Audit, Risk and Scrutiny Committee Annual Effectiveness Report, 1 April 2019 to 30 April 2020

ABERDEEN
CITY COUNCIL

Contents

1 INTRODUCTION

1.1 I would like to thank members of the committee and staff who have helped to support the committee. I believe the committee has continued to take a constructive and collegiate approach to the way it conducts the business and look forward to building on that through the course of 2020-2021.

1.2 I would also like to take this opportunity to thank former Chief Internal Auditor David Hughes and former Convener Stephen Flynn for their service to the committee.
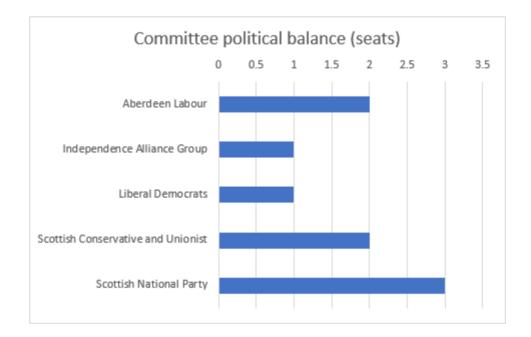

Councillor Ian Yuill
Vice Convener, Audit, Risk and Scrutiny Committee

2 THE ROLE OF THE COMMITTEE

2.1 The role of the Audit, Risk and Scrutiny Committee is to provide assurance to the Council that it has in place robust arrangements in place for good governance, maintaining an effective control environment and financial and performance reporting. It monitors compliance with these arrangements through, for example, the receipt of reports from internal and external auditors. It completes the process by ensuring that recommendations flowing from internal and external audits are implemented where appropriate.

2.2 The Terms of Reference for the Committee as approved by Council on 4 March 2019 that applied to the committee's business during 2019/2020 are appended to the report.

3 MEMBERSHIP OF THE COMMITTEE DURING 2019/2020

3.1 **The Audit, Risk and Scrutiny Committee has 9 Elected Members.**

4 MEMBERSHIP CHANGES

4.1 Councillor Flynn was the Convener of the Committee until he was appointed as an MP for Aberdeen South in December 2019.

4.2 Councillor Allard was replaced on the Committee by Councillor Jackie Dunbar in June 2019.

4.3 Councillor Townson was replaced by Councillor Mennie in December 2019.

4.4 Councillor Flynn was replaced by Councillor Alex Nicoll in February 2020.

5 MEMBER ATTENDANCE

Member	Total Anticipated Attendances	Total Attendances	Nominated Substitute
Stephen Flynn	4	4	
Ian Yuill	5	5	
Christian Allard	1	1	
Jackie Dunbar	4	3	Neil Copland
Sarah Duncan	5	4	Yvonne Allan
Gordon Graham	5	3	Yvonne Allan, Alan Donnelly
Douglas Lumsden	5	4	Philip Bell
Avril MacKenzie	5	4	Ryan Houghton
Jessica Mennie	2	2	
John Reynolds	5	2	John Wheeler (2), Ryan Houghton
Gordon Townson	3	3	
Alex Nicoll	1	1	

6 MEETING CONTENT

6.1 During the 2019/2020 reporting period (29 April 2019 to 30 April 2020), the Committee had 5 meetings and considered a total of 58 reports.

6.2 **Terms of Reference**

Of the 58 reports received the following table details how the reports aligned to the Terms of Reference for the Committee.
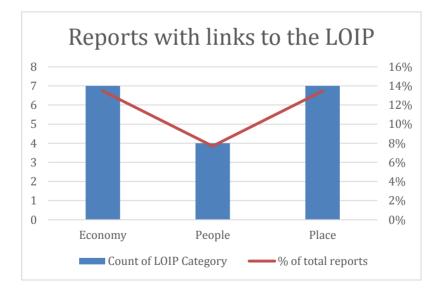
Terms of Reference	Count of Terms of Reference
General Delegations to Committees 7.5	1
Purpose of Committee 1.1	1
Purpose of Committee 1.2	1
Remit of Committee 1.1	2
Remit of Committee 1.2	2
Remit of Committee 1.3	3
Remit of Committee 1.4	1
Remit of Committee 1.5	1
Remit of Committee 2.1	1
Remit of Committee 2.2	25
Remit of Committee 2.3	8
Remit of Committee 2.4	7
Remit of Committee 3.1	3
Remit of Committee 3.3	1

