges of care to remain within their school and community. The findings of this pilot will inform our continuing efforts to support children remain within their family and reduce OAP's.*

*The Service prior to the Audit had begun to review its procedures in relation to the authorisation and review of OAP's. The findings of the Audit will be incorporated into the review and practice guidance for staff to ensure the OAP's deliver improved outcomes for the young people and also represent value for money to the local authority.*

## 3 Issues / Risks, Recommendations, and Management Response

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

Ref	Description	Risk Rating	Minor
1.1	<p><b>Policies and Procedures</b> – Comprehensive written policies and procedures and their effective communication are an essential element in any system of control. They are beneficial for the training of current and new employees and provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving.</p> <p>Policies relating to OAPs include the Local Outcome Improvement Plan (LOIP); ‘The Promise’, a pledge made and supported by the Scottish Government to ensure that care-experienced children “<i>will grow up loved, safe and respected</i>”; and the Children’s Services Plan. There is also a Guide to Integrated Children and Family Services dated 2020-2021.</p> <p>The current LOIP 2016 – 2026 (which was refreshed in July 2021) includes the goal of increasing the proportion of Looked After Children (LAC) who are supported to live at home or in kinship care – this is reflected in Service performance monitoring targets (see 1.2 below). The Plan, which covers three years and is due to be reviewed in 2023, is intended to show that the Council is meeting its statutory responsibilities as part of the Children and Young People (Scotland) Act Statutory Guidance Section 3 regarding children’s services planning. This requires each Local Authority and associated health board to develop a three-year plan to improve the lives of children and young people by embedding the Getting it Right for Every Child (GIRFEC) approach. A report on the Plan was published in December 2021 which showed that while targets on keeping children in kinship care had not been met, progress had been made.</p> <p>There are a number of different guidance documents for staff relating to different duties across the Service, including: guidance on presenting requests for placements to the CSSF; guidance for staff responsible for carrying out reviews of looked after children; procedures for using the case management system; and procedures on performing Service-specific Accountancy tasks. The procedures are satisfactory. However, a procedure for Educational Psychologists noted during the previous audit, Guidelines for professionals working with LAC, is no longer in use and has not been replaced. The EP Service advised that processes and structures in local authorities change so quickly that the guidelines quickly become out of date, but that it was not always clear when EP input was most useful, and it has been recognised that it would be helpful for social workers, EPs and CSSF panel members to review the Presentation Form format to improve understanding on when EP input is most appropriate and effective. This work is being taken forward currently under a wider review of the CSSF forum and the Service has advised is incorporated in the Service improvement plan.</p> <p>As part of the review of policies and procedures, the following issues were identified:</p> <ul style="list-style-type: none"> <li>• There is insufficient guidance on when input from Educational Psychologists is appropriate and effective.</li> <li>• The LOIP refers and links to the Aberdeen City Children’s Services Plan; the link is broken and there is no reference to this document on the ACC website.</li> </ul> <p>If policies and procedures are not accessible and regularly reviewed there is a risk that the Service will operate in a way that is not compliant with policies and legislation and does not offer Best Value.</p>		
<b>IA Recommended Mitigating Actions</b>			

Ref	Description	Risk Rating	Minor
	Management should review the current suite of policies and guidance and make appropriate updates where required. Management should look to specifically address the two minor points above. Consideration should be given to the other recommendations made within this report that would result in updates to procedures.		
<b>Management Actions to Address Issues/Risks</b>			
<i>The implementation of a new case management system (D365 replacing CareFirst) will require a change in how information and supporting evidence is presented to the CSSF. This will be reflected in a review of the procedures and practice guidance in relation to OAP's.</i>			
<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>	
Yes	Chief Officer – IC&FS	March 2023	

