



AUDIT COMMITTEE

WEDNESDAY, 17 APRIL 2024 at 10.15 am

Your attendance is requested at a meeting of the **AUDIT COMMITTEE** to be held in **COUNCIL CHAMBER - WOODHILL HOUSE, WESTBURN ROAD, ABERDEEN, AB16 5GB (WITH VIRTUAL ATTENDEES)**, on **WEDNESDAY, 17 APRIL 2024, at 10.15 am**

This meeting will be live streamed and a recording of the public part of the meeting will be made publicly available at a later date.

Tuesday, 9 April 2024

Director of Business Services

To: Councillors R Cassie (Chair), S Adams (Vice-Chair), A Buchan, A Forsyth, M Grant, G Hall, S Logan, D Lonchay, D Mair, T Mason, R Menard, C Simpson, J Whyte and Vacancy

Substitute Members: Councillors N Baillie, A Bell, S Burnett, G Carr, M Ewenson, M James, P Johnston, L McWhinnie, C Miller, G Petrie, I Taylor, A Turner and R Withey

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B U S I N E S S

1	Sederunt and Declaration of Members' Interests	
2(A)	Public Sector Equality Duty Consider, and if so desired, adopt the following resolution:-	4
	(1) to have due regard to the need to:-	
	(a) eliminate discrimination, harassment and victimisation;	
	(b) advance equality of opportunity between those who share a protected characteristic and persons who do not share it; and	
	(c) foster good relations between those who share a protected characteristic and persons who do not share it.	
	(2) where an Integrated Impact Assessment is provided, to consider its contents and take those into account when reaching a decision.	
2(B)	Exempt Information Consider, and if so decided, adopt the following resolution:- "That under Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting for Item 11 of business below, on the grounds that it involves the likely disclosure of exempt information of the class described in the relevant paragraphs of Part 1 of Schedule 7A of the Act."	
3	Minutes of the Meeting of 15th February 2024	5 - 11
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9	Audit Scotland Financial Bulletin 2022/23	115 - 122
10	Committee Review Process Stage 1 – Internal Audit Report 2310 – Assurance review of Adults with Incapacity	123 - 129

**ITEM WHICH THE COMMITTEE MAY WISH TO CONSIDER WITH THE
PRESS AND PUBLIC EXCLUDED**

11 Internal Audit Reports 130 - 139
[Exempt under paragraph 14]

Action taken in connection with the prevention of crime.

PUBLIC SECTOR EQUALITY DUTY – GUIDANCE FOR MEMBERS

What is the duty?

In making decisions on the attached reports, Members are reminded of their legal duty under section 149 of the Equality Act 2010 to have due regard to the need to:-

- (i) eliminate discrimination, harassment and victimisation;
- (ii) advance equality of opportunity between those who share a protected characteristic and persons who do not share it; and
- (iii) foster good relations between those who share a protected characteristic and persons who do not share it.

The “protected characteristics” under the legislation are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; and (in relation to point (i) above only) marriage and civil partnership.

How can Members discharge the duty?

To ‘have due regard’ means that in making decisions, Members must consciously consider the need to do the three things set out above. This requires a conscious approach and state of mind. The duty must influence the final decision.

However, it is not a duty to achieve a particular result (e.g. to eliminate unlawful racial discrimination or to promote good relations between persons of different racial groups). It is a duty to have due regard to the need to achieve these goals.

How much regard is ‘due’ will depend upon the circumstances and in particular on the relevance of the needs to the decision in question. The greater the relevance and potential impact that a decision may have on people with protected characteristics, the higher the regard required by the duty.

What does this mean for Committee/Full Council decisions?

Members are directed to the section in reports headed ‘Council Priorities, Implications and Risk’. This will indicate whether or not an Integrated Impact Assessment (IIA) has been carried out as part of the development of the proposals and, if so, what the outcome of that assessment is.

An IIA will be appended to a report where it is likely, amongst other things, that the action recommended in the report could have a differential impact (either positive or negative) upon people from different protected groups. The report author will have assessed whether or not an IIA is required. If one is not required, the report author will explain why that is.

Where an IIA is provided, Members should consider its contents and take those into account when reaching their decision. Members should also be satisfied that the assessment is sufficiently robust and that they have enough of an understanding of the issues to be able to discharge their legal duty satisfactorily.

For more detailed guidance please refer to the following link:-

https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.equalityhumanrights.com%2Fsites%2Fdefault%2Ffiles%2Ftechnical_guidance_psed_scotland.docx&wdOrigin=BROWSELINK

AUDIT COMMITTEE

THURSDAY, 15TH FEBRUARY, 2024

Present: Councillors S Adams (Vice-Chair), A Buchan, A Forsyth, M Grant, S Logan, D Lonchay, Doreen Mair, T Mason, L McWhinnie (substitute for Councillor R Cassie), R Menard, C Simpson, A Turner (substitute for Councillor D Ritchie) and J Whyte.

Apologies: Councillors R Cassie, G Hall and D Ritchie.

Officers: Director of Business Services, Chief Officer (Health and Social Care Partnership), Head of Finance, Chief Internal Auditor, Legal Services Manager (L Cowie), HR Manager (G Gray), Estates Manager (J Gahagan), Roads Manager (B Lennox), Quality Improvement Manager (P Wood), Business Strategy Manager (F McCallum), Strategic Commercial Manager (M MacKenzie), Interim Strategy and Transformation Manager (A MacLeod) and Committee Officer (A McLeod).

1 SEDERUNT AND DECLARATION OF MEMBERS' INTERESTS

The Chair asked Members if they had any interests to declare, in terms of the Councillors' Code of Conduct. No interests were declared.

2 PUBLIC SECTOR EQUALITY DUTY

In taking decisions on the undernoted items of business, the Committee **agreed**, in terms of Section 149 of the Equality Act 2010:-

- (1) To have due regard to the need to:-
 - (a) eliminate discrimination, harassment and victimisation;
 - (b) advance equality and opportunity between those who share a protected characteristic and persons who do not share it; and
 - (c) foster good relations between those who share a protected characteristic and persons who do not share it, and
- (2) to consider, where an Integrated Impact Assessment has been provided, its contents and to take those into consideration when reaching a decision.

3 MINUTE OF THE MEETING OF 21 DECEMBER, 2023

There had been circulated and was **approved** as a correct record the Minute of the Meeting of Audit Committee of 21 December 2023.

4 STATEMENT OF OUTSTANDING BUSINESS

There was circulated a report by the Director of Business Services which updated Members on the progress made against outstanding actions agreed at previous meetings of the Audit Committee.

The Director of Business Services provided updates and the Committee **agreed** that items 1 and 4 could be closed and removed from the statement and in other respects to **note** the items of outstanding business as at 15 February 2024.

5 INTERNAL AUDIT UPDATE REPORT

There had been circulated a report dated 29 January 2024 by the Chief Internal Auditor, which provided an update on the work of Internal Audit since the last update and provided details of progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters that the Committee should be aware of.

The Committee heard from the Chief Internal Auditor who advised that, with regard to the follow up of Audit recommendations, as at 30 November 2023 there were eight audit recommendations due and outstanding, and management had closed off three, with five outstanding. Management had provided updates on the progress and this was reflected in the report.

Thereafter, the Committee **agreed** to note:

- (1) the Internal Audit update report as detailed in Appendix A to the report;
- (2) the progress of the Internal Audit Plan; and
- (3) the progress that management has made with implementing recommendations agreed in Internal Audit reports.

6 INTERNAL AUDIT REPORTS (PUBLIC)

There had been circulated a report dated 29 January 2024 by the Chief Internal Auditor advising of the conclusion of audits into (a) Internal Audit Report 2423 - HR Leavers Procedure; (b) Internal Audit Report 2419 – Sale of Land and Property; and (c) Internal Audit Report 2417 – Roads Tendering.

In respect of Internal Audit Report 2423 – HR Leavers Procedure, the Chief Internal Auditor advised that the objective of the audit was to ensure that procedures were in place and operating effectively with regard to staff ending Council employment. Overall, there was reasonable assurance over what was seen as a moderate risk area, with a generally sound system of governance, risk management and control in place. The review identified two major risks, these being (1) the late submission and administration of leavers forms, resulting in the risk of overpayments by Payroll; and (2) adjustments to flexible work balances were no longer made to employees' final pay resulting in a risk of time not being paid for or recovered before the leaving date.

The HR Manager responded to questions on the reasons for the ongoing delay in leavers information being passed to HR and confirmed that HR guidance had been updated to ensure that the guidance for processing leavers was being applied

consistently. In relation to flexible working balances, it was noted that once employees accounts were terminated their accounts on the time recording system were deleted and the data was unavailable. A number of actions were proposed to support further compliance and to allow Managers to have access to a wider range of data to assist in reducing the number of late e-forms being submitted.

The Director of Business Services confirmed that a report was due to be presented to the Business Services Committee addressing the issue of salary overpayments, as a result of a previous report to that Committee.

In respect of Internal Audit Report 2419 – Sale of Land and Property, the Chief Internal Auditor advised that the objective of the audit was to obtain assurance that appropriate arrangements were in place to control the sale of land and property, and he confirmed that there was a generally sound system of governance, risk management and control in place. The report highlighted that areas such as property, asset management strategies and assessments, property disposal and record keeping and reporting overall were areas where management could strengthen the framework of control, and the report provided a detailed management response and highlighted that already planned actions and additional work would be taken to address the points raised as part of the audit.

During discussion, Members commented on the potential to give further consideration to the Council's marketing strategy in terms of the marketing of surplus properties, and in the use of external agencies. There was also discussion of improvements being made in the case management system to better manage, record and report on asset disposals and to ensure the Service maximises the benefits of automation, controls and reporting.

In respect of Internal Audit Report 2417 – Roads Tendering, the Chief Internal Auditor advised that the objective of the audit was to ensure the procedures were being followed for roads tendering and that they were appropriate and robust. The report made three recommendations around enhancements to controls and areas such as reviewing and updating written procedures and training, tendering evaluation and operational improvements to the tendering evaluation and award of contracts. Management had agreed to take forward all the actions in the coming months.

The Roads Manager responded to questions on the lack of database reference numbers within the Directorate procurement plan and explained that in some cases contract numbers were not produced until individual contracts were let. He confirmed that the recommendation within the Internal Audit that a clear explanation should be provided within the plan had been addressed, and that all the recommendations from the audit had been allocated an agreed action and implementation date.

Thereafter, the Committee **agreed**:

- (1) for Internal Audit Report 2423 – HR Leavers Procedures – to be assured;
- (2) for Internal Audit Report 2419 – Sale of Land and Property – to be assured;
- (3) for Internal Audit Report 2417 – Roads Tendering – to be assured.

7 INTERNAL AUDIT REPORTS (PUBLIC) (DEFERRED)

With reference to the Minute of the Audit Committee of 9 November 2023 (Item 6b), there had been circulated a report dated 29 January 2024 by the Chief Internal Auditor on Internal Audit Report 2407 – Pupil Equity Fund. The report was originally presented to the meeting of the Audit Committee on 9 November 2023 and was deferred to allow the Service to provide a more detailed action plan and updated response to address the major recommendations around unallocated funds and IR35 compliance. The Service response was included as an appendix to the report.

The Chief Internal Auditor explained that the Service response provided further detail, including additional updates on all actions and although the response had not been reviewed by Internal Audit, it would be reviewed as part of the standard follow up process once the report was agreed by the Committee.

During discussion, there were some concerns from Members around the extent of the unspent funds which had been carried forward into 2022/23 and the lack of plans for the full use of the funds by a large proportion of schools, and there may be a danger if the funds were not used that the funding allocation would be lost.

The Quality Improvement Manager confirmed that officers were continuing to work with Head Teachers to ensure the utilisation of the Pupil Equity Funding from the planning consultation stage through to implementation, and the guidance provided gave a clear set of expectations to ensure that the funding was targeted in the right way to ensure maximum impact.

There was also discussion of the Major risk rating allocated to IR35 Compliance, which related to off-payroll working legislation which required public bodies to undertake an employment status assessment for all identified suppliers to ensure that sub-contractors used were complying with all HMRC requirements with regard to income tax and National Insurance. The audit had identified a lack of application of the Council's policy on IR35 compliance.

The Quality Improvement Manager confirmed that as a result of the audit further guidance had been provided and work was ongoing with HR to develop appropriate training to ensure the consistent application of the IR35 legislation.

After further discussion, the Committee **agreed** that in respect of the report on Pupil Equity Fund (Internal Audit Report 2407) the Committee were not assured, and requested that the matter be referred to the Education and Children's Services Committee to undertake a Committee Review Process, with a view to addressing the two recommendations within the Internal Audit Report with a Major Risk Rating, namely 1.3 (Unallocated Funds) and 1.7 (IR35 Compliance), to seek assurance that there is a robustness in the process in terms of management actions.

8 INTERNAL AUDIT CHARTER

With reference to the Minute of the Audit Committee Meeting of 22 March 2023 (Item 7), there was circulated a report dated 29 January 2024, by the Chief Internal Auditor, which sought Committee approval for the continued use of the current Internal Audit Charter to remain in force, as detailed in Appendix A to the report.

The report explained that The Public Sector Internal Audit Standards (PSIAS) would require that Internal Audit sections had an Internal Audit Charter which should include specific requirements contained within the Standards and those Standards required that the organisation's Board (for the Council, the Audit Committee) should approve the Internal Audit Charter.

The Chief Internal Auditor introduced the report, and advised the Committee that there were no proposed changes, from the previous Internal Audit Charter.

After discussion, the Committee **agreed** the Internal Audit Charter and to note that no changes had been suggested to the previous version.

9 INTERNAL AUDIT PLAN 2024-2027

There was circulated a report dated 29 January 2024 by the Chief Internal Auditor which presented the draft Internal Audit Plan for 2024-2027 for discussion and approval. The report explained that Public Sector Internal Audit Standards required that Internal Audit produce a risk based Internal Audit plan for each year and that it be approved by the "Board", and it was one of the functions of the Audit Committee to review the activities of the Internal Audit function, including its work programme.

The Chief Internal Auditor provided an overview of the Audit Plan and responded to questions from the Committee, confirming that there scope and capacity within the plan to enable it to be amended to reflect changes in priority or due to new risks being introduced or identified. He highlighted a number of strategic reviews which were in the pipeline and confirmed that regular reporting to the Committee would highlight any developing or emerging risks with scope to introduce them into the plan.

After discussion, the Committee agreed that they had reviewed, discussed and commented on the contents of the report and thereafter approved the 2024-2027 Internal Audit Plan.

10 FORWARD PLANNING REPORT TIMETABLE 2024/25

There had been circulated a report dated 9 January 2024 by the Director of Business Services which presented for approval the Audit Committee Forward Plan for 2024/25.

The report explained that the Audit Committee had a range of delegations in Part G of the List of Committee Powers in the Scheme of Governance which involved a schedule of reporting over the year. A Forward Plan for 2024/25, identifying when reports were likely to be presented to the Committee for consideration, had been drafted and was attached at Appendix 1.

The Committee **agreed** to:

- (1) approve the Forward Plan for 2024/25, as detailed in Appendix 1 to the report;
and
- (2) to receive regular updates in the Forward Plan where appropriate.

11 **SCRUTINY REFERRAL TO BUSINESS SERVICES COMMITTEE - PROCUREMENT COMPLIANCE**

With reference to the Minute of Meeting of the Audit Committee of 18 May 2023 (Item 13) and the Business Services Committee of 11 January 2024 (Item 9), there was circulated a report dated 18 January 2024 by the Director of Business Services confirming that following a Stage 3 Investigation, the Business Services Committee had concluded the Committee Review Process in respect of the matter of service delivery that had been identified by the Audit Committee for improvement.

The report advised that during the Committee Review Process which had included a Stage 1 report, a Stage 2 Workshop and a Stage 3 Investigation, a number of key areas of improvement had been identified and after consideration of the presentation and responses Members were able to confirm that sufficient assurance had been provided to conclude the Committee Review Process.

The Strategic Commercial Manager responded to questions from the Committee in relation to future plans to ensure that all the actions would be carried out. The Chief Internal Auditor confirmed that a follow up of the management recommendations from the Internal Audit had been carried out by the Internal Audit team, and that of the 41 recommendations, all but one had been closed off and management had confirmed that the final recommendation would be closed by the end of March 2024. In addition, given its significance, an element of the procurement function was always featured within the Internal Audit Plan.

After discussion, the Committee **agreed**:

- (1) to acknowledge that the Business Services Committee, having conducted a Stage 3 (Investigation) in respect of the matter of service delivery identified by the Audit Committee for improvement, had concluded the Committee Review Process; and
- (2) to note the content of the Investigation Report and action taken.

12 **INTEGRATION JOINT BOARD - TRANSFORMATIONAL PROJECTS - OUTCOME FROM STAGE 2 SCRUTINY WORKSHOP**

With reference to the Minutes of Meetings of the Audit Committee of 22 March 2023 (Item 6A), and the Communities Committee of 14 December 2023 (Item 15), there was circulated a report dated 19 January 2024 by the Chief Officer, Aberdeenshire Health and Social Care Partnership which advised that the Communities Committee had determined, following a Stage 2 Workshop in respect of the Committee Review Process, that they had the required assurance in respect of 'Integration Joint Board Transformational Projects' and not to instruct a Stage 3 investigation.