Remit of Committee 4.1	2
Remit of Committee 4.2	1
Remit of Committee 5.2	5
Remit of Committee 6.4	1
Remit of Committee 6.9	4

6.3   Most of the reports considered related to remit 2.2, consider reports issued by the Internal Auditor.

6.4   The majority of the sections of the Committee's Terms of Reference were discharged throughout the course of the reporting period. This would indicate that the Committee has discharged its role as determined by Council.

6.5   In relation to Terms of Reference 3.2, 3.4, 6.5 and 6.7 whilst these weren't explicitly listed in the reports, the subject matter related to them but it was felt that the specific Term of Reference used on the reports was the most appropriate.

6.6   There have been no reports under remits 5.1, 6.1,6.2, 6.3, 6.6 and 6,8 as there was no cause to report on these.

6.7   **Local Outcome Improvement Plan (LOIP)**

The following table details of the 58 reports how many had a link to the themes of the Local Outcome Improvement Plan.

6.8   **Reports and Committee Decisions**

The following table details the outcome of the Committee's consideration of the 58 reports presented to it throughout the year.

Terms of Reference	Total	% Total Reports
Confidential	1	2%
Exempt	1	2%

Number of reports where the Committee has amended officer recommendations	0	0%
Number and percentage of reports approved unanimously	58	100%
Number of reports or service updates requested by members during the consideration of another report to provide additional assurance and not in forward planner	1	2%
Service update requested	0	0%
Number of decisions delayed for further information	0	0%
Number of times the Convener has had to remind Members about acceptable behaviour and the ethical values of Public Life	0	0%
Number of late reports received by the Committee (i.e. reports not available for inspection by members of the public at least three clear days before a meeting)	0	0%
Number of referrals to Council, or other Committees in terms of Standing Order 33.1	0	0%

6.9 **Notices of Motion, Suspension of Standing Orders, Interface with the Public**

Number of notices of motion	0
Number of times Standing Orders were suspended and the specific Standing Orders suspended	0
Standing order number (ref)	0
Number of deputations or other indicators of interface with the public, i.e. engagement and social media.	0
Number of petitions considered	0
Number of Members attending meetings of the committee as observers	12
Number of Meetings held by the Convener with other Conveners, relevant parties, to discuss joint working and key issues being raised at other Committee meetings	0

7   TRAINING REQUIREMENTS

7.1   During 2019/2020 the Audit, Risk and Scrutiny Committee received a training

session presented by the Chief Officer – Governance, Assurance Manager and the Corporate Risk Lead. The training incorporated the assurance cycle, risk management, the 'three lines of defence' model and questioning techniques. There was also discussion on the proposed approach to developing a risk appetite for the Council.

7.2   Other relevant training available to members of the committee during the year included training on the Councillors' Code of Conduct, Effective Decision Making, 'paper-light' meetings. These training opportunities were designed to help members carry out their roles at committee meetings.

8   CODE OF CONDUCT – DECLARATIONS OF INTEREST

8.1   Three declarations of interest were made by Councillor's during the reporting period. Information in respect of declarations of interest is measured to evidence awareness of the requirements to adhere to the Councillors' Code of Conduct and the responsibility to ensure fair decision-making.

9   CIVIC ENGAGEMENT

9.1   The committee's focus, by its very nature, has largely been on compliance with the Council's governance framework. It's focus is on the risks to the institution rather than focus on the risks to the place of Aberdeen. Nonetheless, it has worked in partnership with outside bodies such as the Council's Arm's Length External Organisations (ALEOs) through the ALEO Assurance Hub and external audit.