Ref	Description	Risk Rating	Moderate																		
1.2	<p><b>Performance Monitoring &amp; Reporting (Placements)</b> – The percentage of looked after children cared for at home is reported to Committee (previously Operational Delivery, as of October 2022 Education &amp; Children's Services) on a quarterly basis as part of the Directorate Performance Improvement Scorecard. It is benchmarked against national performance.</p> <p>As noted in 1.1 one goal in the LOIP is increasing the proportion of Looked After Children (LAC) who are supported to live at home or in kinship care. In the performance monitoring scorecard this performance indicator is broken down into LAC in a residential placement within Aberdeen City; outwith Aberdeen City; at home; in kinship care; and in foster care. The target for LAC in residential placements outwith Aberdeen City in 2022/23 is to be equal or better, that is, lower, than the national average of 5%.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="background-color: #003366; color: white;">Date</th> <th style="background-color: #003366; color: white;">Target</th> <th style="background-color: #003366; color: white;">Actual</th> </tr> </thead> <tbody> <tr> <td>Q1 2021/22</td> <td>5%</td> <td style="color: red;">5.9%</td> </tr> <tr> <td>Q2 2021/22</td> <td>5%</td> <td style="color: red;">6.1%</td> </tr> <tr> <td>Q3 2021/22</td> <td>5%</td> <td style="color: red;">6.1%</td> </tr> <tr> <td>Q4 2021/22</td> <td>5%</td> <td style="color: red;">6.6%</td> </tr> <tr> <td>Q1 2022/23</td> <td>5%</td> <td style="color: red;">6.2%</td> </tr> </tbody> </table> <p>Where the Service does not meet its targets on local support for Looked After Children, there will be an impact on the budget, as OAPs are significantly more expensive than local options; the Service advised the average cost of a residential placements outwith Aberdeen City is approximately £240,000 a year. This compares to</p> <ul style="list-style-type: none"> <li>- £208,000 for a placement within one of ACC's own children's homes,</li> <li>- Between £46,000 and £78,000 for external fostering placement.</li> </ul> <p>The Service advised it is important to note that there are additional costs incurred with both the latter two placements, as often additional practical and therapeutic support is required (input from CAMHS, additional PSA supports within education, direct children's social work intervention and assessment etc.) hence these costs are not exact. The Service has updated that wherever safe to do so, all focus is on supporting children and young people to remain living within their family/extended family members with additional intensive input from multi agency professionals.</p>	Date	Target	Actual	Q1 2021/22	5%	5.9%	Q2 2021/22	5%	6.1%	Q3 2021/22	5%	6.1%	Q4 2021/22	5%	6.6%	Q1 2022/23	5%	6.2%		
Date	Target	Actual																			
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Q3 2021/22	5%	6.1%																			
Q4 2021/22	5%	6.6%																			
Q1 2022/23	5%	6.2%																			
<b>IA Recommended Mitigating Actions</b>																					

Ref	Description	Risk Rating	Moderate
	The Service should undertake a review of local support for Looked After Children and establish an action plan to improve this if necessary.		
<b>Management Actions to Address Issues/Risks</b>			
<i>Responsibility to reduce the number of children placed in an OAP is a partnership one. Consequently, there are limits to the level of influence the Council has on the actions of other agencies. However, the partnership is working to develop a Family Support Model which aims to strengthen the co-ordination of services to children and young people, to prevent concerns escalating to the level where child protection measures are required, and to support attainment of balance of care where children are able to remain more often at home and or with kin, thus reducing the need for OAPs.</i>			
<i>Progress reports on the development of the Family Support Model and other initiatives have been provided to the Education and Children's Services Committee. Further reports are scheduled in July 2023 with results of pilot projects demonstrating the impact of the new Model.</i>			
<b>Risk Agreed</b>	<b>Persons(s)</b>	<b>Due Date</b>	
Yes	Chief Officer – IC&FS	July 2023	

Ref	Description	Risk Rating	Major																
1.3	<p><b>Performance Monitoring &amp; Reporting (Budgets)</b> – Effective budget monitoring is essential to ensure accurate forecasting identifies any financial pressures (or underspends) that need to be mitigated in the interests of achieving Best Value.</p> <p>The Chief Officer – IC&amp;FS and Lead Service Manager receive monthly BOXI reports that covers the Residential Commissioned cost centre for out of authority budget, expenditure, forecasts. The Service also maintain a detailed tracking spreadsheet, showing all Looked After Children (LAC), establishments and costs charged by providers. The tracking spreadsheet is updated regularly with detailed information on placement costs and timings.</p> <p>Accountants meet with Service representatives on a monthly basis to discuss the financial position. These meetings consider overall budget, expenditure trends, contracts, and provide updates on significant forecast to budget variations. Meeting agendas show that meetings are being held regularly and are well attended by relevant staff; reports on expenditure and financial forecasts were given and actions assigned to staff.</p> <p>Pressures caused by OAPs are being reported quarterly to Committee (formerly City, Growth &amp; Resources, now Finance &amp; Resources) and annually to the Service and to Council as part of annual financial reporting.</p> <p>Annual budget monitoring reports for 2020 – 2022, quarterly reports to Committee and monthly reports to the Service were reviewed. They were in a clear and consistent format and the level of detail provided was appropriate. Overspends and variances were identified and discussed. The Service noted in monitoring reports that they believe the trend is positive and that progress is steady though in small increments. However there has been an overspend reported for OAP over recent years:</p>																		
<table border="1"> <thead> <tr> <th>Year</th> <th>Budget (£)</th> <th>Actual / Forecast (£)</th> <th>Variance (£)</th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>11,270,000</td> <td>13,907,674</td> <td>2,637,674</td> </tr> <tr> <td>2021/22</td> <td>11,450,000</td> <td>13,573,367</td> <td>2,123,367</td> </tr> <tr> <td>2022/23</td> <td>10,840,945</td> <td>13,028,687</td> <td>2,187,742</td> </tr> </tbody> </table>				Year	Budget (£)	Actual / Forecast (£)	Variance (£)	2021/22	11,270,000	13,907,674	2,637,674	2021/22	11,450,000	13,573,367	2,123,367	2022/23	10,840,945	13,028,687	2,187,742
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2021/22	11,450,000	13,573,367	2,123,367																
2022/23	10,840,945	13,028,687	2,187,742																