The Committee heard from the Interim Strategy and Transformation Manager, Aberdeenshire Health and Social Care Partnership, who provided some background on the work that had been undertaken in the matter of IJB transformational projects following a Committee Review Process referral by the Audit Committee. Following receipt of a Stage 1 report and a Stage 2 workshop, the Communities Committee had determined that it was content with the report provided and that no further action should be taken to progress the matter to Stage 3. She advised the Committee of

progress against all recommendations arising from the internal audit report and the summary of progress against those recommendations had been addressed to ensure that there were clearly defined and consistently applied escalation processes in place for risks associated with any transformation work stream.

During discussion, Members commended the work that had been undertaken by officers and acknowledged the large amount of work that had been undertaken to address the recommendations of the original internal audit report and to the progress that had been made in bringing the work forward.

Following discussion, the Committee **agreed**:

- (1) to acknowledge that Communities Committee, having undertaken a Stage 2 (Workshop), was assured in respect of the matter of service delivery identified by the Audit Committee for improvement, and agreed to not conduct the Stage 3 (Investigation) Committee Review Process; and
- (2) that it was assured by the action taken and it now had the required assurance in respect of Internal Audit Report 2212, IJB Transformational Projects.

PROGRESS WITH OUTSTANDING ACTIONS FROM AUDIT COMMITTEE AS AT MEETING ON 17 APRIL 2024

	Item Title	Date of Meeting	Action Agreed	Service Required to Take Action	Progress to Date/Current Position
1.	Internal Audit Report – Carbon Budget Monitoring – Report to the Meeting of the Committee on 21 December, 2023	21 September, 2023 and 21 December, 2023	Report to the Meeting of the Committee on 21 December 2023; and at that meeting Committee assured and agreed that Internal Audit conduct a review in 2024 into the route map and report thereon to Committee.	Environment and Infrastructure Services	Internal Audit to conduct a review in 2024 into the route map and report thereon to Committee.
2.	Internal Audit Report – Adults with Incapacity	21 September, 2023 and 21 December, 2023	Deferred until meeting of Committee on 21 December 2023; and at that meeting deferred for a further report to the meeting of the Audit Committee on 17 April, 2024.	Health and Social Care Partnership	The report is on the agenda.
3.	Internal Audit Reports (Public) (Deferred)	15 February 2024	Agreed that the Committee refer the matter to the Education & Children’s Services Committee to undertake a Committee Review Process, with a view to addressing the two recommendations within the Internal Audit Report, namely 1.3 (Unallocated Funds) and 1.7 (IR35 Compliance).	Business Services / Education and Children's Services	ECS Members agreed to conduct the Committee Review Process and instruct the Head of Education and Children Services to report back to the Education & Children’s Services Committee with updates on 30 May 2024.

REPORT TO AUDIT COMMITTEE – 17 APRIL 2024

INTERNAL AUDIT UPDATE REPORT

1 Executive Summary/Recommendations

1.1 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.

1.2 The update report forms Appendix A. 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, specifically:

- Four audits have been finalised.
- 10 audit recommendations have been closed, with 18 progressing for future follow up.

1.3 Recommendation

The Committee is recommended to:

1.3.1 Consider and comment on the Internal Audit update report at Appendix A.

1.3.2 Note the progress of the Internal Audit Plan.

1.3.3 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports.

2 Decision Making Route

2.1 The report comes to each session of the Committee and has not been considered by this or another Committee previously.

3 Discussion

3.1 The update report can be found at Appendix A. The report is designed to provide an update to the Audit Committee on the work of Internal Audit since our last update to the Committee.

4 Council Priorities, Implications and Risk

4.1 The work of Internal Audit covers all of the Council's Priorities. It aims to provide assurance over the adequacy and effectiveness of the Council's framework of governance, risk management and control, which underpin the delivery of all priorities.

4.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial		X	
Staffing		X	
Equalities and Fairer Duty Scotland		X	
Children and Young People's Rights and Wellbeing		X	
Climate Change and Sustainability		X	
Health and Wellbeing		X	
Town Centre First		X	

4.3 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken, because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no direct impact as a result of this report.

4.4 There are no staffing or financial implications arising directly from this report.

4.5 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 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.

4.6 Recommendations are risk assessed and graded by Internal Audit as set out in Appendix A.

5 Scheme of Governance

5.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

5.2 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance

as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

CHIEF INTERNAL AUDITOR

Report prepared by Jamie Dale, Chief Internal Auditor
1 April 2024

List of Appendices

Appendix A – Internal Audit Update Report



Internal Audit

Audit Committee Internal Audit Update Report April 2024

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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 summaries of these are provided to the Audit 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 Audit Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2023/24 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:

- Four audits have been finalised.
- 10 audit recommendations have been closed, with 18 progressing for future follow up.

1.3 Action requested of the Audit Committee

The Audit 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 2023/24 Audits

Service	Audit Area	Position
Business Services	Resettlement and Integration	Review In Progress
Business Services	Financial Sustainability	Review In Progress
Business Services	Compliance with Procurement Regulations	Review In Progress
Business Services	City Region Deal	Review In Progress
Business Services	System Licences	Final Report Issued
Business Services	Digital Strategy and Wider Change	Review In Progress
Business Services	workSTYLE	Review In Progress
Business Services	Voluntary Severance	Review In Progress
Business Services	Fixed Asset Register	Final Report Issued
Business Services	Cyber Resilience	Final Report Issued
Council Led HSCP Services	Self-Directed Support Payments	Review In Progress
Council Led HSCP Services	Social Care Commissioning – Support at Home	Review In Progress
E&CS	Children with Disabilities	Review In Progress
E&CS	Devolved School Management (Secondary)	Review In Progress
E&I	Planning Enforcement	Final Report Issued
E&I	Housing Void Controls	Review In Progress
IJB	IJB Asset Management	Review In Progress

2.2 Audit reports presented to this Committee

2.2.1 Audit reports

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
2331 – System Licences	2023/24	Service	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to be providing REASONABLE assurance that adequate control is being exercised over the Council's use of licences across its suite of systems.</p> <p>Although there are limited corporate controls over system licencing, Service implemented controls generally provide reasonable assurance that licences are controlled for higher risk systems. However, exceptions were identified where licence numbers are potentially being exceeded, and current controls are insufficient to ensure this is identified and corrective action taken timeously e.g. in advance of a supplier audit or contract renewal.</p>

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
				<p>Individual services hold information regarding their systems, licences, and users. However, contract information, terms and conditions are not held consistently in an accessible format to provide overall assurance over compliance. A central inventory of system licences, developed in response to the last audit of this area in 2021, was over two years out of date with no process to update it regularly. There is therefore a risk that information is incomplete.</p> <p>Compliance monitoring varies between systems and services. System access and licence arrangements are often only reviewed at the point a contract renewal is required, and such reviews are not well documented. A proportionate, risk-based, scalable process is required to ensure all software in use is appropriate, remains fit for purpose, and offers value for money. Regular monitoring is needed to provide assurance over compliance with the Council's Mandatory Code of Practice for IT Asset Management, and with licence terms and conditions.</p> <p>Whilst it is acknowledged that system ownership, and implementation of revised processes will require to be delegated to services / business system owners, the role of IT in developing and supporting these processes is critical to providing corporate assurance over this area.</p>
2427 – Cyber Resilience	2023/24	Strategic	Moderate	<p>The level of net risk is assessed as MODERATE, with control framework deemed to provide REASONABLE assurance over the Council's Cyber Resilience.</p> <p>This report is considered exempt. The full executive summary is available in the individual report.</p>
2426 – Planning Enforcement	2023/24	Service	Minor	<p>The level of net risk is assessed as MINOR, with the control framework deemed to provide SUBSTANTIAL assurance over the effectiveness of processes in place in respect of planning enforcement. Substantial assurance has been taken over the following aspects: Written Procedures and Documentation.</p>

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
				<p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Consistent Processing, Scope for Automation, Review and Approval, and Performance Data. Recommendations have been made to address the noted points and support Management to strengthen the framework of control.</p>
2428 – Fixed Asset Register	2023/24	Strategic	Moderate	<p>The level of net risk is assessed as MODERATE, with the control framework deemed to provide REASONABLE assurance over the Council's Fixed Asset Register.</p> <p>The Fixed Asset Register (FAR) is used to record the Council's non-current assets, which are expected to be retained in use for more than one financial year. These include council dwellings; other land and buildings; vehicles, plant, and equipment; infrastructure assets; community assets; surplus assets, assets held for sale; assets under construction; investment properties; heritage assets and intangible assets. These assets will be recognised in the Council's financial accounts after capital expenditure has been incurred to create or enhance them, will be depreciated / amortised in line with the Council's accounting policies, and where applicable are subject to revaluation at least once every five years.</p> <p>The total value of non-current assets in the register as at 31 March 2023, as reflected in the unaudited annual accounts, was approximately £2.433b (2022: £2.328b). Given the value of the Council's fixed asset portfolio, it is a significant line item in the annual accounts and as such a focus of External Audit. This report refers to findings of External Audit as part of their 2022/23 review. It is not the intention of Internal Audit to mirror the work of External Audit and instead where the same conclusions have been drawn, reference is made to show the consistent issues. Where External Audit has made recommendations to improve the framework of control, the recommendations in this report are</p>

Report Title	Assurance Year	Risk Level	Net Risk Rating	Conclusion
				<p>seen as complementary and corrective actions and improvements carried out in unison. Internal Audit does not expect any duplication of efforts between the outputs of this review and that of External Audit.</p> <p>An experienced team within Finance prepare and monitor capital budgets in consultation with relevant service managers and this work and attendance at relevant service meetings, such as asset disposal meetings, helps ensure maintenance of records required for updating the Fixed Asset Register at year end. Comprehensive guidance is available to relevant Finance staff on the use of the FAR. In addition, clear capital expenditure guidance is available to Council staff via the Finance Hub.</p> <p>System outputs reviewed during the audit, were in line with the CIPFA code of practice on local authority accounting requirements, based on system inputs (e.g. depreciation charge based on useful life and depreciation method).</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: System Functionality, Completeness and Existence, Historic Assets, and Capital Expenditure from Current Revenue (CFCR).</p> <p>Recommendations have been made to address the above risks and enhance controls, including working with the system supplier to address system functionality concerns and increasing the frequency of year end processes where possible, such as CFCR reviews, to reduce workload at year end. In addition, it is recommended Service engagement on recorded assets is recommended to gain assurance over existence of expired assets and completeness.</p>

Section 3 Grading of Recommendations provides the definitions of each of the ratings used.

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 31 January 2024 (the baseline for our exercise), 28 audit recommendations were due and outstanding:

- One rated as Major
- 20 rated as Moderate
- Seven rated as Minor

As part of the audit recommendations follow up exercise, 10 audit recommendations were closed:

- One rated as Major
- Four rated as Moderate
- Five rated as Minor

The position going forward is that of 18 outstanding audit recommendations¹:

- 16 rated as Moderate
- Two rated as Minor

For the 18 outstanding recommendations, updates have been provided by Management for 15, new implementation dates agreed and discussions ongoing to support their implementation. For the remaining three, no response was provided by Management.

Section 4 Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

¹ This is the position with regards to recommendations that were due as at 31 December 2024. 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 Grading of Recommendations

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Directorate	This issue / risk level has implications at the directorate 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 directorate.
Service	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.
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.

4 Audit Recommendations Follow Up – Outstanding Actions

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
222 – Confirm System	2.8.3	The Service should ensure there are business continuity and disaster recovery plans in place for the Confirm system.	Minor	Dec-23	Dec-23	No update provided.	No Update Provided
2227 – GDPR	2.9.5 i	All Services should identify the need for Data Sharing Agreements where sensitive and high-volume personal data is routinely shared and collaborate with the respective partner organisations.	Moderate	Dec-23	Dec-23	No update provided.	No Update Provided
1901 – School Repairs Maintenance	2.3.3	The Service should review repairs and maintenance expenditure to ensure future budgets are appropriate	Moderate	Dec-23	Dec-23	No update provided.	No Update Provided
2315 – PREVENT	1.5	A data sharing agreement covering sharing of Prevent concerns and personal data related to the PMAP process should be established with relevant partners.	Minor	Dec-23	Apr-24	Under review with Police Scotland	In Progress
2315 - PREVENT	1.4a	The Council's specific point of contact for Prevent should confirm Prevent expectations for Council suppliers and recipients of Council grants to C&PSS and Finance and the relevant suppliers / grant recipients expected to comply with Prevent requirements.	Moderate	Dec-23	Jun-24	New Home Office Liaison Officer for Scotland to clarify expectations for local authorities.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
1924 – Budget Setting, Monitoring and Financial Reporting	2.1.5	The Partnership should document procedures setting out the requirements of and controls which govern its budget setting, monitoring and reporting processes.	Moderate	Dec-23	Mar-24	Unfortunately the extension requested for this recommendation has not provided enough time over winter to complete this task. Meetings are in place with Finance managers and partner organisations to ensure this recommendation is implemented for the start of financial year 2024/25 and on that basis an extension to 31 March 2024 is requested.	In Progress
AW1801 – Community Hospital & Home Care Staff Costs	2.2.4	The Service should ensure budgets are aligned with the required establishments under the relevant model.	Moderate	Jan-24	Mar-24	Work is continuing with NHSG Finance colleagues and the Partnership/Location/Nursing managers to align budgets, with work ongoing in the North area, followed by completion of the work in Central and South locations. Discussions have been scheduled with Internal Audit to discuss closure. Similarly this requires to be in place for start of financial year 2024/25 and on that basis an extension to 31 March 2024 is requested.	In Progress
2405 – Pre School Commissioned Places	1.3b	Census returns in support of payments should be saved outwith the email system.	Moderate	Nov-23	Mar-24	This has not been possible to implement as yet, as there isn't the admin capacity. Due to service changes that are taking place by July 2024, it will be possible to implement this change/process.	In Progress
2229 – Community & Cultural Facilities	2.5.3	The agreement between MACBI and the Council should be finalised and signed by both parties.	Moderate	Jan-24	Mar-24	Chasers have been sent to MACBI but still waiting on a response	In Progress
2316 – Primary School Visits	1.1	The Service should put in place a comprehensive training package to allow new employees to the Council to undertake their required role within the school.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
2316 – Primary School Visits	1.2	The Service should ensure staff are fully aware of what works require to be processed through the Property helpdesk and comply with Property and Facilities guidance.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2230 – Elderly Residential Care	2.6.8	The Service should ensure timesheets align with rota information and any variations are investigated and addressed prior to authorising their payment. The Service should review rota procedures to ensure they are appropriate and consistent with requirements and across care homes. The Service should review the potential overpayments with Payroll and recover as appropriate.	Moderate	Dec-23	Mar-24	Work is continuing and on that basis an extension to 31 March 2024 is requested.	In Progress
2311 – IT in Schools	1.3a	The Service should establish a system of central monitoring for laptops, desktops and tablets issued to schools. This process should enable their use to be monitored to facilitate reallocation of underutilised devices and to facilitate identification of any missing devices.	Moderate	Dec-23	Jul-24	Jamf Mobile Device Management system is now in place for iPads and we are working towards Macbooks being managed in the same way. Chromebooks are managed through Glow and Gsuite. Laptops and desktops are managed by IT, through Microsoft Entra (formerly Azure). LoveLearning now receives a list of disposed iPads from IT and is working to ensure the same methodology is in place for Chromebooks. This also helps to recover unused licences. Desktops and laptops are managed by IT.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
2316 – Primary School Visits	1.3a	Those managing the QA process should ensure all staff issued with a record of retrospective orders should fully respond with their reasons.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2316- Primary School Visits	1.3b	Schools should be made aware that failure to raise an order in advance of the goods/services being received is a breach of Financial Regulations, which has to be corrected to avoid reoccurrence. The Service should analyse the reasons for no compliance and put procedures in place to mitigate these issues.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2316 – Primary School Visits	1.4	The Service should ensure all establishments are complying with Financial Regulations and inventory guidance relating to inventories.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress
2316 – Primary School Visits	1.5	The Service should ensure staff comply with the arrangements set out in the Administrators Handbook in relation to the school fund.	Moderate	Dec-23	Mar-24	Training will be planned for admin staff during March 2024. All aspects of the relevant recommendations will be covered at this training. There is also a group reviewing the admin post within schools and this will be coordinated with this review, working alongside colleagues in Resources and Performance team within ECS.	In Progress

Report	Ref	Recommendation	Grading	Original Due Date	Current Due Date	Committee Update	Status
2322 – Risk Management	1.1	Management should work to deliver the roll out of the new approach to Risk Management. Work should then become cyclical to embed this further across the Council and develop on the baseline that has been established.	Moderate	Dec-23	Jun-24	All service Risk Registers are on Pentana and Services have been asked to complete the review of these by 4th June 2024.	In Progress

REPORT TO AUDIT COMMITTEE – 17 APRIL 2024

INTERNAL AUDIT REPORTS

1 Executive Summary/Recommendations

1.1 The purpose of this report is to advise the Committee of the outcomes of completed audits. Public Sector Internal Audit Standards require the Internal Audit report the results of its activities to the Board. In Aberdeenshire Council, this is the Audit Committee. This report helps satisfy the requirement.

