

Audit, Risk and Scrutiny Committee

ABERDEEN, 11 May 2023. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Crockett, Convener; and Councillors Ali, Allard, Bonsell, Bouse, Fairfull, Kuszniir (as substitute for Councillor Houghton), McLellan, Massey, Nicoll, Radley, Mrs Stewart 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.

DECLARATIONS OF INTEREST OR TRANSPARENCY STATEMENTS

1. Members were requested to intimate any declarations of interest or transparency statements in respect of the items on today's agenda, thereafter the following were intimated:-

- (1) Councillor Ali advised that he had a connection in relation to agenda item 9.1 (Unaudited Annual Accounts 2022-23), item 9.4 (Internal Audit Progress Report) and item 9.5 (ALEO's Performance and Payments) by virtue of him being a previous Director of Aberdeen Heat and Power Ltd, 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;
- (2) Councillor Allard advised that he had a connection in relation to agenda item 9.1 (Unaudited Annual Accounts 2022-23), item 9.4 (Internal Audit Progress Report) and item 9.5 (ALEO's Performance and Payments) by virtue of him being a Council appointed Director of Aberdeen Heat and Power Ltd, 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; and
- (3) Councillor Nicoll advised that he had a connection in relation to agenda item 9.5 (ALEO's Performance and Payments) by virtue of him being a Power of Attorney for a close family member who was in the care of Bon Accord Care, 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 23 MARCH 2023

2. The Committee had before it the minute of their previous meeting of 23 March 2023.

The Committee resolved:-

to approve the minute as a correct record.

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COMMITTEE BUSINESS PLANNER

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

The Committee resolved:-

to note the content of the Committee Business Planner.

UNAUDITED ANNUAL ACCOUNTS 2022-23 - RES/23/125

4. The Committee had before it a report by the Director of Resources which provided an overview of the Council's 2022/23 unaudited Annual Accounts.

The report recommended:-

that the Committee –

- (a) consider the Council's unaudited Annual Accounts 2022/23;
- (b) approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2022/23;
- (c) consider the unaudited Annual Accounts 2022/23 of the Council's registered charities;
- (d) note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed, and submitted to the Council's external auditors, Audit Scotland;
- (e) note that Audit Scotland has now stated that they will not have completed their audit in line with the Council's early close timeline, presented in December 2022 and therefore a special Audit, Risk & Scrutiny Committee has been arranged on 20 July 2023 to allow for the approval of the audited Annual Accounts;
- (f) note that the Audit, Risk and Scrutiny Committee of 20 July 2023 will receive the external auditor's report on the annual accounts for consideration and that this report will set out the auditor's findings and conclusions, highlight any significant issues arising from the audit of the annual accounts and inform Councillors of the proposed audit opinion in advance of the accounts being certified;
- (g) note that the Audit, Risk and Scrutiny Committee on 20 July 2023 will also receive the Council's audited 2022/23 Annual Accounts for consideration and approval prior to their signature by the Chief Officer - Finance, Chief Executive and the Council co-Leaders;
- (h) note that the Audit, Risk and Scrutiny Committee on 20 July 2023 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report; and
- (i) note that officers will continue to work with Audit Scotland to identify how the Councils' 'early close' timeline can be achieved for external audit work in future years of the appointment.

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In response to a question regarding the timeframe for approval, the Chief Officer – Finance explained the sequence of events for the submission of the audited Annual Accounts, noting that they would be submitted to the Special meeting on 20 July for approval.

In response to a question regarding the Council Balance Sheet increase and the Common Good account decrease, the Chief Officer – Finance explained that the Council Balance Sheet increase was largely due to the change in pension liabilities to assets this year and the Common Good and Trust accounts had a different set of financial parameters and were therefore not part of the balance sheet until they become part of the Group accounts. He indicated that a detailed response to questions could be circulated by way of email.

In response to a question regarding the Annual Governance Statement, the interim Chief Officer – Governance (Assurance) advised that the same format was used so that it would be easier to compare from year to year in order to provide an outline of the priorities which were achieved over last year against each of CIPFA's principles and what would be intended over the next year.

In response to a question regarding remuneration disclosures, specifically the increase in pension strain costs, the Chief Officer – Finance advised that these were due to officers leaving the organisation and being able to access their pensions following approval from the Council, which would normally be through the voluntary severance/early retirement scheme, with additional costs paid to the pension fund. He intimated that there would likely be an increase in costs due to the number of early retirement packages this year.

The Committee resolved:-

- (i) to note that the Chief Officer – Finance would provide an explanation to any detailed questions that the members may have via email, with any follow up questions being responded to during consideration of the audited Annual Accounts at the Special meeting of the Committee on 20 July 2023; and
- (ii) to otherwise approve the recommendations and to thank all officers for the extensive work undertaken in terms of the production of the report.

