

AUDIT, RISK AND SCRUTINY COMMITTEE

ABERDEEN, 15 August 2023. Minute of Meeting of the AUDIT, RISK AND SCRUTINY COMMITTEE. Present:- Councillor Malik, Convener; Councillor Houghton, Vice-Convener; and Councillors Al-Samarai (as substitute for Councillor Radley), Ali, Allard, Bonsell, Bouse, Fairfull, McLellan, McRae, Massey, Mrs Stewart and Yuill (as substitute for Councillor 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. There were no declarations of interest or transparency statements made.

COMMITTEE BUSINESS PLANNER

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

The Committee resolved:-

- (i) to delete item 8 (SPSO Decisions, Inspector of Crematoria Complaint Decisions) due to no decisions being published since the last report to the Committee; and
- (ii) to otherwise note the content of the business planner.

EXTERNAL AUDITOR'S REPORT ON THE AUDIT OF THE 2022/23 ANNUAL ACCOUNTS

3. The Committee had before it a report by Audit Scotland, External Auditors which presented their draft annual external audit report and summarised their audit opinions and conclusions on significant issues arising from the audit of the Council's and the registered charities where the Council were the sole trustees 2022/23 annual accounts.

In response to a question relating to the pension assets and how those would be shown in the balance sheet and in future years, Mr Oliphant, External Auditor, advised that this was the first time that pension assets were included in accounts rather than liabilities and that these were based on the figures reported by the Council actuary. He stated that the figures presented in the accounts for future years would depend on the valuation of the assets at the time taking into account that where the value of the minimum funding requirement contribution exceeded the future service cost, the asset should not be recognised.

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In response to a question relating to the re-evaluation of the Spots Village and how that impacted the balance sheet, the Chief Officer - Finance advised that there was a rise in the value of the Council owned shares in the Sports Village which had increased the useable reserves. He stated that the funds were not additional cash sums but were grant funds to be used for specific purposes, that were not yet spent in the annual accounts for 2022-23.

In response to a question relating to the materiality levels and how those figures were arrived at, Ms MacDonald, External Auditor, advised that (1) for the overall materiality, some aspects of audit work were based on professional judgement and that the 1.5% had been set based on intelligence gathered from the previous external auditor and known factors such as the control and environment in place; (2) for the performance materiality, the figure set is used as a guide to inform the auditor of any additional work that may be required if that target was to be reached or there was a cause for concern; and (3) for the reporting threshold, as auditors there is a requirement to report anything to those charged with governance on all unadjusted misstatements that were more than the threshold amount of £250,000.

In response to a question relating to the 5 recommendations contained in the action plan and the reporting mechanisms for those, Ms MacDonald, External Auditor advised that the recommendations would be included in the planning for the audit of the 2023/24 accounts and that a report would be submitted to this Committee providing a progress update on those recommendations in Spring 2024. The Chief Officer – Finance advised that the Council's Risk Board would be monitoring the recommendations to ensure that they were being completed.

The Committee resolved:-

- (i) to note the content of the report;
- (ii) to note that in relation to the action plan, that a progress report would be submitted to this Committee in early 2024; and
- (iii) to thank the External Auditors and Council employees for their work on the annual accounts.

AUDITED ANNUAL ACCOUNTS 2022/23 - RES/23/261

4. With reference to article 4 of the minute of its meeting of 11 May 2023, the Committee had before it a report by the Director of Resources which sought approval for (1) the signing of the Council's 2022/23 audited Annual Accounts; and (2) a nominated trustee (Councillor) to sign the registered charities accounts for 2022/23.

The report recommended:-

That the Committee -

- (a) approve the Council's audited Annual Accounts for the financial year 2022/23; and
- (b) approve the audited Annual Accounts 2022/23 for those registered charities where the Council is the sole trustee and nominate a trustee to sign the accounts.

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In relation to queries relating to the descriptions relating to Council Tax Income (states Income Tax due) and the HRA in relation to Ratio of Financing Costs to Net Revenue (missing some text after Gross) on page 66 of the annual accounts, the Chief Officer – Finance advised that he would ensure the corrections were made to the accounts.

In response to a question relating to the management commentary to the accounts and how those matched to the accounts, the Chief Officer – Finance advised that there were a number of factors that make up the accounts, some of which were complex and that for future reports he would see where improvements could be made to make the information clearer.

In response to a question relating to the current level of Covid 19 grant funding and whether there were conditions attached to how it could be spent, the Chief Officer – Finance advised that the remaining Covid 19 grant funding had been earmarked and was currently in the reserves. He stated that the remaining funds would be used to support the Council's financial resilience back up for the current year.

In response to a question around the use of customers in the accounts, the Chief Officer – Finance advised that the language used in the accounts was constantly reviewed and that for future accounts this would be amended.

In response to a question relating to the Council Leaders named in the accounts, the Chief Officer – Finance advised that where there were inaccuracies in the accounts he would amend them.

In response to a question relating to the short term borrowing of £145.6m on the balance sheet from the North East Scotland Pension Fund (NESPF), the Chief Officer – Finance advised that the NESPF had requested that the Council hold funds for them with the Council paying interest for the period it holds the funds.

The Committee resolved:-

- (i) to approve the Convener of the Finance and Resources Committee to sign the audited accounts for the registered charities; and
- (ii) to otherwise approve the recommendations contained in the report.

- COUNCILLOR M.TAUQEER MALIK, Convener