1.2 Recommendation

The Committee is recommended to:

1.2.1 Review, discuss and comment on the issues raised within this report and the attached appendices.

2 Decision Making Route

2.1 The results from individual audit activities detailed in Section 3, below, have not previously been considered by this, or another Committee, except for any outputs relating to audits contained in the Aberdeenshire Integration Joint Board Internal Audit Plan. In such cases, the output will have been considered by the Aberdeenshire Integration Joint Board Audit Committee prior to being considered by this Committee.

3 Discussion

Internal Audit Reports

3.1 The following Internal Audit reports have been finalised and agreed with services since the Audit Committee's last meeting:

- **Internal Audit Report 2431 – System Licences – February 2024 – See Appendix A**
- **Internal Audit Report 2426 – Planning Enforcement – February 2024– See Appendix B**
- **Internal Audit Report 2428 – Fixed Asset Register – March 2024 – See Appendix C**

4 Council Priorities, Implications and Risk

4.1 The work of Internal Audit covers all of the Council's Priorities. It aims to provide assurance over the adequacy and effectiveness of the Council's framework of governance, risk management and control, which underpin the delivery of all priorities.

4.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial		X	
Staffing		X	
Equalities and Fairer Duty Scotland		X	
Children and Young People's Rights and Wellbeing		X	
Climate Change and Sustainability		X	
Health and Wellbeing		X	
Town Centre First		X	

4.3 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken, because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no direct impact as a result of this report.

4.4 There are no staffing or financial implications arising directly from this report.

4.5 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 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.

4.6 Recommendations are risk assessed and graded by Internal Audit as set out in Appendix D.

5 Scheme of Governance

5.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

5.2 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

CHIEF INTERNAL AUDITOR

Report prepared by Jamie Dale, Chief Internal Auditor
14 March 2024

List of Appendices

Appendix A – Internal Audit Report 2431 – System Licences

Appendix B – Internal Audit Report 2426 – Planning Enforcement

Appendix C – Internal Audit Report 2428 – Fixed Asset Register

Appendix D – Grading of Recommendations

Appendix A

Internal Audit Report 2431 – System Licences

Overall opinion

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

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

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to be providing **REASONABLE** assurance that adequate control is being exercised over the Council's use of licences across its suite of systems.

Although there are limited corporate controls over system licencing, Service implemented controls generally provide reasonable assurance that licences are controlled for higher risk systems. However, exceptions were identified where licence numbers are potentially being exceeded, and current controls are insufficient to ensure this is identified and corrective action taken timeously e.g. in advance of a supplier audit or contract renewal.

Individual services hold information regarding their systems, licences, and users. However, contract information, terms and conditions are not held consistently in an accessible format to provide overall assurance over compliance. A central inventory of system licences, developed in response to the last audit of this area in 2021, was over two years out of date with no process to update it regularly. There is therefore a risk that information is incomplete.

Compliance monitoring varies between systems and services. System access and licence arrangements are often only reviewed at the point a contract renewal is required, and such reviews are not well documented. A proportionate, risk-based, scalable process is required to ensure all software in use is appropriate, remains fit for purpose, and offers value for money. Regular monitoring is needed to provide assurance over compliance with the Council's Mandatory Code of Practice for IT Asset Management, and with licence terms and conditions.

Whilst it is acknowledged that system ownership, and implementation of revised processes will require to be delegated to services / business system owners, the role of IT in developing and supporting these processes is critical to providing corporate



assurance over this area.

Severe or major issues/risks

No severe or major issues/risks were identified as part of this review.

Management response

The report is welcomed as a way to provide further assurance of the Council's compliance with our software licencing terms. The recommendations are helpful and are already being acted upon. Ensuring the council's compliance is a critical activity and we are investing time and resources to ensure we have the appropriate processes and reviews in place to ensure our compliance with the appropriate terms in the areas that fall within IT's remit and responsibility.

The report highlights that some of the areas for improvement are out with the scope and responsibility of IT and will require the acceptance by services of the need to comply with the agreed processes in order to ensure compliance.

Appendix B

Internal Audit Report 2426 – Planning Enforcement

Overall opinion

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

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

Risk Level	Definition
Service	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.

Assurance assessment

The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the effectiveness of processes in place in respect of planning enforcement. Substantial assurance has been taken over the following aspects:

- **Written Procedures** – These are generally comprehensive and up to date. For customers, clear information is set out online and in the Council’s Planning Enforcement Charter.
- **Documentation** – Enforcement practice, including the steps taken, and the reasons for action, or not to act, is generally well documented, with detailed records held on the planning enforcement system.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Consistent Processing** – Variations from standard practice are not always clearly documented. These should be confirmed by management either on a case by case basis, or documented in written procedures.
- **Scope for Automation** – Although comprehensive records are maintained on the planning enforcement system, much of the data is being processed offline using alternative means. There may be scope for greater use of the system and process automation to enhance efficiency, and to provide assurance that all cases are being progressed to a satisfactory conclusion.
- **Review and Approval** – Cases can be closed on the instruction of a Senior Planner with no review by another Officer. Whilst no issues were identified during audit review of a sample of cases, there is a risk of cases being closed inappropriately, which could be mitigated through secondary review.



- **Performance Data** –The Service is not monitoring and reporting on delivery against all of the performance standards set out in the Planning Enforcement Charter. Improved data and monitoring, and system / process improvements, would provide more assurance that standards are being met.

Recommendations have been made to address the noted points and support Management to strengthen the framework of control.

Severe or major issues / risks

No severe or major issues/risk were identified as part of this review.

Management response

The Planning Service acknowledges and welcomes the findings of the internal audit which demonstrate a sound system of governance within planning enforcement. A well-developed series of written procedures and processes for staff is recognised alongside clear and well understood information for customers on the Council's website and in the Planning Enforcement Charter. The findings reflect the significant work undertaken by the team since the previous internal audit in 2016/17 to put a sound framework in place for planning enforcement.

However, it is acknowledged there is further work to do. As part of continuous improvement, the Service accepts the recommendations for improvement. Process guidance will be reviewed and updated, alongside a review of the opportunities for a more automated 'end to end' data management process, and a review of performance standards.

Appendix C

Internal Audit Report 2428 – Fixed Asset Register

Overall opinion

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

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

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's Fixed Asset Register.

The Fixed Asset Register (FAR) is used to record the Council's non-current assets, which are expected to be retained in use for more than one financial year. These include council dwellings; other land and buildings; vehicles, plant, and equipment; infrastructure assets; community assets; surplus assets, assets held for sale; assets under construction; investment properties; heritage assets and intangible assets. These assets will be recognised in the Council's financial accounts after capital expenditure has been incurred to create or enhance them, will be depreciated / amortised in line with the Council's accounting policies, and where applicable are subject to revaluation at least once every five years.

The total value of non-current assets in the register as at 31 March 2023, as reflected in the unaudited annual accounts, was approximately £2.433b (2022: £2.328b). Given the value of the Council's fixed asset portfolio, it is a significant line item in the annual accounts and as such a focus of External Audit. This report refers to findings of External Audit as part of their 2022/23 review. It is not the intention of Internal Audit to mirror the work of External Audit and instead where the same conclusions have been drawn, reference is made to show the consistent issues. Where External Audit has made recommendations to improve the framework of control, the recommendations in this report are seen as complementary and corrective actions and improvements carried out in unison. Internal Audit does not expect any duplication of efforts between the outputs of this review and that of External Audit.

An experienced team within Finance prepare and monitor capital budgets in consultation with relevant service managers and this work and attendance at relevant service meetings, such as asset disposal meetings, helps ensure maintenance of records required for updating the Fixed Asset Register at year end. Comprehensive



guidance is available to relevant Finance staff on the use of the FAR. In addition, clear capital expenditure guidance is available to Council staff via the Finance Hub.

System outputs reviewed during the audit, were in line with the CIPFA code of practice on local authority accounting requirements, based on system inputs (e.g. depreciation charge based on useful life and depreciation method).

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **System Functionality** – Enquiries of Finance concluded that the Council's FAR is generally fit for purpose and is an improvement on the previous system. However, some system functionality issues exist. External Audit experienced challenges using the system's output since it did not produce a single report meeting their needs which reconciled directly to the financial statements, with manual adjustments required in the related working papers. In addition, whilst Finance has five user licenses, only one user can update the FAR at any given time restricting the rate of system updates at year end. Also, large year-end spreadsheet journal files require manual update of subjective financial codes prior to upload to the general ledger, risking manual data entry error.
- **Completeness and Existence** – Finance normally seeks assurance over recorded assets, including expired assets requiring removal from the FAR, from the relevant Service Managers, by circulating reports of recorded assets to verify accuracy. However, this process was not completed in 2022/23 risking completeness of recorded assets as well as overstated cost and accumulated depreciated where assets no longer exist – a risk highlighted by External Audit in 2022/23. It should be noted the lack of existence checks has no impact on net book value balance sheet figures but may overstate the gross carrying amount and accumulated depreciation in the related note to the Annual Accounts where expired assets are not removed where required.
- **Historic Assets** – It was also noted one (10%) of ten fixed assets reviewed, understood to be owned by the Council, based on feedback from the Historic Environment team during this review, was not recorded in the FAR since a title search had not been undertaken to confirm this. It is correct that the asset is not recorded in the FAR until ownership has been confirmed however in the interests of ensuring adequate asset management and insurance arrangements, it would be beneficial if ownership of such assets was verified, and the fixed asset register updated where necessary. It should be noted that this may not have a material impact on the value of assets recorded in the FAR/Annual Accounts due to the historic nature of these assets depending on the classification and measurement basis. In addition, Finance advised, like certain community assets, the ownership verification process for such assets can be a costly and lengthy one, so this should be considered as part of any potential review of these assets.
- **Capital Expenditure from Current Revenue (CFCR)** – Finance CFR guidance clearly describes revenue expenditure capitalisation requirements by asset class. However, two (29%) of seven revenue expenses reviewed were not capitalised as required. This included a cold-water storage tank (£14k) and installation of a heavy duty stairlift (£6k). The Capital Finance team made necessary year end enquiries based on information available however a



response was not provided for one charge to confirm capitalisation, and another was not enquired upon due to an unclear invoice description in the general ledger. Where CFCR is not capitalised, the cumulative effect of this risks misstatement to the annual accounts, albeit the risk of material misstatement is low.

Recommendations have been made to address the above risks and enhance controls, including working with the system supplier to address system functionality concerns and increasing the frequency of year end processes where possible, such as CFCR reviews, to reduce workload at year end. In addition, it is recommended Service engagement on recorded assets is recommenced to gain assurance over existence of expired assets and completeness.

Severe or major issues/risks

No severe or major issues/risks were identified as part of this review.

Management response

It is encouraging to receive a Reasonable Assurance grading. The internal audit report aligns with the concerns highlighted by the External Auditor during the year-end review of the annual accounts. The Finance service acknowledges and appreciates this thorough approach to scrutinising a substantial aspect of the council's operations. It's noteworthy that a significant portion of the assets listed in the asset register is backed by borrowing. Therefore, it is deemed fitting to ensure precise accounting for all these assets.

Finance empathises with the shared frustration expressed by both external and internal audit regarding the constraints of the off-the-shelf asset register and will continue to explore options with the system provider to develop information that meets the needs of all stakeholders.



Appendix D

Grading of Recommendations

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Directorate	This issue / risk level has implications at the directorate 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 directorate.
Service	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.
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.

REPORT TO AUDIT COMMITTEE – 17 APRIL 2024

EXTERNAL AUDIT – ANNUAL AUDIT PLAN 2023/24

1 Executive Summary/Recommendations

- 1.1 The external auditor's plan for the 2023/24 financial year is included at Appendix 1. This is the second year of Grant Thornton's appointment as the Council's external auditors.
- 1.2 The programme of work within the plan is set in accordance with Audit Scotland's Code of Audit Practice which applies to all public sector audits in Scotland. The plan sets out the audit fees and the necessary assurances which the auditors will require to support their opinions on the council's financial statements, the council's charitable trusts financial statements and the wider scope audit responsibilities.
- 1.3 International Auditing Standards require an external auditor to communicate with those charged with governance the responsibilities of the auditor in relation to the financial statements audit, and an overview of the planned scope and timing of the audit. For the council, the audit committee is regarded as those charged with governance.
- 1.4 **The Committee is recommended to:**

Review, discuss and note the external auditor's annual audit plan which covers the 2023/24 audit.

2 Decision Making Route

- 2.1 The report sets out the auditors' plans in respect of the 2023/24 audit and covers both the audit of the council's financial statements and the auditors' wider scope responsibilities.
- 2.2 The report was shared with the Director of Business Services and the Head of Finance for comment and feedback. The external auditor's engagement with the Council is through the Audit Committee.

3 Discussion

- 3.1 The auditors' assessment of materiality is set out on page 4, with planning materiality set at £18.000 million for the Council and £18.150 million for the Group. This is an increase from the 2022/23 materiality levels of £16.800 million for the Council and £16.850 million for the Group as a result of an increase in the Council's gross expenditure. As a change to previous years, the trivial threshold is no longer capped at £250,000 as per Audit Scotland guidance, and as such, the auditors have set this at £900,000 for the Council and £907,500. A lower materiality of £25,000 will be used on senior officers' salaries. Grant Thornton

has confirmed that there will be no change in their audit approach as a result of the increase in the trivial threshold, however, they will not report any issues below this threshold to the Audit Committee.

- 3.2 The report includes the auditors’ assessment of the significant risks impacting on the 2023/24 audit (pages 11 – 15 ‘Significant audit risks’). These are consistent with the significant audit risks identified in the 2022/23 audit.
- 3.3 The report includes the scope of the wider scope and best value audit (pages 34 to 37). For 2023/24, the auditors are required to carry out work and report on the Best Value thematic “workforce innovation – how councils are responding to workforce challenges”. The auditors will also perform specific work as requested by the Accounts Commission on the Council’s statutory performance reporting and follow up on all recommendations made by previous Best Value reporting and the auditors 2022/23 Annual Audit Report.
- 3.4 The overall audit fee for the 2023/24 audit is as follows, which is line with the fee notification from Audit Scotland. This is in excess of the budgeted audit fee (£439,800 budgeted for 2024/25), therefore the excess pressure will need to be accommodated within the overall Finance Service budget.

	2023/24 (£)	2022/23 (£)
Auditors remuneration	318,180	300,170
Audit variation	-	114,000
Contribution to Audit Scotland Performance Audit and Best Value (PABV) costs	98,820	95,580
Contribution to Audit Scotland pooled costs	11,600	11,380
Sectoral cap adjustment	60,420	54,230
Total Council Audit Fee	489,020	575,360
Audit of charitable trusts	12,720	12,000
Total Cost	501,740	587,360

- 3.5 The report sets out the audit timeline (page 8), with a target date for reporting back to the Audit Committee and final Annual Audit Report of September 2024.
- 3.6 The report also sets out progress against the recommendations being reported in the 2022/23 annual report (pages 21 – 33).

4 Council Priorities, Implications and Risk

- 4.1 This report helps deliver all six of the Council’s Strategic Priorities and the underlying principle of “right people, right places, right time”.

Pillar	Priority
Our People	Learning for Life Health & Wellbeing
Our Environment	Climate Change Resilient Communities
Our Economy	Economic Growth

	Infrastructure and public assets
--	----------------------------------

4.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	
Equalities and Fairer Duty Scotland		X	
Children and Young People's Rights and Wellbeing		X	
Climate Change and Sustainability		X	
Health & Wellbeing		X	
Town Centre First		X	

4.3 The proposed audit fee currently exceeds the budgeted audit fee by £61,940. This will need to be managed as part of the overall Finance budget.

4.4 There are no direct staffing implications arising from this report.

4.5 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken. This report is for Committee to discuss and comment on external audit's annual audit plan for the financial year 2023/24. There will be no direct impact as a result of this report.

4.6 The external audit process considers financial statement risks and wider audit dimension risks and sets them out in the annual audit plan. Any audit risks identified are detailed in the external auditor's interim management report and/or annual audit report. Recommendations are made to address the identified risks and follow up work is undertaken by the auditor to assess progress against agreed management actions. Follow up activity and progress against actions is reported to the Audit Committee.

4.7 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures (Corporate Risk Register).

- ACORP001 – budget pressures
- ACORP004 – business and organisation change (including ensuring governance structures support change; managing the pace of change)
- ACORP006 – reputation management including social media

5. Scheme of Governance

5.1 The Head of Finance and Monitoring Officer within Business Services has been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.

- 5.2 The Committee is able to consider this item in terms of Sections G.1.1.b and G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for managing all aspects of the council's relationship with its external auditors.