10   OFFICER SUPPORT TO THE COMMITTEE

Officer	Total Anticipated Attendances	Total Attendances	Substitute Attendances
Chief Officer - Governance	5	5	
Director of Resources	5	5	
Chief Internal Auditor	5	4	1
External Auditor	5	4	

11   EXECUTIVE LEAD'S COMMENTS

11.1   At the heart of the Council's success is the maintenance of robust governance and an effective control environment. A key responsibility of the Audit, Risk and Scrutiny committee is to ensure that the organisation's governance arrangements remain effective and adhered to.

11.2   As part of the Council's aspiration to deliver the CIPFA Governance Mark of Excellence, the Council introduced a system of annual reports for each committee. The first reports were published for the 2018/2019 term and help to provide assurance to Full Council and relevant third parties on the effectiveness of the Council's political governance arrangements. The system of annual reporting also helps to inform the Council's Annual Governance Statement (which forms part of the Council's Annual Accounts) and annual reviews of the Council's Scheme of Governance.

11.3 During 2019/2020, the Council achieved the CIPFA Governance Mark of Excellence. It was the first authority in Scotland to achieve this award. External Audit commented that the Council exhibits strong and effective governance. It noted that members robustly challenged and scrutinised management with a clear focus on governance and the communities and citizens members represent.

11.4 The committee appears to be working well, noting that:

- no decisions required to be delayed;

- all reports were approved unanimously; and

- the vast majority of reports were considered in public with only two not considered in public (same position as 2018/2019).

11.5 The total number of recommendations made by the Council's internal audit team rose as follows:

- 2016-17: 340;

- 2017-18: 274;

- 2018-19: 159; and

- 2019-20: 218.

11.6 The total number of outstanding recommendations increased slightly as follows:

- Feb 2018:   45

- March 2019:   17

- March 2020:   67

11.7 With an increased number of internal audit recommendations, it may have been expected that the number of outstanding recommendations would increase likewise It is also likely that the impact of the emerging pandemic during March 2020 will have had an impact on the completion of internal audit recommendations. Nonetheless, it is important to ensure that where recommendations have been approved by management, that they are addressed on time. During the early part of 2020, the Extended Corporate Management Team began to monitor the outstanding recommendations monthly and this should facilitate further accountability.

12 NEXT YEAR'S FOCUS

12.1 The impact of the Covid-19 pandemic has had an impact on the Council's governance arrangements and control environment. This includes delays to planned audit activity and inspections that were due to be carried out by the relevant regulatory bodies. Arrangements were put in place to ensure that the Council was able to manage effectively new risks to the organisation brought about by the pandemic as well as pre-existing risks. The re-introduction of the Audit, Risk and Scrutiny committee meetings from October will help to facilitate the necessary scrutiny of the Council's governance arrangements and associated control environment.

12.2 The pandemic has significantly affected the committee's business planner. During the course of 2020/21, meetings of the Audit, Risk and Scrutiny

Committee were cancelled in order to prioritise the response to the pandemic. Reports due to go to the committee were deferred or reported to the Urgent Business Committee (UBC). The UBC, for example, considered the annual accounts and external audit's annual report. The Urgent Business Committee also agreed to make changes to the Internal Audit Plan for 2020/21 in May to reflect the significant changes to the Council's risk profile. These changes enabled Internal Audit to maintain a risk-based approach to its work.

12.3   During 2020/21, the committee's business planner will be reset to reflect in the impact of Covid-19. This will account for an anticipated increase in the number of internal audit reports that are delayed. It is also anticipated that there will be an increase in the number of outstanding audit recommendations. This reflects the fact that the Council's resources are being prioritised to address higher risks created by the pandemic compared to some lower risks associated with Internal Audit's recommendations. Nonetheless, the coordinated attempt will be taken by the Extended Corporate Management Team to drive accountability and performance so far as possible.