Ref	Description			Risk Rating	Major
	<b>Total</b>	<b>33,560,945</b>	<b>40,509,728</b>	<b>6,948,783</b>	
	<p>Annual budgets are based on expected costs of service delivery plus growth required, as identified through discussions between Finance and the Function. The 2022/23 budget was presented to Full Council on 7 March 2022 for approval and included a predicted saving of approximately £1m for OAP through improving support services for vulnerable families. However, by July 2022 during monitoring meetings with the Function, Finance was reporting a £2.2m overspend. However this overspend is offset by a £900k underspend in out of authority foster placements; Management has advised they have asked Finance to vire between the budgets accordingly.</p> <p>In the absence of alternative local provision expensive OAPs are required to meet the needs of Looked After Children. A recommendation has already been made at 1.2 above to increase local support.</p> <p>The financial pressures caused by OAPs are recurring and the budget set for 2022/23 is considered ambitious given the expected overspend for 2022/23 at such an early stage in the financial year. If budgets are not set realistically there is a greater risk of unplanned overspend putting financial pressure on the Council.</p>				
	<b>IA Recommended Mitigating Actions</b>				
	<p>Management should work with Finance to ensure that the OAP budget is set realistically with consideration given to the length of time required to implement any changes which will reduce the need for OAPs. The Service should also investigate if one off spend to save funding is required from borrowing or reserves to implement required savings and agree any necessary funding with Finance. Regular monitoring and reporting to Committee should continue.</p>				
	<b>Management Actions to Address Issues/Risks</b>				
	<p><i>The Chief Officer, Children and Family Services and the Chief Officer Finance meet regularly to discuss the cost pressures in relation to OAPs. This will continue to be the case with regular reporting to Committee. The Service will progress with plans to implement the new Family Support Model with a view to reducing the need for OAPs and making associated savings.</i></p>				
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>		
	Yes	Chief Officer – IC&FS	July 2023		

Ref	Description		Risk Rating	Moderate
1.4	<p><b>Assessments (Review)</b> – CSSF guidance states that reviews of placements should be carried out at least annually to ensure that the child’s needs are being met appropriately and to consider whether measures could be put in place to bring the child home. The reviews may be more frequent depending on the needs and circumstances of the child. The frequency and next date of review should be agreed on during the CSSF meeting and noted on the Presentation Form and added to the tracking spreadsheet referred to in 1.3 above; this spreadsheet is monitored by the CSSF for various reasons including scheduling future reviews.</p> <p>In some cases the placement is made on an emergency basis, for example because the child has suddenly been put at risk or because a Children’s Hearing has made a Compulsory Supervision Order. In these cases the placement should be reviewed within three days and then again, if continued, within six weeks. However these reviews need not be carried out by the CSSF but may be performed as LAC reviews by Social Workers and Educational</p>			

Ref	Description	Risk Rating	Moderate
	<p>Psychologists and later reported to the CSSF. Four of the cases sampled were emergency placements and in all of these evidence had been recorded of LAC reviews being held on the required timescales.</p> <p>A review of 20 cases found:</p> <ul style="list-style-type: none"> <li>In one case (5%) the review was carried out in March 2022, 18 months after it had been scheduled and 23 months after the assessment.</li> <li>In one case (5%) the review was scheduled on the decision sheet for September 2023 although the CSSF Form notes suggested the review be carried out six months after the assessment in March 2022, that is, in September 2022; the Service advised that this was a typographical error but no review had been carried out as scheduled.</li> </ul> <p>Whilst there was evidence of review of child cases outwith the CSSF, where placements are not reviewed formally by the CSSF as scheduled there is a risk that children may no longer be receiving the most appropriate care and that they may remain in an OAP when they could be returned to Aberdeen.</p>		
<b>IA Recommended Mitigating Actions</b>			
Management should review the controls in place for assessments, specifically the requirements for follow up reviews. This should look to ensure that dates are recorded accurately and that reviews are carried out as scheduled.			
<b>Management Actions to Address Issues/Risks</b>			
<i>The implementation of D365 (CareFirst replacement) will enable a more effective system to track the reviewing of OAP's by the CSSF. This will be reflected in the review of the procedures and practice guidance in relation to OAP's. D365 will provide for a more effectively tracking of compliance. This aspect will be incorporated into the action associated with 1.1</i>			
<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>	
Yes	Chief Officer – IC&FS	March 2023	