Rob Simpson, Director of Business Services

Prepared by: Karlyn Watt, Strategic Finance Manager
Date: March 2024

List of Appendices

Appendix 1: Aberdeenshire Council External Audit Plan 2023/24

Aberdeenshire Council External Audit Plan

Financial year ending 31 March 2024

March 2024



Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the organisation or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

Purpose

This document provides an overview of the planned scope and timing of the external audit of Aberdeenshire Council for those charged with governance.

We are appointed by the Accounts Commission as the external auditors of Aberdeenshire Council for the five-year period from 2022/23 to 2026/27.

Respective responsibilities

Audit Scotland has issued an updated Code of Audit Practice ('the Code') covering this audit appointment period. There are no significant changes in the scope of our work compared to the previous 2016 Code. However, the 2021 Code applies the requirement to communicate key audit matters to all bodies, but requires them to be reported in the Annual Audit Report.

The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities, and that of the Aberdeenshire Council are summarised in Appendix 1 of this Audit Plan. We draw your attention to this and the Code.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on Aberdeenshire Council's financial statements, which have been prepared by management with the oversight of those charged with governance (the Aberdeenshire Council Audit Committee). Our audit of the financial statements does not relieve management or the Aberdeenshire Council Audit Committee of your responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and properly accounted for. As part of our wider scope and Best Value work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of Aberdeenshire Council and is risk based.



Plan overview

The audit plan sets out our risk based audit approach for Aberdeenshire Council. This plan outlines our initial risk assessment and is reported to those charged with governance; the Aberdeenshire Council Audit Committee and will be shared with Audit Scotland.

01 Materiality

We have calculated our planning materiality using prior year gross expenditure as per audited 2022/23 financial statements as our benchmark, resulting in the following:

- £18.000 million planning materiality (Group: £18.150 million). Trivial is no longer capped at £250,000 as per Audit Scotland guidance, and we have set this at £900,000 (Group: £907,500).
- A lower materiality of £25,000 will be used on senior officer salaries.
- We will revisit our materiality throughout our audit including updating to reflect the draft unaudited financial statements for 2023/24.

02 Financial statement audit

At planning, in accordance with the ISA's (UK) and Practice Note 10 (Revised 2020)

'The Audit of Public Sector Financial Statements' issued by the Public Audit Forum we have identified the following significant financial statement audit risks:

- Management override of controls (ISA (UK) 240);
- Risk of Fraud in Expenditure (as recommended in Practice Note 10)
- Valuation of land, buildings and Council dwellings (valuation);
- Valuation of defined benefit pension scheme (valuation).

Two revised Auditing Standards (ISA (UK) 315 (Revised July 2020) ISA (UK) 240 (Revised May 2021)) were applicable to your audit for the first time in 2022/23. Further detail on the impact of these revised standards is set out in the appendices.

03 Group audit scope and risk assessment

In accordance with ISA (UK) 600, as Group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process in order to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Through our audit planning procedures we consider Aberdeenshire Council as the only component to be "individually financially significant" to the Aberdeenshire Council Group, with Aberdeenshire IJB considered to be "not significant but material". We therefore plan a full scope audit of the Council using a component specific materiality, and will apply group

(continued overleaf)

Plan overview - continued (1)

materiality when performing specific audit procedures over material balances recognised and held by Aberdeenshire IJB.

Analytical procedures will be performed using group materiality on all other consolidated balances.

04 Wider Scope and Best Value Audit

In accordance with the Code, our planning considers the wider scope and Best Value areas of audit.

We have identified significant wider scope risks on the following audit dimensions as part of our planning work to date:

- Financial sustainability

As part of our integrated wider-scope work we also use a risk-based approach to assess and report on whether Aberdeenshire Council has made proper arrangements for securing Best Value and is complying with its community planning duties.

For 2023/24 we are required to carry out work and report on the Best Value thematic 'workforce innovation – how councils are

responding to workforce challenges'.

We will also perform specific work as requested by the Accounts Commission on the council's statutory performance reporting and follow up on all recommendations made by previous Best Value reporting and our 2022/23 Annual Audit Report.

05 Other audit matters

We summarise other audit matters for Aberdeenshire Council Committee awareness. This includes:

- Consideration of going concern in accordance with Practice Note 10.
- Certification of the Housing Benefit and NDR grant claims and returns.
- Completing Assurance Statements on Whole of Government.
- In accordance with the Code and planning guidance we also required to complete and submit a number of information returns and other deliverables to Audit Scotland during the year.

06 Our Audit Fee

The overall audit fee for 2023/24 is £499,620. Of this external auditor remuneration is £318,180. The remainder includes a contribution to Audit Scotland for £98,820 for Performance Audit and Best Value (PABV) costs, a contribution of £11,600 to Pooled Costs and £60,420 for the sectoral cap adjustment.

We anticipate there may be additional costs in relation to employment of an auditor expert to assist with the audit of the valuation of land and buildings. We will discuss any additional costs with management and confirm the final audit fee within our Annual Audit Report.

An additional fee of £10,600 +VAT will be charged for the audit of the trust funds falling within section 106 of the Local Government (Scotland) Act 1973 that are registered as charities with the Office of the Scottish Charities Regulator (OSCR).

Audit fees are paid to Audit Scotland who in turn pay Grant Thornton UK LLP. We reserve
(continued overleaf)

Plan overview - continued (2)

the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

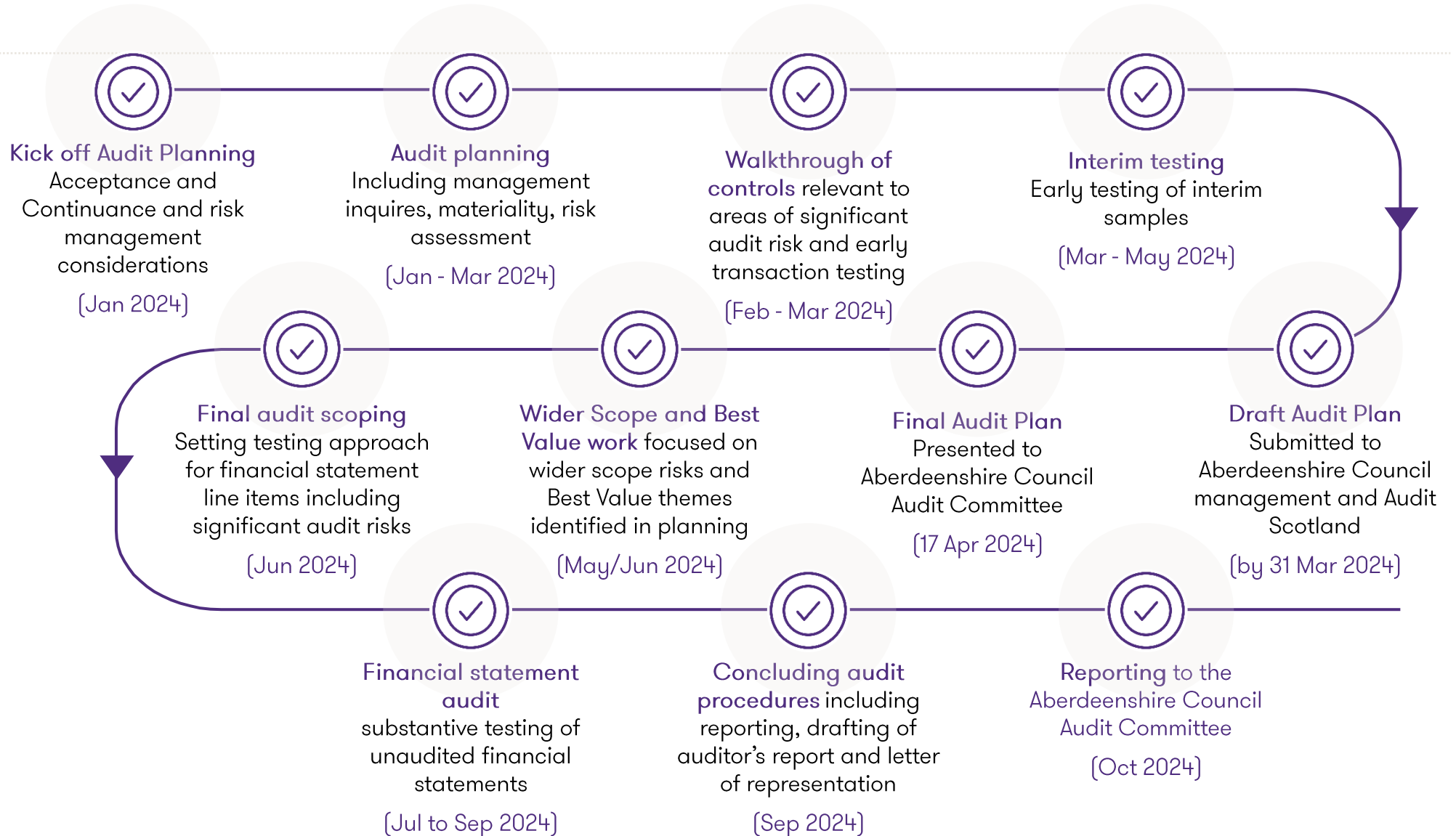
07 Adding Value Through the Audit

Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials. We use our LEAP audit methodology and data analytics to ensure delivery of a quality audit.

08 Planning status

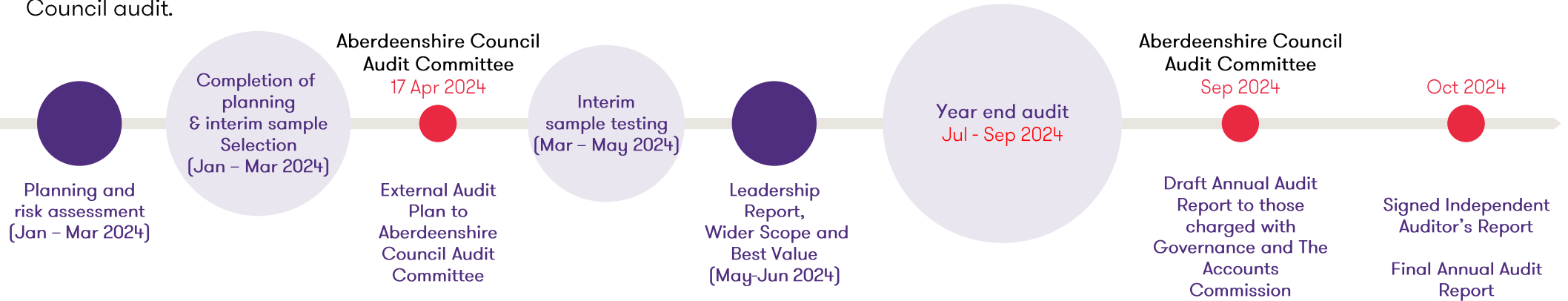
To date, we have completed the majority of our planning phase audit work. However, we have not been able to complete our assessment of the processes and controls surrounding the property, plant and equipment valuations as the Council has not yet confirmed their approach for the 31 March 2024 valuations.

Audit approach



Audit timeline

The target dates specified by Audit Scotland for submission of audit Plans, audited accounts and the Annual Audit Report have been brought forward in the 2021 Code. We are required to submit audit plans to Audit Scotland by 31 March 2024, and it is anticipated that we will submit audited accounts and the Annual Audit Report by 30 September 2024. We have set out below our planned timescales for the Aberdeenshire Council audit.



Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging our other audit engagements. Where additional resources are needed to complete the audit due to a client not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

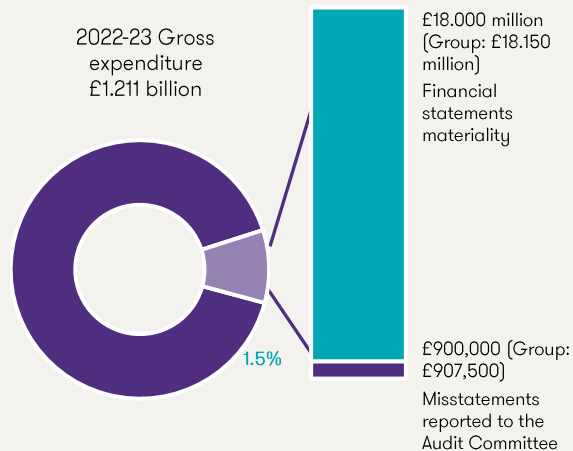
Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft accounts, comprising financial statements and related reports, of good quality, by the deadline you have agreed with us
- prepare good quality working papers which support the figures included in the financial statements, in line with the working paper requirements schedule that we have shared with you, and make these available to us at the start of the year end audit visit
- provide all agreed data reports to us at the start of the audit, which are fully cleansed and reconciled to the figures in the financial statements
- ensure that all appropriate staff are available to us for queries over the planned period of the audit, or as otherwise agreed
- respond promptly and appropriately to all audit queries, within agreed timescales.

Materiality

Financial statement materiality is determined based on a proportion of gross expenditure. We have determined **planning materiality** to be £18.000 million (Group: £18.150 million), which equates to approximately 1.5% of gross expenditure as per the 2022-23 audited financial statements.



Performance materiality represents the amount set for the financial statements, as a whole, to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. We use this to determine our testing approach to the financial statements. We have set this at 65% of planning materiality (Council: £11.700 million, Group: £11.800 million). This is based on our understanding of Aberdeenshire Council and our overall risk assessment procedures.

Materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We apply a separate lower materiality level of £25,000 to the senior manager salaries set out in the remuneration report.

Under ISA 260 (UK) ‘Communication with those charged with governance’, we are required by auditing standards to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. Audit Scotland have removed the requirement to cap this at £250,000, and we have determined triviality to be 5% of planning materiality (Council: £900,000, Group: £907,500).

We will update our materiality based on the unaudited 2023/24 financial statements when received in June 2024. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality.

Group audit scope and risk assessment

In accordance with ISA (UK) 600 (Revised November 2019) ‘Audits of Group Financial Statements (including the Work of Component Auditors)’, as Group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process in order to express an opinion on whether the group financial statements present a true and fair view and have been prepared, in all material respects, in accordance with the applicable financial reporting framework.

The Aberdeenshire Council group consists of the following bodies:

Subsidiaries

- Common Good Funds
- Create Homes Aberdeenshire LLP
- Trusts and endowments for which the Council is the sole trustee

Associates

- Aberdeenshire IJB
- North East of Scotland Transport Partnership (NESTRANS)
- Grampian VJB

There were no key changes in the group in 2023/24 from 2022/23.

We consider Aberdeenshire Council to be the only “individually financially significant” component of the group. We will therefore carry out a full scope audit of Aberdeenshire Council, using Aberdeenshire Council’s materiality, and apply group materiality

when performing specific audit procedures over material balances recognised and held by Aberdeenshire IJB.

Analytical procedures will be performed using group materiality on all other consolidated balances, including those in relation to Create Homes Aberdeenshire LLP.

We are the external auditor for Aberdeenshire Integration Joint Board, Grampian Valuation Joint Board and NESTRANS. However, we are not the external auditor of Create Homes Aberdeenshire LLP.

The significant risks we identified for Aberdeenshire Council are set out on pages 11 to 15 of this Audit Plan. No other risks were identified in respect of the other components of the group.

During the course of our audit engagement, we will continue to assess the appropriateness of our planned approach in relation to the group audit scope.

Significant audit risks

Significant risks are defined by ISAs(UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Management Override of Controls

as required by Auditing Standards – ISA (UK) 240

As set out in ISA (UK) 240 (Revised May 2021) ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements’ there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity’s internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.

We will:

- Document our understanding of and evaluate the design effectiveness of management’s key controls over journals;
- Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals;
- Test the high-risk journals we have identified;
- Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness;
- Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates.
- Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK) 315)

Significant audit risks - continued (1)

Risk of Fraud in Revenue

as required within Auditing Standards– ISA (UK) 240

As set out in ISA (UK) 240 (Revised May 2021) there is a presumed risk that revenue may be misstated due to improper recognition of revenue in all entities. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Aberdeenshire Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited.

Risk of Fraud in Expenditure

as recommended in Practice Note 10

As set out in practice note 10 (Revised 2020) ‘The Audit of Public sector Financial Statements’, issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

Aberdeenshire’s expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and we are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.

We therefore focus our risk on the other, non-payroll, service expenditure. Our testing will include a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll/non-finance expenditure.

We will:

- Evaluate your accounting policy for recognition of expenditure for appropriateness and compliance with the CIPFA/LASAAC Code of Practice 2023/24;
- Perform detail testing of expenditure transactions at and around year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period;
- Review the judgements and estimates made by management when recognising accruals at year end within the financial statements, and where appropriate challenge management accordingly.

Significant audit risks - continued (2)

Valuation of land, buildings and council dwellings

This significant risk is one of the most significant assessed risks of material misstatement for the audit and a key audit matter.

In accordance with the CIPFA/LASAAC Code of Practice, subsequent to initial recognition, Aberdeenshire Council is required to hold property, plant and equipment (PPE) on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value.

Aberdeenshire Council employ an internal valuer to undertake a rolling programme of valuations across their asset base, valuing land, buildings and council dwellings at least once every five years.

It has been proposed that for the council dwellings, the Council may seek to employ an external valuer for the 31 March 2024 valuation. This is yet to be confirmed.