EXTERNAL AUDIT - 2022/23 ANNUAL AUDIT PLAN

5. The Committee had before it the External Audit 2022-23 Annual Audit Plan by the Audit Director/Engagement Lead, Audit Scotland, which summarised the work plan for the 2022/23 external audit of Aberdeen City Council.

In response to a question relating to the planning materiality percentage figure, the Senior Audit Manager explained that Audit Scotland worked within a framework of 0-2% across the organisation and the figure of 1.5% was reached through an assessment of the risk and information around financial systems at a certain point in time, although the figure was kept under review as the audit progressed.

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In response to a question relating to Cyber Security, the Senior Audit Manager advised that Audit Scotland had gathered base information across all organisations in terms of the risk but would also work closely with Internal Audit colleagues in this regard if deemed appropriate and to avoid duplication of work.

In response to a question regarding Audit Fees, the Audit Director/Engagement Lead confirmed that the fees for 2022/23 had increased by 12%.

The Committee resolved:-

to note the External Audit 2022-23 Annual Audit Plan.

BEST VALUE AUDIT - COM/23/128

6. The Committee had before it a report by the Director of Commissioning which explained the arrangements for Best Value auditing of councils, including some changes being made to the process by the Accounts Commission.

The report recommended:-

that the Committee –

- (a) note the requirements for the auditing of Best Value including the intention of Audit Scotland to audit thematic areas in more depth as part of the annual audit process; and
- (b) note that a report from the Local Area Network will no longer be provided and that external scrutiny requirements will instead be notified through the external audit process.

The Committee resolved:-

to approve the recommendations.

INTERNAL AUDIT PROGRESS REPORT - IA/23/005

7. With reference to article 9 of the minute of the previous meeting of 23 March 2023, 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.

The Committee resolved:-

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to approve the recommendations

TRANSPARENCY STATEMENT

During consideration of the below item of business, Councillor Mrs Stewart advised that she had a connection by virtue of her being an Aberdeen City Council appointed Board member of Aberdeen Performing Arts. Having applied the objective test, she did not consider that she had an interest and would not be withdrawing from the meeting.

ALEOS PERFORMANCE AND PAYMENTS - AC2306

8. The Committee had before it a report by the Chief Internal Auditor which presented an audit on ALEOs Performance and Payments which was undertaken to ensure the Council's commissioning of services through ALEO's demonstrated Best Value.

The report recommended:-

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

In response to a question relating to Aberdeen Heat and Power (AH&P), specifically regarding whether suitable arrangements were in place in terms of gas/electricity costs and payments, the Head of Commercial and Procurement provided assurance that the Council had worked in partnership with AH&P to reflect on their service level agreement in accordance with the appropriate governance process and which had been agreed by their Board in March 2023.

The Committee resolved:-

to endorse the recommendations for improvement contained in the appendix as agreed by the relevant function.

PVG AND DISCLOSURE CHECKS - AC2310

9. The Committee had before it a report by the Chief Internal Auditor which presented an audit on PVG and Disclosure Checks which was undertaken to provide assurance that appropriate Disclosure Scotland checks were being obtained, in advance of employment, as required.

The report recommended:-

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

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The Committee resolved:-

to endorse the recommendations for improvement contained in the appendix as agreed by the relevant function.

CONTRACT MANAGEMENT - AC2307

10. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Contract Management which was undertaken to obtain assurance that adequate contract management arrangements were in place to ensure that costs incurred were appropriate, and associated benefits were realised.

The report recommended:-

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

In response to a question regarding the visibility of the contract register to services that had devolved contracts, the Head of Commercial and Procurement advised that each Chief Officer had responsibility for maintaining their contract register and any updates would be added to the master register by the Central Team.

The Committee resolved:-

to endorse the recommendations for improvement contained in the appendix as agreed by the relevant function.

SCOTTISH MILK AND HEALTHY SNACK SCHEME - AC2312

11. The Committee had before it a report by the Chief Internal Auditor which presented an audit on the Scottish Milk and Healthy Snack Scheme which was undertaken to obtain assurance that payments under the scheme were being appropriately managed.

The report recommended:-

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

In response to a general question relating to grant funding, specifically whether systems were reviewed to ensure that funding was claimed, the Chief Internal Auditor advised that they were reviewed as part of the auditing process and that recommendations made by Internal Audit would be around benefit realisation.

The Committee resolved:-

to endorse the recommendations for improvement contained in the appendix as agreed by the relevant function.

- **COUNCILLOR BARNEY CROCKETT, Convener**