Ref	Description	Risk Rating	Minor
1.5	<p><b>Placements</b> – Following the approval of a placement, an Individual Placement Agreement (IPA), also called a Service Agreement, is drawn up and agreed with an appropriate service provider. Service providers should be selected from the Scotland Excel Children's Residential Framework Agreement, which is recorded in the Commercial &amp; Procurement Shared Service database (BOrganised); all the cases reviewed had been placed with approved providers.</p> <p>IPAs function as a contract and detail the parties involved, the level of provision required to meet the child's specific needs, and the desired outcomes, as discussed in the CSSF meeting. Per the Council's Financial and Procurement Regulations and Social Work guidance, IPAs must be authorised by the CSSF Service Manager. Agreed and approved IPAs are saved in the CSSF Service shared drive and copies are sent to the Social Work case management system (CareFirst) team to be input. Provider invoices can then be compared to the IPA details on receipt to confirm that the agreement is being followed before payment is made</p> <p>The 20 IPAs relating to the cases sampled above were examined and it was found that:</p> <ul style="list-style-type: none"> <li>In one case (5%) the IPA had not been input to the system.</li> </ul>		



Ref	Description	Risk Rating	Minor
	Failure to record IPA charges creates a risk that services provided and charged may not comply with those contracted for, where IPAs are absent from the case management system for comparison to invoices received.		
	<b>IA Recommended Mitigating Actions</b>		
	Management should ensure that IPAs are recorded in the case management system.		
	<b>Management Actions to Address Issues/Risks</b>		
	<i>The implementation of D365 (CareFirst replacement) will enable a more effective system to track the authorisation of IPA's. This will be reflected in the review of the procedures and practice guidance in relation to OAP's. This aspect will be incorporated into the action associated with 1.1</i>		
	<b>Risk Agreed</b>	<b>Person(s)</b>	<b>Due Date</b>
	Yes	Chief Officer – IC&FS	March 2023

## 4 Appendix 1 – Assurance Terms and Rating Scales

### 4.1 Overall report level and net risk rating definitions

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

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

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

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

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## 5 Appendix 2 – Assurance Scope and Terms of Reference

### 5.1 Area subject to review

The Council is under a statutory obligation to provide education for children up to 18 years of age that are living in the Aberdeen City 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. The governing legislation is derived primarily from the Children (Scotland) Act 1995, Education (Additional Support for Learning) (Scotland) Act 2004 (as amended), the Looked After Children (Scotland) Regulations 2009 and the Children and Young People (Scotland) Act 2014. 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 additional support schools, day placements in additional support schools or fostering placements. Children who pose a significant risk to themselves or the community may be placed in secure care by the Chief Social Work Officer on the recommendation of the Children's Panel or the Court, and the Council is also liable for these costs.

### 5.2 Rationale for review

The objective of this audit is to ensure the system for commencing and reviewing out of authority placements is adequate, effective, and consistently applied. The area was last audited in 2018 and processes were found to be generally well defined and carried out timeously, although budgets were regularly overspent.

### 5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Cluster** 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 by this review are:

- Policies governing Out of Authority placements; procedures covering all aspects of placement activities and administration, including making requests, documenting decisions, and monitoring placements and expenditure; and training for staff and other stakeholders
- Budget setting, monitoring and reporting
- Assessments and Placements processes and monitoring

### 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 the ongoing impacts of COVID-19, this review will be undertaken remotely. We remain flexible in the face of the rapidly changing risk environment. Where our resourcing or access to the client is impacted further by COVID-19, we will adapt our audit methodology to balance the risks and assurance output and will work in co-operation with key contacts to understand the impact of the situation as it evolves.

## 5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
  - Council Key Contacts (see 5.7 below)
  - Audit Committee (final only)
  - External Audit (final only)

## 5.6 IA staff

The IA staff assigned to this review are:

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

## 5.7 Council key contacts

The key contacts for this review across the Council are:

- Rob Polkinghorne, COO - Operations
- Graeme Simpson, Chief Officer - Children's and Family Services (**process owner**)
- Jonathan Belford, Chief Officer - Finance

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	24 May 2022
Scope agreed	31 May 2022
Fieldwork commences	6 Jun 2022
Fieldwork completed	6 Jul 2022
Draft report issued	20 Jul 2022
Process owner response	10 Aug 2022
Director response	17 Aug 2022
Final report issued	24 Aug 2022

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	02 February 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2305 – Heritage and Historical Assets
<b>REPORT NUMBER</b>	IA/AC2305
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Heritage and Historical Assets

### 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 Heritage and Historical Assets

### 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 The proposals in this report have no impact on the Council Delivery Plan.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is 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 AC2305 – Heritage and Historical Assets

## 12. REPORT AUTHOR CONTACT DETAILS

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<b>Title</b>	Chief Internal Auditor
<b>Email Address</b>	<a href="mailto:Jamie.Dale@aberdeenshire.gov.uk">Jamie.Dale@aberdeenshire.gov.uk</a>
<b>Tel</b>	(01467) 530 988



## Internal Audit

### Assurance Review of Heritage and Historical Assets

**Status:** Final

**Date:** 8 December 2022

**Risk Level:** Cluster

**Report No:** AC2305

**Assurance Year:** 2022-23

Net Risk Rating	Description	Assurance Assessment
<b>Moderate</b>	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.	<b>Reasonable</b>