As at 31 March 2024, Aberdeenshire Council held PPE of £2.433 billion including land and buildings of £1.314 billion and council dwellings of £572 million.

Given the significant value of the land, and non-specialised buildings and the council dwellings held by Aberdeenshire Council, and the level of complexity and judgement involved in their estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical costs, as a proxy of fair value and therefore less likely to be materially misstated. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and/or unusual approaches to their valuations; as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued. We will report an updated risk assessment for valuation of land and buildings in our Annual Audit Report

Significant audit risks - continued (3)

Valuation of land, buildings and council dwellings (continued)

This significant risk is one of the most significant assessed risks of material misstatement for the audit and a key audit matter.

Our testing will include:

- Evaluating management's processes and controls for the calculation of the valuation estimates, the instructions issued to their management experts and the scope of their work;
- Engaging our own valuations expert to assess the instructions issued by Aberdeenshire Council to their valuers, the final valuers' report and the assumptions used that underpin the final valuations;
- Evaluating the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable;
- Challenging the key data and assumptions used by management's experts in the valuation process for these assets;
- Testing a selection of other asset revaluations made during the year to ensure they have been input accurately into the entity's asset register, and the revaluations have been correctly reflected in the financial statements;
- Evaluating the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant audit risks - continued (4)

Defined benefit pension scheme

This significant risk is one of the most significant assessed risks of material misstatement for the audit and a key audit matter.

The Council participates in the North East Scotland Pension Fund, a Local Government pension scheme. The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, Aberdeenshire Council is required to recognise its share of the scheme assets and liabilities in its Statement of Financial Position. As at 31 March 2023 the Council had pension fund liabilities of £29.566 million.

The Council's actuary, Mercer Limited, provide an annual IAS 19 actuarial valuation of Aberdeenshire Council's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme's gross assets and gross liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme net liability could be materially misstated within the financial statements. This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these for the Council.

Under the Audit Scotland Pensions protocol we will be provided with assurance by the Pension Fund auditor with regard to the disclosures in the Council's financial statements. We use PWC as an Auditor Expert to support our work on pensions.

We will:

- Evaluating management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work
- Evaluate the assumptions made by Mercer Limited in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland and additional follow up procedures (where required)
- Evaluating the data used by management's experts in the calculation of the estimates
- Performing substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations;
- Assessing the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically does Aberdeenshire Council:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures - continued (1)

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting information from management and those charged with governance during our audits for the year ended 31 March 2024.

Based on our knowledge of Aberdeenshire Council we have identified the following accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Depreciation
- Year end provisions
- Valuation of pension liabilities
- PFI liabilities
- Fair Value of Assets and Liabilities (Financial Instruments)

Aberdeenshire Council's information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the bodies use management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the bodies (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Accounting estimates and related disclosures - continued (2)

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures, we have included inquiries within our management letters shared with Aberdeenshire Council.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)



Other matters

Auditor Responsibilities

We have a number of audit responsibilities as set out in the Code and Planning Guidance 2023/24 issued by Audit Scotland:

- We audit parts of your Remuneration Report, as required under the Code, and check whether these sections have been properly prepared (opinion).
- We read the sections of your Statement of Accounts which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in Delivering Good Governance in Local Government: Framework (2016) (opinion).
- We consider our other duties under the Code and planning guidance (2023/24), as and when required, including:
 - Supporting Audit Scotland’s reporting to the Accounts Commission
 - Contributing to Audit Scotland Performance Reports and providing regular updates to Audit Scotland to share awareness of current issues
 - Contributing to the National Fraud Initiative (NFI) report
 - Notifying the Controller of the Audit when circumstances indicate a statutory report may be required

- Completing mandated information requests and returns and notifying Audit Scotland of any cases of money laundering or fraud
- Review of Technical guidance prior to issue by Audit Scotland.

Whole of government accounts (WGA)

The Code of Audit Practice requires appointed external auditors to review and report on WGA returns prepared by audited bodies. External auditors of local authorities are required to provide an assurance statement on 2023/24 WGA returns for bodies over a prescribed threshold determined by NAO.

While we do not expect to be informed of the threshold before July 2024, we anticipate that we will be required to provide a partial assurance statement for Aberdeenshire Council for 2023/24.

Going concern assessment

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements.

Other matters - continued (1)

Going concern assessment (continued)

The Public Audit Forum has been designated by the Financial Reporting Council as a “SORP-making body” for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 was updated in 2020 to take account of revisions to ISAs (UK), including ISA (UK) 570 (Revised September 2019) on going concern. PN 10 allows auditors to apply a ‘continued provision of service approach’ when auditing going concern in the public sector, where appropriate. Audit Scotland’s also issued further guidance in a Going Concern publication in December 2020).

Within our wider scope work we will conclude on Aberdeenshire Council’s arrangements to ensure financial sustainability.

Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be considered as part of our audit. However, the procedures will not be as extensive as the procedures adopted for the significant risks we have identified and highlighted in this Audit Plan.

Internal control environment

During our initial audit planning we will develop our understanding of your control environment (design) as it relates to the preparation of your financial statements. In particular we will:

- Consider key business processes and related controls
- Assess the design of key controls over all significant risks we have identified. This will include key controls over: journal entries, valuation of land , buildings and council dwellings, valuation of defined benefit pension liabilities and other material areas of management estimate and judgement.

Our focus is on design and implementation of controls only. We do not intend to assess, or place any reliance on the operating effectiveness of your controls during our audit.

Grant claims

Local government auditors are required to review and report on approved grant claims prepared by local authorities. We will work with officers to ensure the timely completion and audit inspection of your Housing Benefit return and Non-Domestic Rates claim.

Financial reporting developments

During our audit we will actively discuss emerging financial reporting developments with you. At present there are no significant financial reporting development for 2023/24.

Other matters - continued (2)

Progress against prior year audit recommendations

We identified the following issues in the 2022/23 audit of Aberdeenshire Council's financial statements, which resulted in 9 recommendations being reported in the 2022/23 Annual Audit Report.

We have followed up on the implementation of their recommendations and 9 are currently ongoing.

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>1. Bank reconciliations</p> <p>Issue – Formal bank reconciliations are not being prepared for all of the Council's bank accounts.</p> <p>Furthermore, the year end bank reconciliations show some £1.626m of reconciling items. This appears to be excessively high.</p> <p>Risk – There is a risk that the cash and bank position could be misstated. Additionally, there is a risk that the Council will not have accurate information to inform appropriate cash management.</p>	<p>Recommendation - Bank reconciliations should be performed for all bank accounts, and the Council should make progress towards more accurate reconciliations with fewer reconciling items.</p> <p>Management update:</p> <p>Meeting has been set up with relevant officers to discuss the reconciliation process and agree a way forward in order to identify and reduce reconciling items.</p> <p>Bank Reconciliations will be performed for all accounts.</p> <p>Responsible officer: Head of Finance/ Revenues Manager</p> <p>Target date: 31 March 2024</p>

Other matters - continued (3)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>2. Internal recharges</p> <p>Issue – A total of £118.700m of internal recharges have been removed from the income and expenditure of the accounts (after adjusted audit misstatement 4, detailed in Appendix 1).</p> <p>Of these, only £118.407m of the income and only £49.451m of the expenditure was identifiable. Therefore, we have been unable to test the remaining £0.294m of income and £69.249m of expenditure.</p> <p>The untested expenditure recharges are substantial in value, and we have had to place reliance on our testing of the income leg of the internal recharges to gain sufficient assurance over them.</p> <p>Additionally, we have had to perform additional testing over the 'other expenditure' due to not being able to remove the recharges from our testing population, which has taken additional time.</p> <p>Risk - Inability to identify internal recharge transactions presents a risk that they have been incorrectly removed from the financial statements and inhibits our ability to audit them.</p>	<p>Recommendation - The Council should ensure that all recharges are identifiable and should work to reduce the quantity of internal recharges.</p> <p>Management update:</p> <p>Work ongoing.</p> <p>Where identifiable internal recharges have been removed from data provided for sampling purposes.</p> <p>The finance team are currently working to ensure all internal income is coded correctly to an internal income code.</p> <p>A process is to be agreed on how we can do the same on the expenditure side – Meeting to be held with wider finance team to discuss options (set for 22/03)</p> <p>Responsible officer: Head of Finance/ Strategic Finance Manager</p> <p>Target date: 31 March 2024</p>

Other matters - continued (4)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>3. Market review for council dwellings</p> <p>Issue – The Council’s valuer performs a market review each year to assess the risk of material movement in the value of the Council’s assets. For the council dwellings this review was largely directed towards a small portfolio of acquisitions made by the Council.</p> <p>Risk – It is our view that this presents a risk that the research is not representative of the wider housing market, and therefore presents a risk of material misstatement in the value of assets.</p>	<p>Recommendation - The Council should incorporate wider market data into their research when assessing market movements.</p> <p>Management update:</p> <p>The proposal for 2023/24 council dwellings valuations is that a full valuation exercise will be undertaken. This is currently been considered by Head of Property & Facilities Management.</p> <p>Responsible officer: Head of Finance/ Head of Property and Facilities</p> <p>Target date: 31 March 2024</p>
Ongoing	<p>4. Review of assets not revalued in year</p> <p>Issue – The Council did not produce a quantified assessment of the potential change in value of those assets which were not revalued at 31 March 2023. The Council is permitted, under the Code, to revalue assets on a rolling 5-year basis, only if the impact of doing so is not material. Without performing a quantified assessment, the Council is unable to determine if this is the case.</p> <p>Risk – PPE values could be materially misstated.</p>	<p>Recommendation - The Council should perform a quantified assessment of the potential change in value of asset which they do not intend to value at 31 March, based on market research as appropriate.</p> <p>Management update:</p> <p>A quantified assessment of the potential change in value of assets will be performed as part of the current year valuation work.</p> <p>Responsible officer: Head of Finance/ Head of Property and Facilities</p> <p>Target date: 31 March 2024</p>

Other matters - continued (5)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>5. Fixed Asset Register, valuations and reconciliations</p> <p>Issue – Numerous issues and errors were identified with regard to PPE. These included:</p> <ul style="list-style-type: none"> The Council has a single fixed asset register but is not able to produce a single report that reconciles directly to the financial statements. The Valuation report did not agree with the FAR or the disclosures in the financial statements. Errors were identified with regard to PFI and depreciation. <p>Risk – PPE values could be materially misstated.</p>	<p>Recommendation - In preparation for the 2023/24 financial statement audit the Council should reviews its:</p> <ul style="list-style-type: none"> Accounting procedures and quality control over PPE Valuation procedures and quality control over PPE. <p>Management update:</p> <p>CIPFA Asset Manager is a hosted system and the reports that it produces are configured by the supplier. A request will be made to try and obtain reports in the format requested by Grant Thornton, but it is not guaranteed.</p> <p>Quality control arrangements in terms of the accounting and valuation procedures will be reviewed as part of the current year end process.</p> <p>Responsible officer: Head of Finance/ Head of Property and Facilities</p> <p>Target date: 31 March 2024</p>

Other matters - continued (6)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>6. Aged creditor balances</p> <p>Issue – There are some £68.671m of debits and £76.478m of credits included in the short-term creditors balance which date from 2019/20 or older. The net balance of £7.807m is made up of 12,623 individual transactions, with some dating back as far as 1999/2000.</p> <p>Risk – There is a risk that these creditor balances are not genuine and therefore that creditors is overstated.</p>	<p>Recommendation - The Council should seek to reduce this balance, either by identifying and paying the creditors, or writing them off.</p> <p>Management update:</p> <p>Management has completed a full review of this balances and concluded that all creditors balances are genuine and not overstated.</p> <p>A working paper setting out management’s review will be provided to the external auditors as part of the 2023/24 audit process</p> <p>In addition, a process is being set up for the monitoring of all Balance Sheet codes with an aim to fully understand all balances and identify any issues as they arise.</p> <p>Balance Sheet to be standing item on Finance Operations Group</p> <p>Responsible officer: Head of Finance/ Strategic Finance Manager</p> <p>Target date: 31 March 2024</p>

Other matters - continued (7)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>7. Aged debtor balances</p> <p>Issue – Included within short term debtors of £78.240m was £1.384m of 'opening balances' for which no breakdown was provided.</p> <p>Risk – There is a risk that these debtor balances are not genuine and therefore that debtors is overstated.</p>	<p>Recommendation - The Council should seek to reduce this balance, either by identifying and collecting the debtors, or writing them off.</p> <p>Management update:</p> <p>£274,000 was identified as irrecoverable payroll overpayments from pre 2017/18 and have now been written off as agreed at Business Services Committee in January 2024</p> <p>Remaining values under review with meetings being held across finance.</p> <p>As above, Balance Sheet Monitoring process to be set up with Balance Sheet as a standing item on Finance Operations Group.</p> <p>Responsible officer: Head of Finance/ Strategic Finance Manager</p> <p>Target date: 31 March 2024</p>

Other matters - continued (8)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>8. Nil NBV assets</p> <p>Issue – The Council’s asset register includes 1,177 assets which are being held at £nil net book value as they have been fully depreciated. The gross book value of these assets is £102.736m.</p> <p>Risk – There is a risk that the gross cost and accumulated depreciation are overstated, or that UELs are inappropriate.</p>	<p>Recommendation - The Council should perform a review of assets with £nil net book value to ensure that they remaining in use and, if they do, the Council should assess the appropriateness of the UELs applied.</p> <p>The Council should embed a formal process for reviewing assets which have outlived their useful economic lives on an annual basis, to ensure the assets are still in existence.</p> <p>Management update:</p> <p>A review of expired assets and nil net book assets will be undertaken during the 2023/24 year end process.</p> <p>Responsible officer: Head of Finance/ Estates Manager –Property and Facilities</p> <p>Target date: 31 March 2024</p>

Other matters - continued (9)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Ongoing	<p>9. Ledger mapping</p> <p>Issue – As part of our journals testing, we import the Council’s general ledger transactions into our data analytics software, which enables us to run a number of routines to identify those transactions which might be most likely to be at risk from management override of controls.</p> <p>In order to run these routines effectively, we need to know where in the accounts a transaction has been posted to, or where the transactions are ‘mapped’ to.</p> <p>The Council were only able to provide a mapping document at a relatively high level. For example, showing transactions as being posted to Unusable Reserves, rather than those posted to the Revaluation Reserve, as opposed to the Capital Adjustment Account.</p> <p>Risk – There is a risk that instances of management override of controls which would otherwise have been detected by our testing could have gone unfound because our testing was inhibited by a lack of detailed mapping information.</p>	<p>Recommendation - The Council should work to provide a more detailed mapping document (subjective level) for the 2023/24 audit.</p> <p>Management update:</p> <p>2022/23 Working Paper has now been provided.</p> <p>2023/24 Months 1-9 has now also been provided.</p> <p>Full year will be provided as part of our working papers for 2023/24.</p> <p>Responsible officer: Head of Finance/ Strategic Finance Manager</p> <p>Target date: 31 March 2024</p>

Other matters - continued (10)

Progress against prior year IT audit recommendations

For the 2022/23 audit we engaged a specialist IT audit team to carrying out a review of the Council's main financial statement relevant IT systems.

We have followed up on the implementation of their recommendations; progress is being made and 3 are still to be fully addressed.