Appendix 1

Audit Risk and Scrutiny Committee Terms of Reference
Approved by Council on 4 March 2019

PURPOSE OF COMMITTEE

1.   To ensure that the Council has robust arrangements for:
     1.1   Good governance including information governance, surveillance, fraud, bribery and corruption;
     1.2   Maintaining an effective control environment through an effective approach to risk management; and
     1.3   Reporting on financial and performance reporting.

2.   To monitor the effectiveness of the Internal Audit function and the Council's implementation of its recommendations.

REMIT OF COMMITTEE

1.   Risk Management
     The Committee will ensure the effectiveness of the Council's risk management system and will:
     1.1   receive an annual review of the system of risk management and an annual report on the corporate risk register and related action plans;
     1.2   receive reports from the ALEO Assurance Hub on the monitoring and mitigation of risks to the Council associated with its ALEOs;
     1.3   receive reports from providers of independent assurance;
     1.4   receive reports to provide assurance on the Council's information governance; and
     1.5   approve all relevant policies.

2.   Internal Audit
     The Committee will:
     2.1   contribute to and approve the Internal Audit Annual Plan;
     2.2   consider reports issued by Internal Audit;
     2.3   monitor compliance with Internal Audit recommendations; and
     2.4   ensure that there is an adequately resourced Internal Audit service and monitor its performance.

3.   External Audit
     The Committee will:
     3.1   consider reports prepared by the Council's External Auditor;
     3.2   monitor the Council's relationship with the External Auditor;
     3.3   receive reports from the Local Area Network; and
     3.4   monitor compliance with External Audit recommendations.

4.   Annual Reports and Accounts
     The Committee will:
     4.1   consider and approve the Council's Annual Report and Annual Accounts; and
     4.2   consider and approve the annual governance statement.

5.   Legal obligations
     The Committee will:
     5.1   seek assurance on the effectiveness of the whistleblowing policy; and
     5.2   ensure the effectiveness of the Council's compliance with its statutory obligations relating to surveillance, information governance, bribery, corruption and fraud, including the approval of all relevant policies.

6. Scrutiny

The Committee will:

6.1 consider any previously unscrutinised issue, process or practice provided that the matter has been the subject of a report to Council or committee and the consideration of the subject matter concluded by Council or said committee;

6.2 where appropriate, review minuted actions from all committees with the exception of the Planning Development Management and Licensing Committees and the Appeals Sub Committee, to ensure good practice. It will not prevent any decision being taken and will only review the effectiveness of decision making or monitoring and may make recommendations to the relevant committee or Council;

6.3 on occasion, where appropriate and as it sees fit, seek information from partner organisations, contractors or other stakeholders such as Community Councils or groups
of interest on any particular issue;

6.4 monitor the Council's continued commitment and adherence to the key elements of good governance and approve such action as is appropriate;

6.5 monitor the implementation of the Council's ALEO Assurance Framework and approve such action as is appropriate;

6.6 approve and monitor the Council's Code of Corporate Governance;

6.7 provide independent assurance on the integrity of financial reporting and annual governance processes and oversee the effectiveness of internal control functions;

6.8 request, where appropriate and in terms of any contract or agreement, representatives of external organisations to attend and contribute to meetings; and

6.9 receive reports from regulatory bodies and those providing external assurance such as the Scottish Public Services Ombudsman and Inspector of Crematoria, ensure that the Council responds appropriately and monitor compliance with recommendations.

JOINT WORKING WITH OTHER COMMITTEES

The Committee will maintain an awareness of issues of mutual interest arising through the work of other committees of the Council, through lead officers, conveners and vice conveners working together, and attending other committees as observers. Areas of mutual interest may include, but will not be restricted to:

1. a relationship with the Public Protection Committee in terms of the systems in place to manage the public protection risks; and

2. a relationship with the Staff Governance Committee in terms of the systems in place to manage the health and safety risks.

JOINT WORKING WITH NON COUNCIL BODIES

The Committee, through its lead officers, will work jointly with external regulatory bodies to ensure that Council benefits from external review and assurance.

Executive Lead: Chief Officer – Governance

**ABERDEEN
CITY COUNCIL**
DSD0018/CG&R/BR/19/02/2