Report Tracking	Planned Date	Actual Date
Scope issued	24/08/2022	24/08/2022
Scope agreed	31/08/2022	31/08/2022
Fieldwork commenced	10/10/2022	10/10/2022
Fieldwork completed	21/10/2022	21/10/2022
Draft report issued	11/11/2022	01/11/2022
Process owner response	02/12/2022	18/11/2022
Director response	09/12/2022	08/12/2022
Final report issued	16/12/2022	08/12/2022
Committee	02/02/2023	

Distribution	
<b>Document type</b>	Assurance Report
<b>Director</b>	Gale Beattie, Director of Commissioning
<b>Process Owner</b>	Helen Fothergill, Service Manager – Archives, Gallery & Museums
<b>Stakeholder</b>	Richard Sweetnam, Chief Officer – City Growth
	Vikki Cuthbert, Interim Chief Officer – Governance*
	Jonathan Belford, Chief Officer - Finance*
<b>*Final only</b>	External Audit*
<b>Lead auditor</b>	Jamie Dale, Chief Internal Auditor

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# 1 Introduction

## 1.1 Area subject to review

Aberdeen Archives, Gallery & Museums (AAGM) cares for collections of outstanding importance and quality on behalf of the people of Aberdeen. AAGM is part of Aberdeen City Council's Commissioning: City Growth team and through their collections, buildings, exhibitions, and events strive to make a positive impact on the lives of everyone who lives, works, studies, and visits the city. The historical records of Aberdeenshire Council are also preserved and managed by the team. The collections managed are recognised by UNESCO and the Scottish Government as nationally and internationally important.

Aberdeen City Council Museums and Galleries Collections Development Policy sets out the background to the creation of the collection, how items enter and leave the collection and areas for future development. The policy references additional action plans including Future Collecting priorities, Review and Rationalisation, Documentation, Care and Conservation. The Museum System (TMS) (with both external and back office interfaces) is used for asset management.

## 1.2 Rationale for the review

The objective of this audit is to consider whether adequate control is exercised over heritage / historical assets' inventory management and was included in the Internal Audit plan at the request of the Audit, Risk and Scrutiny Committee.

In March 2022, the Audit, Risk and Scrutiny Committee reviewed a report on the current position of items recorded as missing from the Art Gallery and Museums' collection, the steps being taken to continue to review their status, and the robustness of processes in place to reduce risk to the status of collections going forward. The report was prompted following several Freedom of Information requests and media requests about artwork belonging to the Council and items that had been identified as potentially being lost and/ or stolen. As of July 2021, at the time of the initial FOISA request, the catalogue recorded 1,577 objects as "missing", "not located" or "stolen" from over 150,000 records.

This review will not look to recreate the work conducted by management in response to the missing items. Where this may form part of audit discussions, the review will focus around the general approach to heritage and historical assets and the control framework for their management.

## 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
<b>Moderate</b>	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.	<b>Reasonable</b>

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

Risk Level	Definition
<b>Cluster</b>	This issue/ risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.

### 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 management of heritage and historical assets.

Internal Audit found AAGM, who manage the Council's heritage and historical assets, to be staffed by a complement of experienced and capable staff who were passionate about their work. AAGM is operating a framework of control that is on the whole conscious and comprehensive of all aspects of operations including acquisitions, loans, disposals, and the wider overarching requirements such as accreditation and security.

Testing of the processes around acquisitions, loans and disposals found these to be designed and operating effectively, with no issues noted, and physical verification provided assurance over the location and recording of items. With regards to security arrangements, Internal Audit identified a myriad of different controls used to provide assurance and protection over items, which has been developed over time during different stages across multiple venues.

Certain enhancements however could be made to improve controls. AAGM were cognisant of a number of these areas and expressed a desire to improve the control framework, which this audit has looked to do.

Where no areas were found to be devoid of controls completely, recommendations have been made for a review of current operations and guidance, specifically concerning overall security arrangements, with these then rolled out and training provided to staff as required. Recommendations have also been made around the approach taken to AAGM gaining internal assurance, along with prioritisation of workload. A final recommendation has been made with regards to the engagement of volunteers and ensuring that they have the Right to Work in the UK.

Whilst there is a recognition of issues with regards to historical missing items, this was not a key focus for this audit, which instead focused on the wider control framework. However, discussions have been carried out with Management and a review of documentation and reporting shows a focus and efforts to gain further assurances.

### 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	<p><b>Volunteers</b> – Engaging a volunteer worker who is not allowed to work in the UK is illegal; the penalty for doing so is up to £20,000 per illegal worker.</p> <p>AAGM utilise volunteers in their operations and advised of engagement of 52 individuals across the last 12 months.</p> <p>Whilst the Council's Recruitment Team monitors the completion of Right to Work in the UK checks for Council employees, no such system is in place by AAGM who facilitate the engagement of volunteers locally. AAGM has however recently recruited a Volunteer Coordinator to support the engagement of volunteers.</p> <p>Without checks of those engaged by AAGM there is no oversight of their Right to Work in the UK status. This creates an increased risk of volunteers being engaged who do not have the Right to Work in the UK and exposing the Council to reputational damage and financial penalties.</p>	Yes	<b>Major</b>	11