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Partly addressed	<p>1. Lack of segregation of duties between CIPFA system administrators and business users</p> <p>Issue – We noted that administrative access rights has been granted to business users (Accountant and Assistant Accountant), who also have financial responsibilities.</p> <p>Risk – A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> • unauthorised changes being made to system parameters • creation of unauthorised accounts, • unauthorised updates to their own account privileges • deletion of audit logs or disabling logging mechanisms. 	<p>Recommendation - Segregate system administrative responsibilities from users with operational or financial duties and assign the system administrative work to an independent team/ position. Non-IT users (such as users identified in Appendix A) should be strictly segregated and should not have such levels of administrative access due to the risk it could create in conflicting duties and the users being able to circumvent controls.</p> <p>Review the access rights assigned to all users in CIPFA and assess whether this level of access is required for their current roles and responsibilities. For those users not requiring their current level of access, any excessive access rights should be revoked with immediate effect.</p> <p>It is good practice to always try and assign access rights to any application / database on the principle of least privilege and commensurate with job responsibilities.</p> <p>Where due to organisational size constraints, segregation of duty conflicts cannot be avoided, management should proactively review the activities performed by user accounts with administrative privileges to detect any inappropriate usage.</p> <p>Management update:</p> <p>Segregation of duties is limited due to size of capital team and licenses available. User accounts will be reviewed on a quarterly basis going forward.</p>

Other matters - continued (11)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Complete	<p>2. User access was not terminated on timely basis in Oracle EBS and its database</p> <p>Issue – During our audit, we noted that the termination process of Oracle EBS user access depends on a notification from the user teams via ServiceNow ticketing system or emails. A monthly procedure was in place to identify and terminate obsolete users bases on the HR leaver report.</p> <p>We noted that for a sample leaver, their access was active after their last employment date. Additional procedures have been performed to verify that the user had not accessed the system since their termination date.</p> <p>We also noted that a database administrator account belonging to an ex IT team member remained enabled in the database during the audit period. Additional procedures have been performed to verify that the account has not been logged into the database since creation.</p> <p>Risk – Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions. There is also a risk that these accounts may be misused by current system users to circumvent internal controls</p>	<p>Recommendation - It is recommended that for all leavers, logical access to Oracle EBS and corresponding IT infrastructure is disabled on their leave date. Where this is not possible, access should be disabled no later than the next working day. This will help prevent unauthorised access to the network, applications and underlying data.</p> <p>Initial response – When a member of staff leaves the Council completely their IT account is disabled and they have to hand back their IT equipment. This means that as soon as their IT account is disabled they no longer have access to Oracle EBS.</p> <p>The risk, as identified in the audit, would apply only where the leaver was going to a new position within the Council where Oracle EBS is not required. Internal Audit are currently undertaking an audit on the Leavers Procedure across the Council.</p> <p>The Service proposes to consider the recommendation arising from this audit in conjunction with the Internal Audit recommendations and make any proportionate adjustments where required.</p> <p>For the database administrator, the account identified has been disabled and Data & Server IT team will remove any member of IT that has Oracle DBA access when they leave.</p> <p>Management update:</p> <p>We have implemented a new procedure, a report called Daily Oracle User Check is sent every afternoon from iTrent to the financial systems team to make them aware of any staff leaving the council or changing job position so Oracle access can be closed within a 24hr period.</p>

Other matters - continued (12)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Partly addressed	<p>3. Lack of review of information security/audit logs in CIPFA</p> <p>Issue – We noted that information security event logs, which capture the monitoring of activities such as failed logins and use of privileged user accounts within CIPFA are limited to a retention period of 90 days. The logs are not reviewed on a regular basis.</p> <p>Risk – Without formal and routine reviews of security event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p> <p>Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.</p>	<p>Recommendation - Considering the criticality of CIPFA, information security events such as those mentioned below should be reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating CIPFA and its underlying database:</p> <ul style="list-style-type: none"> repeated invalid/ unauthorised login attempts to access systems, data or applications privileged user activities privileged generic accounts changes to system configurations, tables and standing data should be logged and formally reviewed. <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p>Management update:</p> <p>Audit logs will be reviewed on a regular basis but due to limited licenses this will be undertaken by a member of the Capital team.</p>

Other matters - continued (13)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
Partly addressed	<p>4. Password policy configured in Oracle EBS and CIPFA were not aligned to Council's standard</p> <p>Issue – During our audit period, we noted that Mandatory Code of Practice: Passwords & Biometrics specifies the Council's security standards regarding password setting.</p> <p>We noted that the sign on password no reuse in Oracle EBS was not configured, whereas the Mandatory Code of Practice (MCOP) recommends 24 prior passwords should not be reused.</p> <p>We noted that the following password settings in CIPFA were not in line with the council's policy:</p> <p>Password length (6)</p> <p>Password history (not specified)</p> <p>Mixed case (Not specified)</p> <p>Alpha numeric (not specified)</p> <p>Risk – A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular:</p> <p>Short passwords can easily be guessed.</p> <p>If password complexity is not configured, users will tend to choose simple, guessable words as their passwords.</p> <p>If password history is not maintained, a user may recycle the same password over a long period.</p>	<p>Recommendation - Management should ensure that password settings configured CIPFA are in line with Council security policies or industry best standards, such as</p> <ul style="list-style-type: none"> • User accounts should be automatically locked out after a maximum of 5 unsuccessful attempts. • Account lockout duration should be set to 15 minutes • Password length should be set at a minimum of 8 characters. • Account lockout threshold should be set to 3 invalid logon attempts • Reset account lockout counter after should be set to 15 minutes • Password history set to the council's policy • A combination of numeric / upper- and lower-case letters and special characters. <p>Where configuration settings cannot be strengthened due to system limitations, management should undertake a risk assessment and implement additional compensating controls.</p> <p>Initial response – The “password no reuse in Oracle EBS” is currently not configured and subject to satisfactory testing the intention would be to configure this functionality.</p> <p>Management update:</p> <p>CIPFA Asset Manager – password settings have been changed to be in line with Council policy and two factor authentication applied.</p> <p><i>(continued overleaf)</i></p>

Other matters - continued (14)

Assessment	Issue and risk previously communicated	Recommendation and update on actions taken to address the issue
		<p>Oracle EBS – Our Mandatory Code of Practice (MCOP) makes provisions for legacy systems or systems which can't fully meet the standard requirements. We meet all MCOP standard requirements except for sign on password no reuse as this cannot be configured within Oracle. We have consulted with our Oracle Consultants and Legal on this and due to us being a legacy system the legacy clause of the MCOP keeps us compliant.</p>

Wider scope risks identified in planning

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four audit dimensions that frame wider scope into identifiable areas. These four dimensions are shown in the table below.

Wider Scope Audit Dimensions	Our risk considerations and focus
Financial Sustainability	The projected financial position of the council in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the council to effectively deliver services in the future
Financial Management	The arrangements in place at the council to ensure sound financial management, accountability and the arrangements to prevent and detect fraud, error and other irregularities
Vision, Leadership and Governance	The effectiveness of the council's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the council
Use of Resources to Improve Outcomes	How the council demonstrates economy, efficiency and effectiveness through its use of financial and other resources

Our initial planning work has identified significant risks in one dimension - Financial Sustainability. We will continue to review the Council's arrangements during the course of the year, including follow up of the prior year action plan agreed with Officers. Should we identify any further significant risks in our Wider Scope work, these will be reported to those charged with governance, in our Annual Auditors Report.

Wider scope risks identified in planning – continued (1)

Financial sustainability

Aberdeenshire Council, like all Scottish local authorities, is facing increasing financial pressures. The council have estimated, in their 2024/25 budget setting that there could be a cumulative funding gap of £113million from 2025/26 to 2028/29. At this point the Council has no plans to rely on transfers from reserves to alleviate the funding gap. The level of savings required to manage this funding gap is significant and beyond the scale that has previously been achieved by the council.

Significant risk identified:

There is a risk that where savings and transformation plans are not identified and delivered in the short to medium term this could provide financial sustainability challenges for the council.

Response to significant risk:

Our audit work will include:

Reviewing how the council identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans

Reviewing how the council plans to bridge its funding gap and identify achievable savings and future transformation

Reviewing how the council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Reviewing how the council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Best Value

The Code also requires that auditors assess and report on audited bodies' performance in meeting their Best Value and community planning duties, as part of their annual audit. The Accounts Commission's approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports.

Best Value thematic

Local government appointed auditors are also required to report locally on any Best Value thematic work prescribed by the Accounts Commission. For 2023/24 we are required to report on the following thematic:

'Workforce innovation – how councils are responding to workforce challenges'.

This work will include an assessment of and conclusion on:

- How effectively are the council's workforce plans integrated with its strategic plans and priorities?
- How effectively has digital technology been used to support workforce productivity and improve service quality and outcomes?
- How effectively is the council using hybrid and remote working and other innovative working practices such as a four-day week to achieve service and staff benefits?
- What innovative practice is the council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities
- What progress has the council made with sharing roles or functions across its services and/or with other councils and partners?
- How effectively is the council measuring the impact of its workforce planning approach?

Best Value – continued (1)

Performance reporting

Theme three in the Best Value statutory guidance is the effective use of resources, an element of which is performance reporting. We are required to undertake work on performance reporting annually. Below we set out the Audit Scotland requirements for 2023/24.

Area of work	What we will consider
Service performance reporting	<ul style="list-style-type: none"> The council's assessment of progress against its service priority measures in 2023-24 and beyond The council's reporting of relative performance, using the Local Government Benchmarking Framework
Continuous improvement	<ul style="list-style-type: none"> The council's pace of improvement in delivering priority services The council's depth of implementing improvement across council services
Statutory performance reporting	<p>Whether the council has made proper arrangements for preparing and publishing statutory performance information:</p> <ul style="list-style-type: none"> Performance in improving local public services (including those provided with its partners and communities) and progress against agreed desired outcomes (SP1) Its own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value and how it as responded to these assessments (SP2).

Audit Scotland deliverables

As set out in the Code of Audit Practice, as appointed auditors we have a number of wider reporting responsibilities beyond the audit of the financial statements. Below we summarise the key areas of work for our 2023/24 audit, including expected reporting under Audit Scotland's Code of Audit Practice and audit planning guidance:

Requirement	How we will report our findings
Annual Accounts Perform an audit of the annual accounts and express an audit opinion.	<ul style="list-style-type: none"> Independent Auditor's Report on the financial statements Annual Audit Report detailing findings from our audit work on the financial statements.
Wider scope audit dimensions Conclude and report on our assessment of the wider scope audit dimensions.	<ul style="list-style-type: none"> Annual Audit Report
Audit Scotland area of focus – Climate change Providing specified information on Aberdeenshire Council's arrangements for responding to climate change.	<ul style="list-style-type: none"> Completion of Audit Scotland annual return Annual Audit Report
Audit Scotland area of focus – Cyber security We will consider risks related to cyber security during our financial statement audit.	<ul style="list-style-type: none"> We will report any significant incidents, issues or areas of good practice to Audit Scotland's Digital Audit team . Annual Audit Report (where necessary)
Best Value– Follow Up Follow up of the Aberdeenshire Council's progress in implementing the recommendations raised in previous Best Value Assurance Reports and Annual Audit Reports.	<ul style="list-style-type: none"> Annual Audit Report
Best Value thematic work for 2023/24 – We are required to report locally on any Best Value thematic work prescribed by the Accounts Commission. For 2023/24 the prescribed thematic is 'Workforce innovation – how councils are responding to workforce challenges'.	<ul style="list-style-type: none"> Annual Audit Report Reporting in a separate management report is also required.

Audit Scotland deliverables – continued (1)

Requirement	How we will report our findings
Statutory Performance Information Consider and report on Statutory Performance Information arrangements.	<ul style="list-style-type: none"> Annual Audit Report
National Fraud Initiative (NFI) Contribute to NFI report.	<ul style="list-style-type: none"> Annual Audit Report Reporting participation to Audit Scotland including completion of NFI questionnaire
Statutory Objections Consider statutory objections to the annual accounts	<ul style="list-style-type: none"> Response to any objections received.
Whole of Government Accounts (WGA) Provide assurance over Aberdeenshire Council's WGA return.	<ul style="list-style-type: none"> Assurance Statement on WGA return (date to be confirmed as guidance not yet issued)
Housing Benefits Subsidiary Claim Independent certification on housing benefit subsidy claim to the Department for Works and Pensions (DWP).	<ul style="list-style-type: none"> Auditor certificate on Housing Benefit Subsidiary (date to be confirmed as guidance not yet issued)
Non-domestic rates (NDR) Certification of NDR claim.	<ul style="list-style-type: none"> Auditor certificate on Non-Domestic Rate Return (date to be confirmed as guidance not yet issued)
Current Issues Returns Prepare and submit quarterly Current Issues Returns.	<ul style="list-style-type: none"> Current Issues Returns

Audit Scotland deliverables – continued (2)

Requirement	How we will report our findings
<p>Correspondence queries Carry out preliminary enquiries into any correspondence relevant to Aberdeenshire Council that is referred to Audit Scotland.</p>	<ul style="list-style-type: none"> • Providing responses to any correspondence received based on our audit knowledge and understanding and the results of any review as agreed with Audit Scotland
<p>Emerging issues Communication of emerging issues to Audit Scotland and highlight any issues for potential statutory reports.</p>	<ul style="list-style-type: none"> • Communicating throughout our audit emerging issues identified throughout the year
<p>Performance, impact and overview reports Contribute to housing benefit performance audits, the Shared Risk Assessment, sector annual reports, shared intelligence on health and social care, and sector meetings.</p>	<ul style="list-style-type: none"> • Providing information returns to Audit Scotland
<p>Money laundering and fraud Provide information on cases of money laundering or fraud.</p>	<ul style="list-style-type: none"> • Completion of fraud returns for all frauds over £5,000 or involving misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control • Reporting cases to the National Crime Agency of any instances of money laundering or fraud
<p>Technical Guidance Contribute to Technical Guidance Notes</p>	<ul style="list-style-type: none"> • Providing responses to Audit Scotland consultations on draft Technical Guidance Notes for Auditors

Audit Fees

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC on audit quality and public sector financial reporting. This includes, for Audit Scotland contracts, meeting the expectations of the Audit Scotland Quality Team and the Scottish quality framework.

The audit fee, as set by Audit Scotland, is set out on page 35 of this Audit Plan. Audit fees are paid to Audit Scotland who in turn pay us. We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

Relevant professional standards

Audit Scotland set the baseline audit fee. We can increase the fee, from the baseline, for the inclusion of additional risks, new technical matters or specific client matters identified.

We are required to consider all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which state that the Engagement Lead must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

We anticipate there may be additional costs in relation to employment of an auditor expert to assist with the audit of the valuation of land and buildings. We estimate that the cost will be £5,000. We will discuss any additional costs with management and confirm the final audit fee within our Annual Audit Report.

Our audit appointment includes the audit of any trust funds falling within section 106 of the Local Government (Scotland) Act 1973 that are registered as charities with the Office of the Scottish Charities Regulator (OSCR). Auditors, appointed under the Accounts Commission are eligible under the charities regulations to audit a charity's statement of accounts. As part of our audit work in the current year we will provide an opinion over the Council's registered charities. The audit fee for this work is not covered in the fee set by Audit Scotland, and is expected to be £10,600 + VAT.

Audit Fees (continued (1))

Audit fees for 2023-24

Service	Fees £
External Auditor Remuneration	£318,180
Pooled Costs	£11,600
Contribution to Audit Scotland support costs	£nil
Contribution to Performance Audit and Best Value	£98,820
Sectoral cap adjustment	£60,420
Total 2022-23 Fee	£499,620
Audit of Trust Funds (inc. 20% VAT)	£12,720

Additional Fees (Non-Audit Services)

Service	Fees £
At planning stage we confirm there are no planned non-audit services	Nil

Fee assumptions

In setting the fee for 2023-24 we have assumed that you will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence for all critical and significant judgements and estimates made in preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

We anticipate there may be additional costs in relation to employment of an auditor expert to assist with the audit of the valuation of land and buildings. We will discuss any additional costs with management and confirm the final audit fee within our Annual Audit Report.

Adding value through the audit

Our overall approach to adding value through the audit is clear and upfront communication

Our audit methodology is risk based and includes developing a good understanding of Aberdeenshire Council. The information opposite summarises how our methodology and use of data adds value to our audit.

We comply with UK Auditing Standards and as a Firm we are regulated by the FRC. We take findings on audit quality seriously and continue to invest through our Audit Investment Plan, which is supported by a specific national Public Sector Investment Plan.

We comply with Audit Scotland's quality arrangements, including submitting an Annual Quality Report on our Audit Scotland portfolio. Audit Scotland's quality report for 2022/23 can be found on the [Audit Scotland website](#).

Our wider quality arrangements are set out in our annual transparency reports which are available on our website here: [Annual report 2021](#).

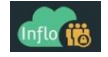
Use of audit, data interrogation and analytics software

LEAP

- A globally developed ISA-aligned methodology that re-engineers our audit approach to focus on quality and effectiveness
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- The LEAP approach allows us to tailor the audit programme to help engagement teams respond quickly to any changes as they occur, keeping quality high through responsiveness and flexibility.

LEAP

Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.

REQUEST AND SHARE

- Communicate and transfer documents securely; Extract data directly from client systems; Work flow assignment and progress monitoring

ASSESS AND SCOPE

- Compare balances and visualise trends; Understand trends and perform more granular risk assessment

VERIFY AND REVIEW

- Automate sampling; Download automated work papers

INTERROGATE AND EVALUATE

- Analyse 100% of transactions quickly and easily; Identify high risk transactions for investigation and testing; Provide client reports and relevant benchmarking KPIs

FOCUS AND ASSURE

- Visualise relationships impacting core business cycles; Analyse 100% of transactions to focus audit on unusual items; Combine business process analytics with related testing to provide greater audit and process assurance

INSIGHTS

- Detailed visualisations to add value to meetings and reports

Appendices

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Independence

Auditor independence

Ethical Standards and ISA (UK) 260 'Communication with Those Charged With Governance' require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the Firm, or covered persons, relating to our independence.

We encourage you to contact us to discuss any independence issues, with us and will discuss the matter with you if we make any significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors of Aberdeenshire Council that we are required to report or wish to draw to your attention.

We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the 2019 Ethical Standard.

Our team complete annual fit and proper declarations, including independence confirmations, as well as confirming independence from individual audited bodies when completing timesheets. The work of our Ethics team is overseen by our Ethics partner and all staff undergo regular ethics training each year.

We confirm we are independent of Aberdeenshire Council.

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. We did not provide any non-audit or additional services to Aberdeenshire Council prior to our appointment as auditors.



Responsibilities

The Code sets out auditor responsibilities and responsibilities of the audited body. Key responsibilities are summarised below. Please refer to the Code for further detail.

