

## AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 27 June 2024. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Alphonse, Bonsell, Clark (as substitute for Councillor McRae), Greig (as substitute for Councillor Bouse), McLellan, Nicoll and Massey.

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.

### NOTIFICATION OF URGENT BUSINESS

1. The Convener advised that he had agreed to accept items 9.4 (External Audit Annual Report 2023-24 – article 8 of this minute) and 9.5 (Audited Annual Accounts 2023/24 – article 9 of this minute) to the agenda as a matter of urgency in terms of Section 50B(4)(b) of the Local Government (Scotland) Act 1973 to enable the Council to have its audited accounts available by the 30 June 2024, to meet its reporting requirements to the London Stock Exchange.

**The Committee resolved:-**  
to note the position.

### DETERMINATION OF EXEMPT BUSINESS

2. The Convener proposed that the Committee consider item 10.1 (Internal Audit Report AC2419 – Prevent) with the press and public excluded from the meeting.

**The Committee resolved:-**  
in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of item 10.1 (Internal Audit Report AC2419 - Prevent).

### DECLARATIONS OF INTEREST OR TRANSPARENCY STATEMENTS

3. There were no declarations of interest or transparency statements.

### MINUTE OF PREVIOUS MEETING OF 9 MAY 2024

4. The Committee had before it the minute of its previous meeting of 9 May 2024.

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

- (i) in relation to article 13, resolution (i) to note the change to the minute to reflect that Councillor Bouse was in receipt of senior remuneration for his position as Vice Convener of the Anti Poverty and Inequality Committee from 18 March 2024; and
- (ii) to otherwise approve the minute as a correct record.

### **COMMITTEE BUSINESS PLANNER**

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

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

- (i) to note that future meetings would be in person only; and
- (ii) to otherwise note the content of the business planner.

### **ALEO ASSURANCE HUB UPDATE - CORS/24/198**

6. With reference to article 5 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which provided assurance on the governance arrangements, risk management, and financial 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 respectively and the risk ratings applied by the ALEO Assurance Hub, as detailed in appendices B-H; and
- (b) note that the ALEO Assurance Hub would discuss any outstanding issues specified in the appendices with ALEO representatives, with a view to maintaining low/very low risk ratings and improving any medium risk ratings to low/very low.

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

to approve the recommendations as contained in the report.

### **SCOTTISH PUBLIC SERVICES OMBUDSMAN DECISIONS AND INSPECTOR OF CREMATIONS COMPLAINT DECISIONS - CORS/24/199**

7. With reference to article 7 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate 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

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cycle, to provide assurance to Committee that complaints and Scottish Welfare Fund applications were being handled appropriately.

**The report recommended:-**

that the Committee note the details of the report.

In response to a question relating to the feedback provided by the SPSO, the Revenues and Benefits Manager advised that where there was an application to the Scottish Welfare Fund, that the reason why the applicant had applied was not relevant. He further advised that training for staff had taken place.

**The Committee resolved:-**

to approve the recommendation contained in the report.

**The Committee considered items 9.3 (External Audit ISA 260 Report) and 9.4 (External Audit Annual Report 2023-24) together.**

**EXTERNAL AUDIT - ISA 260 REPORT - EA/24/006**

8. The Committee had before it a report by the External Audit Director which presented External Audit's Annual Audit Report on the 2023/24 audit.

**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 relating to the materiality level and how this related to day to day matters, the External Audit Director advised that the materiality concept was based on professional audit judgement. He further advised that on receipt of the draft accounts a further assessment of materiality is undertaken to determine if appropriate.

In response to a comment relating to unspent grants, the External Audit Director advised that as part of their process, the creditors balances were tested to ensure that the amounts were correct and that unspent funds were accrued correctly providing a full evidence trail to confirm the amounts unspent. The Chief Officer – Finance advised that the grants process was complex where it was important that the Council were claiming all that they were entitled to whilst making sure that funding was used for specific purposes and identifying whether funds could be retained for future years.