## 2.4 Management response

*The Audit process has been valuable, allowing officers to interrogate current workstreams, priorities and processes. Current systems were put in place based on Internal Audit recommendations in the early 2000s and professional sector developments. These processes and practices are always being improved upon, including staff training, prioritisation of assurance checks, and site security.*

*A recent change in UK Right to Work legislation had not been registered as applying to volunteers. This will now be addressed.*

## 3 Issues / Risks, Recommendations, and Management Response

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

Ref	Description	Risk Rating	Minor
1.1	<p><b>Policies, procedures, and practices</b> – Robust and well communicated policies and procedures help staff understand the expectations with regards to their role and how this contributes to wider operations. Where AAGM is staffed by a mix of qualified individuals with experience of the subject matter, there is a need to direct practices in line with the Council's requirements for operations.</p> <p>The main guidance in place across AAGM is the Collections Management Manual. This is the overarching guidance, last updated in 2022, for management of the collection, including areas such as movement control, loans in, loans out, object labelling and auditing.</p> <p>As part of the review of operations, Internal Audit identified the following:</p> <ul style="list-style-type: none"> <li>• Evidence of single points of failure, where one individual was relied upon for the completion of work e.g. security IT operations.</li> <li>• Recognition that where there is training, more could be done in terms the format of guidance and delivery to staff across AAGM.</li> <li>• The current guidance focuses more on the collections operations rather than wider aspects of AAGM.</li> </ul> <p>There is a risk that under current operations, focus is given to collections management. Where this is the majority of AAGM's work, there are wider considerations that could be made e.g. security. Where individual points have been made in this report regarding security and prioritisation, an overarching minor risk exists around the focus on collections and the potential to incorporate wider working.</p>		
<b>IA Recommended Mitigating Actions</b>			
AAGM Management should review current operations and guidance and make appropriate updates where required. Management should look to address the single points of failure across the control framework and look to ensure that a range of staff understand different operations. Consideration should be given to the other recommendations made within this report that would result in updates to procedures.			
<b>Management Actions to Address Issues/Risks</b>			
<p><i>The report reflects the historic legacy the current AAGM team have inherited and has confirmed areas where improvements can be made to mitigate against a recurrence of such issues.</i></p> <p><i>As discussed during the Audit process, there is a need to regularly review processes and procedures, streamline and refine as required and embed such processes in the everyday work of the team. Such reviews are carried out as sector standards are updated as a matter of course. In addition, a review of processes and training will be under taken as a result of this report.</i></p> <p><i>Processes will continue to evolve, considering best practice in the museum sector and embracing new technology and the drive towards digital workflows when beneficial to do so. However, there will still be a significant requirement for physical checking of objects and locations which inevitably takes time away from more public-facing tasks. A review of available staff resource will be undertaken as a result of this report.</i></p>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Service Manager	March 2023

Ref	Description	Risk Rating	Moderate
1.2	<p><b>Security arrangements</b> – Security arrangements are the precautions taken and controls put in place to prevent possible incidents, specifically loss. Given the value of heritage and historical assets managed by AAGM, appropriate arrangements across all aspects of security are vital.</p> <p>With regards to security arrangements, Internal Audit identified a myriad of different controls used to provide the greatest level assurance and protection for items e.g. access cards, fixings, staff walk rounds, independent alarms, and CCTV.</p> <p>As part of the fieldwork and physical verification of security arrangements, Internal Audit however identified:</p> <ul style="list-style-type: none"> <li>• Generic user names and log ins for systems (e.g. TMS Administration and Security Card Access); this creates a lack of an audit trail.</li> <li>• Security Camera Room accessible to all staff, with the system left logged in and unattended.</li> <li>• Key store at one location accessible to all staff who worked on site with no access control or key log. However it has been advised that an application has been submitted to acquire a Traka Key Box system for the location.</li> <li>• Single point of failure within the Council with regards to ability to carry out some elements of security based system work (e.g. reviewing access logs). However external support is available from Nucore who has the Council contract for card access systems.</li> </ul> <p>Where specific policies were in place (e.g. key policy) there was no overarching framework to facilitate what is being operated daily. It was identified that some elements of security are carried out through routine and as a result of historic operations.</p>		
<b>IA Recommended Mitigating Actions</b>			
AAGM Management should develop an overarching framework for security across its locations. This should look to encompass all aspects of operations, with conscious decision making around these. This policy should consider the specific issues noted above. The policy should be rolled out across all staff with controls implemented and training provided where required.			
<b>Management Actions to Address Issues/Risks</b>			
<i>Further site security and key control systems will be investigated and invested in as budgets allow, however the current system only allows specific officers to access keys for stores and safes.</i>			
<i>A review of the key log and access card system will be undertaken, especially in relation to single point of failure.</i>			
<i>A security framework will be developed that will point to venue specific guidance, as advice from independent museum security specialists is to ensure there is a separate security plan for each location/venue and to distribute only to those officers with a direct responsibility for the specific location.</i>			
<i>Discussions need to take place with Digital &amp; Tech colleagues re: single point of failure of technical support for the collections database.</i>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Service Manager	May 2023