Aberdeenshire Council

Your responsibilities include:

- Maintaining adequate accounting records and working papers
- Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
- Establishing and maintaining a sound system of internal control
- Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
- Maintaining standards of conduct for the prevention and detection of fraud and other irregularities
- Maintaining strong corporate governance arrangements and a financial position that is soundly based
- Establishing and maintaining an effective internal audit function.

External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
- Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
- Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope and Best Value work
- Providing assurance on specified returns and other outputs (where required), as specified in guidance issued by Audit Scotland
- Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required
- Notifying Audit Scotland of any known or suspected frauds greater than £5,000
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2023/24).



Communication

ISA (UK) 260 'Communication with Those Charged With Governance', as well as other ISAs set out prescribed matters which we are required to report to those charged with governance (the Aberdeenshire Council Audit Committee). Our reporting responsibilities are set out below. We communicate all matters affecting the audit on a timely basis, to management and/or the Aberdeenshire Council Audit Committee.

	Audit Plan	Annual Report (our ISA 260 Report)
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of Aberdeenshire Council's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report or emphasis of matter		•

Fraud responsibilities

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' came into force for accounting periods commencing on or after 15 December 2021. The first year this impacted on Aberdeenshire Council was the year ended 31 March 2023. Requirements in ISA (UK) 240 (Revised May 2021) have been enhanced for the identification and assessment of risks of material misstatement due to fraud and the response to those risks.

The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at Aberdeenshire Council.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is Aberdeenshire Council's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

As auditors, we are required to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Fraud responsibilities (continued (1))

As part of our risk assessment procedures, we are required to:

- identify and assess the risks of material misstatement in the financial statements due to fraud, including financial misreporting and misappropriation of assets.
- hold separate discussions with management, those charged with governance and others (as appropriate) to gain insights on their views of fraud.

During our audit work we will:

- design and implement appropriate audit procedures to respond to the risks of misstatement we have identified and reported in this Audit Plan
- remain alert to new risks and amend our risk assessments accordingly
- respond appropriately to any risks identified.

Throughout the audit we work with you to consider the significant risks we identify, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control. We will report to you any significant deficiencies we identify.

In addition, as set out in the Audit Scotland Planning Guidance 2023-24, we are required to:

- provide information on fraud cases to Audit Scotland on a quarterly basis, and
- contribute to the National Fraud Initiative report.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an (as set out in the Audit Scotland Planning Guidance for 2023-24) to inform the National Crime Agency if there is known or is suspected that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at Aberdeenshire Council we will report to the Accounts Commission as required by Audit Scotland.

IT audit strategy

ISA (UK) 315 (Revised July 2020): Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and its Environment' came into force for accounting periods commencing on or after 15 December 2021. The first year this impacted on Aberdeenshire Council was the year ended 31 March 2023.

We are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). The revised requirements in ISA (UK) 315 (Revised July 2020) include:

Key changes

- An emphasis has been added on the need for auditors to not bias their work toward obtaining corroborative evidence or excluding evidence that is contradictory.
- The concept of 'inherent risk factors' has been introduced to assist the auditor in identifying events or conditions that may affect the susceptibility of assertions about classes of transactions, account balances or disclosures to misstatement.
- A new concept of significant classes of transactions, account balances or disclosures refers to those classes for which there are assertions with an identified risk of material misstatement (referred to as relevant assertions).
- A new concept of spectrum of inherent risk applies to the extent to which inherent risk varies.
- Significant risk relates to an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the affect of inherent risk factors on the combination of the likelihood of a misstatement and the magnitude.
- A requirement for auditors to understand the entity's use of IT in its business, the related risks and the system of internal control addressing such risks. (Guidance is being provided from Audit Scotland's Digital Auditing team to assist auditors in this regard).

During our audit we will complete an assessment of the design and implementation of relate ITGCs.

IT audit strategy – continued (1)

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle (on premises)	Financial reporting	A detailed review of the IT General Controls related to security management, development and maintenance and technology infrastructure was carried out by our internal IT specialists team for the 2022/23 financial year on these in scope systems. We will look to gain assurance on the work performed in year in relation to the design effectiveness and implementation of IT General Controls for the current financial year and update our understanding of any changes in the system since the prior financial year. We will review any changes identified in key controls from the prior year and assess the impact of any changes on the planned audit approach.
CIPFA (host)	Fixed Asset Register	
iTrent	Payroll	

Future auditing developments

There are changes to the following ISAs (UK) which will impact on our LG audits for the first time in future years.

Revised standards applicable for audits of financial statement for periods commencing on or after 15 December 2022.:

- ISQM (UK) 2 (Issued July 2021) 'Engagement Quality Reviews'
- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

Revised standards applicable for audits of financial statement for periods commencing on or after 15 December 2023.

- ISA (UK) 600 (Revised September 2022) 'Special Considerations- Audits of Group Financial Statements (including the work of component auditors)' - Applicable for audits of financial statement for periods commencing on or after 15 December 2023.

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Quality control	<ul style="list-style-type: none"> • ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer (EQR) and the EQRs responsibilities relating to the performance and documentation of an engagement quality review. • The objective of the firm, through appointing an EQR, is to perform an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon. • The objective of the auditor is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that the audit complies with professional standards and applicable legal and regulatory requirements; and the auditor's report issued is appropriate in the circumstances.
Direction, supervision and review of the engagement	<ul style="list-style-type: none"> • Greater responsibilities, audit procedures and actions are assigned directly to the engagement lead, resulting in increased involvement in the performance and review of audit procedures.

Future auditing developments - continued (1)

Area of change	Impact of changes
Definition of engagement team	<ul style="list-style-type: none"> The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The group auditor is required to determine the nature, timing and extent of involvement of component auditors in any group audit. Component auditors may increasingly be involved in all phases of the group audit. The group auditor should be sufficiently and appropriately involved in the work of component auditors throughout the group audit, including communicating clearly about the scope and timing of their work, and evaluating the results of that work.
Documentation	<ul style="list-style-type: none"> The amendment to these auditing standards will result in additional documentation requirements to demonstrate how these requirements of these revised standards have been addressed.

Future auditing developments - continued (2)

IFRS 16 Leases

Following further deferral of IFRS 16 Leases in Local Government, this accounting standard is now mandated for implementation by local government bodies from 1 April 2024 (although earlier adoption is permitted).

The new standard brings significant changes for lessee accounting. Key points that Aberdeenshire Council will need to consider on transition include:

- The need to recognise the cumulative effects of initially applying IFRS 16 on the date of implementation as an adjustment to the opening balances of taxpayers' equity. (This means prior year comparators will not need to be restated).
- The need to recognise the right-of-use asset for leases previously classified as operating leases at an amount equal to the outstanding lease liability.
- No adjustments are needed for leases for which the underlying asset is of low value (for example, less than £5,000 new) or where the lease term ends within 12 months.
- Assets where there is no or a below market rate peppercorn lease premium should be recognised as a right-of-use asset measured at current value in existing use or fair value as appropriate. Any difference between this and the lease liability will be recognised as part of the adjustment to the opening balances of taxpayers' equity.

- Irrecoverable VAT should not be included in the lease liability nor the value of the right of use asset.
- Existing finance lease and PFI liabilities that have an element based on an index or other rate will need to be reviewed and possibly amended as such variable payments are incorporated into the measurement of the lease liability under IFRS 16.
- In the year prior to implementation, the financial statements will need to disclose the anticipated impact of adopting IFRS 16 from 1 April of the following year.
- Systems will need to be in place to capture the relevant information for new leases entered into on or after implementation.

Aberdeenshire Council will need to ensure that controls are in place to identify all of its contracts and any other arrangements which might contain the use of an asset, in order to ensure that the disclosures made in 2023/24 and accounting balances included within the Council's/Group's 2024/25 financial statements are complete and accurate.



REPORT TO AUDIT COMMITTEE - WEDNESDAY, 17 APRIL 2024

CORPORATE IMPROVEMENT PLAN

1 Executive Summary/Recommendations

1.1 Audit Committee is requested to consider and comment on the Corporate Improvement Plan and note that consideration of the report forms part of the Committee's scrutiny role. An integrated impact assessment is not required as this report is to update the Committee on improvement actions and does not have any impact on those with protected characteristics or those experiencing socio-economic disadvantage.

1.2 The Committee is recommended to:

1.2.1 Consider and comment on the Corporate Improvement Plan ("the Plan") (attached as Appendix 1 to this report); and

1.2.2 Consider, comment and agree the reviewed governance arrangements for the Corporate Improvement Plan as detailed in this Report; and

1.2.3 Agree to receive quarterly updates.

2 Decision Making Route

2.1 The Audit Committee at its meeting on [17 September 2020](#) agreed that all corporate improvement action plans would be merged into one corporate improvement plan (the Plan). The Plan is reported to Audit Committee on a quarterly basis and six-monthly to Policy Committees to enhance transparency and accountability and to provide Members with assurance around progression of agreed actions.

2.2 The Plan supports the Council to demonstrate compliance with our [Code of Corporate Governance](#) and the CIPFA Delivering Good Governance in Local Government Framework as well as our [duty to deliver Best Value](#). Whilst the Best Value actions are identified by Audit Scotland, other actions are identified through self-evaluation and reviews of governance arrangements. It is important to note that the actions are not performance indicators and have not been identified in response to poor performance, nor to achieve particular outcomes or deliver Council priorities. The actions contribute to the operation of the Council's governance framework, the assessment of corporate governance and delivery of Best Value.

2.3 The Plan attached to this report was extracted from Pentana, the Council's corporate performance and risk platform, on 7 March 2024.

2.4 The Plan was last considered by Committee at its meeting on [9 November 2023](#).

3 Discussion

- 3.1 Since the Plan was last considered by Committee in November 2023, Full Council has agreed the Best Value Thematic Action Plan and Wider Scope Action Plan. These have now been added to the Corporate Improvement Plan and are included within Appendix 1. Good progress has been made with actions in the new plans with 4 actions complete and 9 in progress.
- 3.2 Steady progress continues across other plans with an increase in completed actions from 35 to 48 since November 2023. The number of overdue actions has stayed the same at 1. The number of actions in progress has declined from 12 to 11. The action in the BV 2020 Plan relating to Housing relets remains at 90% complete with a target date of 31 March 2024. The Service has advised that meter issues, with suppliers not attending to fit new meters following improvement works, continue to be a significant challenge in completing this action.
- 3.3 A review of the Corporate Improvement Plan has been carried out during early 2024. When the Plan was introduced in 2020, it was agreed that Audit Committee would receive quarterly updates, with 6 monthly updates going to Policy Committees. Taking account of feedback from Members, Committee is requested to consider and agree a reviewed approach which would see the Corporate Improvement Plan reported 6 monthly to Full Council, rather than to individual Policy Committees. This is in line with the governance arrangements in place for the Best Value plans. This approach would continue to allow full scrutiny of the Plan by Members, would potentially raise awareness and debate around the actions and would reduce agenda time at Policy Committees. Committee is requested to consider and agree this approach.

4 Council Priorities, Implications and Risk

- 4.1 This report helps deliver all six of the Council's Strategic Priorities

Pillar	Priority
Our People	Learning for Life Health & Wellbeing
Our Environment	Climate Change Resilient Communities
Our Economy	Economic Growth Infrastructure and public assets

- 4.2 The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial			x
Staffing			x
Equalities and Fairer Duty Scotland			x
Children and Young People's Rights and Wellbeing			x

Subject	Yes	No	N/A
Climate Change and Sustainability			x
Health and Wellbeing			x
Town Centre First			x

- 4.3 The screening section as part of Stage One of the Integrated Impact Assessment has not identified the requirement for any further detailed assessments to be undertaken because the report is to Audit Committee on arrangements for performance improvement and there will be no impact, as a result of the report, on people with protected characteristics.
- 4.4 The following [Corporate Risks](#) have been identified as relevant to this matter on a Corporate Level:
- ACORP001 – budget pressures
 - ACORP002 – changes in government policy, legislation and regulation (including Education reforms and potential impact on integration of children’s services; EU Exit)
 - ACORP004 – business and organisation change (including ensuring governance structures support change; managing the pace of change)
 - ACORP006 – reputation management including social media
 - ACORP007 – social risk (e.g. population changes, poverty and social inequality, demographic changes, crime and anti-social behaviour)

5 Scheme of Governance

- 5.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.
- 5.2 The Committee is able to consider and take a decision on this item in terms of Section G.1.2.a. of the [List of Committee Powers in Part 2A](#) of the Scheme of Governance as it relates to the review of internal control systems.

Rob Simpson

Director of Business Services

Report prepared by Fiona McCallum, Strategy & Innovation Manager
25 March 2024

List of Appendices –

Appendix 1: Corporate Improvement Plan extracted on 7 March 2024

CORPORATE IMPROVEMENT PLAN

Report Type: Actions Report

Generated on: 6 March 2024

Year	Plan	Number of actions	Complete November 2023	Complete March 2024	In progress November 2023	In progress March 2024	Overdue November 2023	Overdue March 2024
2020/21	Best Value 2020	30	29	29	1	1	0	0
2021/22	Annual Governance Statement 2022	7	5	6	1	0	1	1
2022/23	Self-evaluation 2023	10	0	8	10	2	0	0
2023/24	Best Value Thematic Action Plan 2023/24	7	N/A	2	N/A	5	N/A	0
	Best Value Wider Scope Action Plan 2023/24	6	N/A	3	N/A	3	N/A	0
	Total	60	35	48	12	11	1	1

**Best Value Action Plan
2020**

Report Type: Actions Report
Generated on: 06 March 2024

Action	Status	Progress	Managed By	Assigned To	Latest Note	Due Date
Best Value 2020 Action Plan	In Progress	99%				
BV1 Reviewing its priorities and outcomes and including SMART measures and targets so that progress can be easily demonstrated.	Completed	100%			RECOMMENDATION	31-Mar-21
BV1.1 Cllrs will agree a new set of Priorities	Completed	100%			Cllrs agreed a new set of Priorities in July 2020	01-Mar-21
BV1.2 Agree a new Council Plan	Completed	100%			New Council Plan agreed by Cllrs in Sept 2020.	01-Mar-21
BV1.3 Develop Directorate and Area Plans that include SMART measures, targets and actions to demonstrate how the council will deliver on its priorities.	Completed	100%	SLT	Christopher Alderton; Jenn Askildsen; Johanna Barclay; Gavin King; Gillian Milne; Elaine Osinska; Trisha Pirie; Anna Thomson; Neil Watts	Business Services have completed all tasks in relation to this Action. The BS Directorate Plan and associated Directorate Action Plan have both been approved at BS Committee on 25 February 2021 and 10 June 2021 respectively. Action is 100% complete for Business Services.	31-Mar-21
BV2 Improving its approach to performance management	Completed	100%			RECOMMENDATION	30-Nov-21
BV2.1 Develop and implement a new performance management framework	Completed	100%	Kate Bond	Fiona McCallum	The Performance Management Framework was approved by Full Council on 24 June. Sessions have been presented to all DMTs and offered to all service management teams. Work is progressing in conjunction with Learning & Development to create a general awareness course for employees, with other modules being developed for line managers to encourage conversations at all levels of the organisation.	30-Apr-21
BV2.2 Robust use of LGBF in all services. Demonstrate how services use LGBF to deliver improvements through Directorate Plans	Completed	100%	SLT	Rob Simpson	LGBF included in Directorate Plan reports to Policy Committees May/June 2021. Updates due in Nov 21 in terms of progress / performance reporting.	30-Nov-21
BV2.3 Develop a new programme supporting continuous improvement across all services in conjunction with the Improvement Service	Completed	100%	Kate Bond; Jim Savege	Donna Redford	CI Framework approved by SLT 30/6/21. Framework to be discussed with DMTs during July 2021.	30-Jun-21
BV2.4 Regular performance reporting to Policy and Area Committees	Completed	100%	SLT	Johanna Barclay; Gavin King; Gillian Milne; Alan Morris; Elaine Osinska; Trisha Pirie; Anna Thomson; Neil Watts	All Directorate and Area Plans have now been approved by the relevant committee. All performance measures to demonstrate success with delivering the Council priorities through the Directorate and Area Plans have also been approved by the relevant committee. The performance measures will allow the impact on communities of the delivery of our priorities to be demonstrated. The first round of reporting to committee on performance will take place between November 2021 and January 2022 and this will cover the reporting periods Quarter 1 and Quarter 2 2021/22 (April to September 2021). Thereafter performance reports will be presented to committees on a six-monthly basis. Each report will include a summary of progress with the actions set out in the Directorate or Area Plan along with the agreed performance measures. In this way committees can hold services accountable for progressing actions and performance. The range of performance measures that will be reported to each Committee will evolve over time based on feedback from Elected Members and Chief Officers.	30-Apr-21
BV3 Implementing an effective Council-wide approach to self-evaluation including robust arrangements for monitoring agreed actions	Completed	100%			RECOMMENDATION	30-Sep-21
BV3.1 Review and develop the self-evaluation process	Completed	100%	Kate Bond	Fiona McCallum	The Audit Committee at its meeting on 16 September agreed to implement the Public Service Improvement Framework self-evolution model across the organisation. A training session is being held with relevant officers on 14 October 2021 and a pilot self-evaluation will be identified at that session.	30-Sep-21
BV3.2 Embed the key actions arising into a corporate improvement plan	Completed	100%	Kate Bond	Fiona McCallum	Complete. Corporate Improvement Plan is developed and is to be presented to SLT on 13 January 2021 and Audit Committee on 4 February with quarterly updates being provided thereafter.	31-Dec-20
BV4 Reviewing the scrutiny	Completed	100%			RECOMMENDATION	30-Jul-21