In response to a request for more information on service concession savings and increased investment in the joint venture with BP, the Chief Officer – Finance advised that the service concession savings had provided flexibility in the application of debt repayments for the 3Rs schools to extend the borrowing over the life of the asset and that a decision was made in March 2024 to use some of the funds for capital projects.

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He further advised that the reference to BP should refer to the Sports Village, where he asset was valued each year and held as an investment asset.

In response to a question relating to whether there was a figure for bus lane enforcement charges, the Chief Officer – Finance advised that there had been a significant value collected during 2022-23 and 2023-24 which a remaining balance in the accounts of £4.2m. He further advised that the monies collected were used for roads infrastructure improvements across the city with reports presented to the Finance and Resources Committee.

In response to a question relating to the definition of committed and uncommitted reserves, the Chief Office – Finance advised that uncommitted reserves were the minimum amount of funds held for resilience purposes and not set aside for any specific purpose which was supported by the Reserves Policy which was proved annually and committed reserves were made up of grant funding held for future years, to be spent on specific projects and second home income for Council Tax to be used for affordable homes.

In response to a question relating to the reasons why the borrowing levels had increased and whether the increase in the general fund reserves could be used to reduce the need for borrowing, the Chief Officer – Finance advised that the reserves were not always useable funds due to funds set aside for specific purposes and that during the budget process the value of the reserves were used to determine where funds could be used. He further advised that rising debt was a mixture of long term and short term borrowing and linked to the significant investment in housing projects and capital projects.

In response to a question relating to whether the Committee could get assurance that the use of service concession monies this year would not add increased debt in future years, the External Audit Director advised that external audit were content with the application of the policy that allowed the greater flexibility to spread the debt over the life of the asset.

**The Committee resolved:-**

to note the content of the report and the attached ISA 260 report to those charged with governance – 2023-24 Annual Accounts Audit.

**AUDITED ANNUAL ACCOUNTS 2023-24 - CORS/24/200**

9. With reference to article 13 of the minute of its previous meeting, the Committee had before it a report by the Executive Director of Corporate Services which sought approval of the Council's Audited Annual Accounts 2023/24 and the Registered Charities Audited Annual Report and Accounts 2023/24.

**The report recommended:-**

that the Committee -

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- (a) approve the Council's audited Annual Accounts for the financial year 2023/24 as presented, subject to (i) above and the final amendments being agreed between the external auditors and the Chief Officer – Finance as highlighted in their report, following circulation of those final amendments to the Corporate Management Team and political group leaders; and
- (b) approve the audited Annual Accounts 2023/24 for those registered charities where the Council is the sole trustee, with the Chief Officer – Finance and Councillor Alex McLellan, as Convener of Finance & Resources Committee, to sign the accounts, subject to the final amendments being agreed as detailed in (a) above.

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

- (i) to note that the request from the previous meeting to amend table 4 on page 42 of the draft annual accounts, to reflect that from 18 March 2024, Councillor Bouse was no longer Vice Convener of Planning Development Management Committee and was in receipt of senior remuneration for his role as Vice Convener of the Anti-Poverty and Inequality Committee had not been included in the accounts before the Committee and that this would be included in the final version; and
- (ii) to otherwise approve the recommendations contained in the report.

### **INTERNAL AUDIT UPDATE REPORT - IA/24/009**

**10.** With reference to article 16 of the minute of its previous meeting, 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 had made with implementing recommendations agreed in Internal Audit reports.

In response to a question relating to whether Internal Audit had capacity to carry out additional work in relation to the City Region Deal Audit if further actions were required, the Chief Internal Auditor advised that resources were available.

In response to a question relating to the outstanding audit recommendation for the Adults with Capacity audit and when this was likely to be completed, the Chief Officer – Adults Social Work advised that the outstanding element related to the mechanism for joining two systems to obtain the assurance required that the client had received payments. She further advised that the Short Life Working Group were due to meet so it was hoped that a solution would be progressed and reported back to internal audit.