Ref	Description	Risk Rating	Moderate
1.3	<p><b>Assurance arrangements</b> – The Collections manual sets the internal AAGM audit process, with a view to ensuring the accuracy and maintenance of objects and information. The manual sets out the requirement for the following audits to be undertaken:</p> <ul style="list-style-type: none"> <li>• <b>10 items valued at £10,000 or over each month</b> – A random selection is made by the Chief Officer of City Growth and checked by the Team Leader.</li> <li>• <b>A random sample of 300 items from entire collection every six months</b> – Carried out by the Lead Curator (Collections Management). This is usually conducted as 50 items a month.</li> </ul> <p>A review of the actual audit practices however identified:</p> <ul style="list-style-type: none"> <li>• No involvement of the Chief Officer – Growth. The sample is selected by the Service Manager and completed by the Team Leader.</li> <li>• A slight backlog with regards to completion of the high value audit work.</li> <li>• Challenges in auditing large and inaccessible items.</li> </ul> <p>As part of physical verification testing, where Internal Audit inspected 40 items<sup>1</sup>, all items were located but the following was also identified:</p> <ul style="list-style-type: none"> <li>• One item in the wrong physical location (subsequently found on an adjacent shelf).</li> <li>• Two items with the wrong location logged in the system.</li> <li>• One item not logged on the system. A spreadsheet record was available for this item but this had not been logged on TMS.</li> </ul> <p>Management however advised that wider assurance work is carried out beyond the listed procedures e.g. verification of items through daily activities. There is a risk however that if dedicated assurance work is not completed regularly that any issues will not be identified in a timely manner, leading to potential challenges in rectifying.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>AAGM Management should carry out an assurance mapping exercise to identify the different sources available. This should include security operations, dedicated audits, and ongoing work around the missing items exercise, as well as the wider assurance gained through daily activities. Based on this mapping, the approach to internal AAGM audit activities should be updated to reflect a level that is manageable within current resources but also focuses on those areas where there is a lack of assurance currently. A risk based approach that focuses on high risk items and those areas not visited frequently is encouraged.</p> <p>Internal Audit is available to support the development of this assurance approach.</p>			
<b>Management Actions to Address Issues/Risks</b>			
<p><i>AAGM management will work with Internal Audit to carry out an assurance mapping exercise, reviewing all current practice, and identifying current areas of under assurance. Assurance / audit processes will be revised based on the outcomes of the mapping exercise.</i></p>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Service Manager	July 2023

<sup>1</sup> Internal Audit carried out floor to sheet/sheet to floor testing. This involved selecting a sample of 20 items from TMS and physically verifying their location and then selecting a sample of 20 items from the collection and verifying their record on TMS.

Ref	Description	Risk Rating	Major
1.4	<p><b>Volunteers</b> – Engaging a volunteer worker who is not allowed to work in the UK is illegal; the penalty for doing so is up to £20,000 per illegal worker. As an employer the Council has an obligation under the Illegal Working Compliance Orders Regulations 2016 to carry out document checks on potential workers to make sure they have the Right to Work in the UK before they commence work for the Council.</p> <p>AAGM utilise volunteers across their operations and advised of engagement of 52 individuals across the last 12 months.</p> <p>Whilst the Council’s Recruitment Team monitors the completion of Right to Work in the UK checks for Council employees, no such system is in place by AAGM who facilitate the engagement of volunteers locally. AAGM has however recently recruited a Volunteer Coordinator to support the engagement of volunteers.</p> <p>Without checks of those engaged by AAGM there is no oversight of their Right to Work in the UK status. This creates an increased risk of volunteers being engaged who do not have the Right to Work in the UK and exposing the Council to reputational damage and financial penalties.</p>		
<b>IA Recommended Mitigating Actions</b>			
AAGM Management should work with those responsible centrally for recruitment to develop a system where volunteers are recorded and the necessary pre-engagement checks, including Right to Work in the UK, can be completed <sup>2</sup> .			
<b>Management Actions to Address Issues/Risks</b>			
<i>Volunteers are a key part of the service’s resources. New volunteers undertake induction and training and sign a volunteer agreement. Advice will be sought relating to Right to Work in the UK status checks. The service has recently recruited a volunteer liaison officer who will work with P&amp;OD to ensure robust systems are revised and extended to take the Right to Work in the UK status requirements into account.</i>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Service Manager	March 2023

Ref	Description	Risk Rating	Minor
1.5	<p><b>Prioritisation</b> – AAGM manages a number of different workstream in relation to both day to day business as usual activities and also wider pieces of work.</p> <p>We identified a number of different workstream, outwith day to day activities, which AAGM is responsible for and has varying resource to be able to dedicate to the work. These include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Work in response to the missing items.</li> <li>• A backlog of items to be processed from recent moves.</li> <li>• Historic loan items that require investigation to determine their nature, any required return, or the potential to transfer ownership.</li> <li>• Processing of items not yet logged in TMS.</li> </ul>		

<sup>2</sup> [An Employer's Guide to Right to Work Checks: 6 April 2022](#) sets out practical examples of volunteering, including some exemptions from check requirements e.g. for shorter periods of work or certain immigration statuses. However the guidance is interpretable and where it is not at an excessive cost to the Council, it is recommended that the checks be carried out for all volunteers.

Ref	Description	Risk Rating	Minor
	<ul style="list-style-type: none"> <li>Strategic planning regarding the Collections Development Policy.</li> </ul> <p>While not a significant risk, as operations continue there may become a time where conflicting priorities means opportunity cost of carrying out some tasks at the expense of others. Discussions with Management has highlighted an awareness of all workstream but no work to consciously assess priorities.</p>		
<b>IA Recommended Mitigating Actions</b>			
<p>AAGM Management should consider an internal prioritisation exercise to document its workstreams across all aspects of operations. This should identify the different workstream required of AAGM, including any backlogs and strategic priorities to be taken forward. This should be discussed and agreed by City Growth, and Commissioning Senior Management, and an action plan taken forward that sees the clearing of backlogs, implementation of strategic work and the completion of business as usual.</p>			
<b>Management Actions to Address Issues/Risks</b>			
<p><i>As part of the Service Planning review in Jan/Feb 2023 workstream prioritisation will be identified and discussed.</i></p>			
<b>Risk Agreed</b>		<b>Person(s)</b>	<b>Due Date</b>
Yes		Service Manager	March 2023



## 4 Appendix 1 – Assurance Terms and Rating Scales

### 4.1 Overall report level and net risk rating definitions

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

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

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

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

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## 5 Appendix 2 – Assurance Scope and Terms of Reference

### 5.1 Area subject to review

Aberdeen Archives, Gallery & Museums (AAGM) cares for collections of outstanding importance and quality on behalf of the people of Aberdeen. AGM is part of Aberdeen City Council's Place: City Growth team and through their collections, buildings, exhibitions, and events strive to make a positive impact on the lives of everyone who lives, works, studies, and visits the city. The historical records of Aberdeenshire Council are also preserved and managed by the team. The collections managed are recognised by UNESCO and the Scottish Government as nationally and internationally important. Aberdeen City Council Museums and Galleries Collections Development Policy sets out the background to the creation of the collection, how items enter and leave the collection and areas for future development. The policy references additional action plans including Future Collecting priorities, Review and Rationalisation, Documentation, Care and Conservation. The Museum System (TMS) (with both external and back office interfaces) is used for asset management.

### 5.2 Rationale for review

The objective of this audit is to consider whether adequate control is exercised over heritage / historical assets' inventory management and was included in the Internal Audit plan at the request of the Audit, Risk and Scrutiny Committee.

In March 2022, the Audit, Risk and Scrutiny Committee reviewed a report on the current position of items recorded as missing from the Art Gallery and Museums' collection, the steps being taken to continue to review their status, and the robustness of processes in place to reduce risk to the status of collections going forward. The report was prompted following several Freedom of Information requests and media requests about artwork belonging to the Council and items that had been identified as potentially being lost and/ or stolen. As of July 2021, at the time of the initial FOISA request, the catalogue recorded 1,577 objects as "missing", "not located" or "stolen" from over 150,000 records.

This review will not look to recreate the work conducted by management in response to the missing items. Where this may form part of audit discussions, the review will focus around the general approach to heritage and historical assets and the control framework for their management.

### 5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the Cluster 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 by this review are:

- **Governance** – including AAGM policy, governing statements, delegations, and accreditation.
- **Asset management** – including cataloguing, location, and movement control.
- **Changes in holdings** – including loans and disposals.
- **Loss prevention and response** – including security, access, delegations, and insurance

### 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 the ongoing impacts of COVID-19, this review will be undertaken remotely. We remain flexible in the face of the rapidly changing risk environment. Where our resourcing or access to the client is impacted further by COVID-19, we will adapt our audit methodology to balance the risks and assurance output and will work in co-operation with key contacts to understand the impact of the situation as it evolves.

## 5.5 IA outputs

The IA outputs from this review will be:

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

## 5.6 IA staff

The IA staff assigned to this review are:

- Jamie Dale, Chief Internal Auditor (**audit lead**)

## 5.7 Council key contacts

The key contacts for this review across the Council are:

- Gale Beattie, Director of Commissioning
- Richard Sweetnam, Chief Officer – City Growth
- Helen Fothergill, Service Manager – Archives, Gallery & Museums (**process owner**)
- Vikki Cuthbert, Interim Chief Officer – Governance
- Jonathan Belford, Chief Officer – Finance
- External Audit

## 5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	24 Aug 2022
Scope agreed	31 Aug 2022
Fieldwork commences	10 Oct 2022
Fieldwork completed	21 Oct 2022
Draft report issued	11 Nov 2022
Process owner response	2 Dec 2022
Director response	9 Dec 2022
Final report issued	16 Dec 2022

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