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

to approve the recommendations contained in the report.

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**CREDITORS SYSTEM - AC2407**

11. The Committee had before it a report by the Chief Internal Auditor which presented an audit on the Creditors System which was undertaken to ensure that appropriate control was being exercised over the Creditors System, including contingency planning and disaster recovery, and that interfaces to and from other systems were accurate and properly controlled.

**The report recommended:-**

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

**The Committee resolved:-**

to note the report and the attached internal audit report.

**PRIVATE SECTOR HOUSING - AC2421**

12. The Committee had before it a report by the Chief Internal Auditor which presented an audit on Private Sector Housing, which was undertaken to ensure adequate control was exercised over private sector housing income and expenditure.

**The report recommended:-**

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

**The Committee resolved:-**

to note the report and the attached internal audit report.

**CITY REGION DEAL - AC2422**

13. The Committee had before it a report by the Chief Internal Auditor which presented an audit on the City Region Deal which was undertaken to provide assurance over the governance and financial spend of the City Region Deal.

**The report recommended:-**

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

In response to questions relating to why management did not agree with the major risk rating, the Interim Chief Officer – City Development and Regeneration advised that for Benefits realisation, the Council were working with Government to ensure that the correct processes were in place for collecting data and that this would not be completed within three months. The Chief Internal Auditor advised that the internal audit methodology

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states that major risks should be addressed within three months and that extensions can be granted where necessary for works to be completed.

In response to questions relating to the legal agreement in place for the City Region Deal and whether there was the ability to request documents for assurance purposes, the Interim Chief Officer – City Development and Regeneration advised that this was included in the legal agreement and that financial information was sent to Aberdeenshire Council as they governed the finance. It was further noted that a monthly progress report on each of the projects was submitted that contained actual spend and forecasted spend.

In response to questions relating to why Internal Audit did not receive the governance documentation they requested from external partners, the Interim Chief Officer – City Development and Regeneration advised that the audit was undertaken on the region deal processes therefore some of the requested information may be out of scope for the audit. She further advised that she would work with Internal Audit to identify what information was not provided.

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

- (i) to agree the contents of the report including the Major risk rating;
- (ii) to note that Delivery partners had not shared all data required to allow Internal Audit to evidence progress with the Aberdeen City Region Deal;
- (iii) to instruct the Chief Executive to write to all parties to ensure our Internal Auditor received the information requested, reminding partners that the signed legal agreement ensured that all governance arrangements were to be the sole responsibility of the Aberdeen City Region Deal Joint Committee which allowed the Partners to commit to the Aberdeen City Region Deal;
- (iv) to instruct the Chief Internal Auditor to provide a verbal update at the next committee as to the progress or otherwise of Internal Audit obtaining the requested information; and
- (v) to note of the seven recommendations, two were complete, three were ongoing and required sign-off from Internal Audit, and two required input from external partners.

### **INTERNAL AUDIT ANNUAL REPORT 2023-24 - IA/24/010**

**14.** The Committee had before it a report by the Chief Internal Auditor which presented Internal Audit's Annual Report for 2023/24.

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

that the Committee -

- (a) note the Annual Report for 2023/24;
- (b) note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
- (c) note that there had been no limitation to the scope of Internal Audit work during 2023/24:

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- (d) note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards; and
- (e) note the content of Internal Audit's Quality Assurance and Improvement Plan.

**The Committee resolved:-**

to approve the recommendations contained in the report.

**In accordance with the decision taken at Article 1 of this minute, the following items were considered with the press and public excluded.**

**PREVENT AC2419**

**15.** The Committee had before it a report by the Chief Internal Auditor which presented an audit in relation to Prevent which was undertaken to ensure the Council had adequate arrangements in place to deliver requirements under the Prevent duty.

**The report recommended:-**

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

**The Committee resolved:-**

to note the report and the attached internal audit report.

- **COUNCILLOR M.TAUQEER MALIK, Convener**