arrangements to ensure that there is sufficient public scrutiny and that it effectively supports continuous						
BV4.1 Undertake a review of scrutiny arrangements	Completed	100%	Lucy Hay; Karen Wiles	Ruth O'Hare; Lauren Cowie	At its meeting on 17 September 2021 the Procedures Committee considered the outcome of the review of scrutiny arrangements and agreed an action plan, which included a review of the Scrutiny at Aberdeenshire Guidance in Part 4A of the Scheme of Governance, changes to the language in reports on scrutiny matters and additional training for Elected Members and officers. The Committee therefore agreed that this action could be concluded. The renewed approach to scrutiny brought about by the review will assist Elected Members in carrying out their scrutiny role effectively, ensuring improvements to service delivery can be identified and implemented for the benefit of communities.	30-Jun-21
BV4.2 Develop a systematic programme of scrutiny with a key focus on outcomes and improvements and the impact of scrutiny actions on service delivery to align with the seven principles in the Code of Corporate Governance	Completed	100%	Lucy Hay; Karen Wiles	Ruth O'Hare; Lauren Cowie	At its meeting on 17 September 2021 the Procedures Committee considered the outcome of the review of scrutiny arrangements and agreed an action plan, which included a review of the Scrutiny at Aberdeenshire Guidance in Part 4A of the Scheme of Governance to outline a process for programming scrutiny activity for Committees, with monitoring and reporting on actions and improvements arising therefrom. The Committee therefore agreed that this action could be concluded. The renewed approach to programming scrutiny brought about by the review will assist Elected Members in carrying out their scrutiny role effectively, ensuring improvements to service delivery can be identified and implemented for the benefit of communities.	30-Jul-21
BV4.3 Put in place a programme of Cllr training to support improved scrutiny at all levels	Completed	100%	Lucy Hay; Karen Wiles	Ruth O'Hare	At its meeting on 17 September 2021 the Procedures Committee considered the outcome of the review of scrutiny arrangements and noted the training that had already been implemented for Councillors through a series of face to face sessions and an ALDO module. The Committee further agreed an action plan including a series of drop in sessions for Members on the actions arising from the review, including the review of the Scrutiny at Aberdeenshire Guidance, and noted the inclusion of scrutiny training in the induction programme for new Cllrs in May 2022. The Committee therefore agreed that this action could be concluded. The existing and future training for Elected Members will assist them in carrying out their scrutiny role effectively, ensuring improvements to service delivery can be identified and implemented for the benefit of communities.	30-Jun-21
BV5 Improving the performance of key services including education attainment and housing relets	In Progress	98%			RECOMMENDATION	31-Mar-24
BV5.1 Develop improvement plans based on performance of key services, aligned to Directorate Plans. Initially focusing on housing re-lets and poverty related educational attainment	Completed	100%	SLT	Johanna Barclay; Gavin King; Kay MacDonald; Alan Morris; Elaine Osinska; Trisha Pirie; Anna Thomson; Neil Watts	Re-let plan in place and performance being monitored. Performance improvements will become more visible as we emerge from Covid 19 restrictions and move back to routine allocation of properties. Progress discussed with Audit Scotland 28/06 who appeared content with actions and progress to date. ECS NIF plan demonstrates our plans to deal with poverty related educational attainment.	31-Dec-20
BV5.2 Housing re-lets: review all policies/procedures and implement improvement action plan	Completed	100%	Alexander Macleod; Rob Simpson	Johanna Barclay; Gavin King; Andrew Mackie; Alan Morris; Elaine Osinska; Trisha Pirie; Anna Thomson; Neil Watts	As noted in previous updates, the new void procedure has been completed, and the updated lettable standard has been implemented across the whole of Aberdeenshire. Relets within Sheltered Housing units have now resumed, meaning that implementation is now complete across all Housing stock. Aberdeenshire Council is moving to a Choice-Based Lettings (CBL) model of housing provision, which will require a modification of the void procedure to take account of these changes. Work on this update has been completed, with the CBL model now due to go live in August.	31-Dec-20

BV5.3 Housing re-lets: (reduce mainstream to 40 days)	In Progress	90%	Alexander Macleod; Rob Simpson	Gavin King; Anna Thomson; Neil Watts	<p>Performance against this measure remains above the target of 40 days. At the end of February, the average time taken to relet mainstream properties was 49.5 days for 2023/24. While this represents an improvement over the 2022/23 figure of 56.5 days, it can be seen that we still have some way to go.</p> <p>Analysis of the figures suggests that meter issues have impacted on this figure significantly - if we exclude properties where relets have been affected by this issue, the average time to relet mainstream properties is 41.3 days for the current year. This performance should also be viewed against a national backdrop where many local authority landlords are reporting ongoing issues with relet times.</p>	31-Mar-24
BV5.4 Education: Review of Pupil Equity Funding impact on educational attainment at all levels and identify areas where PEF can be more appropriately targeted to improve outcomes for young people	Completed	100%	Vincent Decherly; Susan Smith	Peter Wood	Complete - data gathering tool has been issued and HTs have returned their submissions to the centre.	31-Mar-21
BV5.5 Education: National Improvement Framework priority 2 (Closing the attainment gap between the most and least disadvantaged children and young people) added to cluster attainment targets linked to the National Improvement Framework Plan for Aberdeenshire	Completed	100%	Vincent Decherly; Susan Smith	Peter Wood	<p>The National Improvement Framework final report has been completed and submitted to ECS LT</p> <p>QIM/QIOs are continuing to work closely with Education Scotland colleagues and our attainment advisor on schools who have a follow through inspection and are therefore part of our intensive support programme. This is currently 'live' school support. QIMs have developed the support programme for schools and this has been agreed by the Chief Education Officer. We await detail from Education Scotland on their proposals for restarting their inspection programme. A general overview has been received from them but more detail is still to follow.</p> <p>HTs have completed their Pupil Equity Funding questionnaire and this has been shared with the Director and marked as complete at Audit Committee</p>	31-Mar-22
BV5.6 Fully implement Scottish Government 1140 early learning and childcare (ELCC) strategy	Completed	100%	Anne Marie Davies MacLeod	James Martin; Julia Matthew; Natalie Stewart	The Scottish Government agreed a 12 month extension for the implementation of the 1140 provision due to the Covid pandemic. The Council roll out programme was completed within the extended deadline.	31-Aug-20
BV6 Continuing to develop its corporate approach to workforce planning	Completed	100%			RECOMMENDATION	30-Sep-21
BV6.1 Implementation of the workforce strategy "Our Future Workforce"	Completed	100%	Lucy Hay; Karen Wiles	Kay Hopwood	Services have the choice to incorporate workforce planning into service, team and or business plans or they can have a stand alone workforce plan. Workforce Plans have been built into Directorate Plans for Business Service and Infrastructure Services and these have been approved by their respective policy committees. ECS Directorate Plan was already approved but Workforce Planning has subsequently been built into the plan. Numerous Service and team workforce plans are currently being developed. A workforce power BI has been developed to provide real time workforce data in order to set priorities and monitor progress. A corporate WFP Tracker is being developed for reporting and monitoring purposes. the "our future workforce" strategy was approved at Business services committee in Feb 2020 and has been embedded into the WFP Toolkit, WFP guidance and resources pack which can be accessed through the AskHR Portal.	31-Mar-21
BV6.2 Develop and implement service workforce plans	Completed	100%	SLT	Kay Hopwood; Ritchie Johnson; Rob Simpson	All services now have high level workforce plans in place through Directorate Plans (AHSCP are covered by national workforce planning requirements). Completion of workforce planning related actions arising from Directorate Plans are progressing in line with target dates. In addition individual service workforce plans and resulting actions are now captured and monitored in Pentana for ease of reporting to officers, committees and trade unions. Whilst there has been slippage in the progress of this element of the programme due to Covid response and the death of the WFP lead in HR the actions are now re-prioritised and progressing again within services. This will provide the authority with a more detailed picture of total workforce numbers, skills and succession in each service area. This is now becoming business as usual and HR will assist services to monitor their workforce planning and outcomes using the workforce power BI that provides up to date workforce data on absence, establishment, recruitment, turnover.	01-Sep-21

BV7 Developing SMART criteria to measure the impact working in partnership has on improving outcomes	Completed	100%			RECOMMENDATION	30-Apr-21
BV7.1 Develop and implement new performance measures to support delivery of the CPP LOIP priorities	Completed	100%	Angela Keith; David MacLennan; Ann Overton	Angela Keith; David MacLennan; Ann Overton	The CPP Board at its meeting on 15 September 2021 approved the performance management framework including high level performance indicators for each of the LOIP priorities and agreed that this action could be marked as complete.	30-Apr-21
BV7.1.1 Connected and Cohesive Communities	Completed	100%		Angela Keith; David MacLennan; Ann Overton; Prabhakaran Singh	The CPP Board at its meeting on 15 September 2021 approved the performance management framework including high level performance indicators for each of the LOIP priorities and agreed that this action could be marked as complete.	30-Apr-21
BV7.1.2 Reducing Poverty	Completed	100%		Amanda Roe	On 1 April Communities Committee agreed the updated child poverty action plan which has been refreshed to reflect the impact of Covid-19 and the UK's exist from Europe. The plan is a live plan and updates are regularly posted on the Our Aberdeenshire website - https://www.ouraberdeenshire.org.uk/our-priorities/reducing-child-poverty/	30-Apr-21
BV7.1.3 Changing Aberdeenshire's relationship with alcohol	Completed	100%			The CPP Board at its meeting on 15 September 2021 approved the performance management framework including high level performance indicators for each of the LOIP priorities and agreed that this action could be marked as complete.	30-Apr-21
BV7.2 Develop six Area Delivery Plans which bring together existing local plans	Completed	100%	Angela Keith; David MacLennan; Ann Overton	Angela Keith; David MacLennan; Ann Overton	All Area Plans were reported to the six Area Committees, and approved, by 25 May 2021	30-Apr-21
BV8 Concluding the remaining locality plans as soon as possible	Completed	100%			RECOMMENDATION	31-Mar-21
BV8.1 Finalise Banff and Macduff locality plan	Completed	100%	Angela Keith; David MacLennan; Ann Overton	Angela Keith; David MacLennan; Ann Overton	LOIP was approved at CPP Board on 9 June.	31-Mar-21
BV9 Continuing to develop area performance reporting that is timely and relevant at that level	Completed	100%			RECOMMENDATION	30-Apr-21
BV9.1 Develop and implement performance monitoring to support the key deliverables set out in the Area Delivery Plans	Completed	100%	Angela Keith; David MacLennan; Ann Overton	Johanna Barclay; Gavin King; Gillian Milne; Alan Morris; Elaine Osinska; Trisha Pirie; Anna Thomson; Neil Watts	As of 5 October 2021, all six area committees received reports on Area Performance including the Area Performance Indicators. Area Committees agreed the reporting plan on Area Performance, which includes the wider performance reporting schedule. The Area Plan Action Plan update will be taken forward in the November and December 2021 meeting cycles with reports on the Area Performance Indicators being planned for Area Committees January-March 2022 meeting cycles.	30-Apr-21
BV9.2 Regular reporting to Area Committees providing transparency, accountability and ability to undertake scrutiny at a local level	Completed	100%	Angela Keith; David MacLennan; Ann Overton	Johanna Barclay; Gavin King; Gillian Milne; Alan Morris; Elaine Osinska; Trisha Pirie; Anna Thomson; Neil Watts	It is agreed that Area Performance reports will be implemented in the Area Committees' January- March 2022 cycles and then this reporting is planned again for the cycles prior to the summer recess. This arrangement complements the agreed Corporate Performance Framework reporting schedule plus the reporting the delivery of the Actions Plan in the Area Plans. The informal sessions about performance with Directorate Management Teams will take place at least annually and extra sessions can be agreed as needed. Area Committees will also receive an annual Scrutiny report, which identifies both formal and informal scrutiny and performance monitoring undertaken by the area committees.	30-Apr-21
BV10 Councillors should take advantage of the training and development opportunities that the Council provides to ensure they have the necessary skills and knowledge to perform their role effectively	Completed	100%			RECOMMENDATION	01-Mar-21
BV10.1 All Cllrs to ensure that basic CPD requirements are up-to date	Completed	100%	Lucy Hay; Karen Wiles	Kay Hopwood	An Elected Member CPD Focus group took place on 15/02/2021 and proposal has been developed for wider engagement. The proposals outlines solutions for increasing councillor engagement around CPD recognising, attending and recording events and learning. Solutions include annual engagement around the CPD timetable, regular reminders and updates, a dedicated e-learning portal for all Councillors.	31-Dec-20

BV10.2 Undertake a review of the current training and development programme	Completed	100%	Lucy Hay; Karen Wiles	Kay Hopwood	An Elected Member CPD questionnaire was issued in March 2021 and is now complete and analysed. A package of support has been put in place in order to increase EM engagement with CPD. This includes EM ALDO portal, monthly reminder, newsletter, top tips, articles, timetable of events, bi-annual focus group. Outcomes will regularly be monitored by the group and any additional remedies put in place.	01-Mar-21
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**Annual Governance
Statement Action Plan
21/22**

Report Type: Actions Report

Action	Status	Progress	Managed By	Assigned To	Latest Note	Due Date
Annual Governance Statement Action Plan 2021/2022	In Progress	97%			PARENT ACTION	01-Apr-25
AGS2021-22 1 1. Develop training modules and have regular meetings of performance Leads across the organisation Review the self-evaluation model to ensure a more rounded and corporate approach and to embed this within performance processes	Completed	100%	Kate Bond	Fiona McCallum	The performance management framework is underpinned by the development of SMART performance measures with clear, measurable outcomes. Training has been delivered to Officers and Councillors and is also available on ALDO. The Performance Officer Network has been re-established and is meeting every 6 weeks. A new self-evaluation model was agreed by Audit Committee in November 2021 and a corporate programme of self-evaluation agreed in December 2021. A pilot self-evaluation was undertaken in Customer & Digital Services in February 2022 and a Council wide evaluation in March/April 2022.	31-Jan-22
AGS2021-22 2 2. Develop a corporate data hub to promote robust data analysis as well as smart service design based on the needs of our citizens across partner organisations	Overdue	80%	Kate Bond	Fiona McCallum	Work has been ongoing since the Team leader data & analytics came into post in June 2023, including work to progress the development of the data strategy and the establishment of a centre of analytics excellence of Council officers with a core role around data. Procurement of a data platform was approved by Business Services Committee on 29 February 2024 and procurement documentation is being developed with a view to tendering for a platform in late Spring 2024.	01-Apr-23
AGS2021-22 3 3. Implement new self-evaluation framework aligned to the Code of Corporate Governance	Completed	100%	Kate Bond	Fiona McCallum	Audit Committee in November 2021 agreed that the Council would adopt the Public Service Improvement Framework self-evaluation model. A corporate programme of self-evaluation agreed in December 2021. A pilot self-evaluation was undertaken in Customer & Digital Services in February 2022 and a Council wide evaluation in March/April 2022.	30-Nov-21
AGS2021-22 4 4. A review of the Risk Management Strategy and related processes has been undertaken during 2020/21 along with a refresh of the Corporate and Directorate Risk Registers.	Completed	100%	Mary Beattie	Susan Donald	Business Services Committee approved a new Risk Management Policy on 6th January 2022. Since then work has been ongoing to set up a draft Service Risk Register on Pentana using the Finance Service as an exemplar, based on a 4 by 5 Risk Matrix. Work has also been ongoing to develop draft Risk Management Guidance. A questionnaire was issued to Directors, Heads of Service and Service Managers to gauge the current Risk Appetite across the Council and within Services. The results of this will be presented to CLG by the end of September along with a draft Risk Appetite Statement. It will then be subject to discussion with SLT and Elected Members. The timetable agreed by the Corporate Risk Management Steering Group, aims to present the final version of the Risk Appetite Statement to Business Services Committee for approval in January 2023	30-Jun-22
AGS2021-22 5 5. Promote service design approach by involving customers in our decision-making and shaping service delivery	Completed	100%	Kate Bond	Gelleen-Henderson ; Fiona McCallum	A dedicated service design post was created and filled in January 2022 and sits within Customer and Digital Services, working across the wider organisation. Activity since has focused on establishing the role and developing a workplan which will focus on embedding a service design culture across the organisation and in our communities. The Service Designer is currently working directly with services to demonstrate the value of customer insight in the codesign and redesign of user journeys in key areas such as financial transactions and customer services.	31-May-22

<p>AGS2021-22 6. Work with citizens to help them to realise their digital aspirations through delivery of the Digital Strategy</p>	<p>Completed</p>	<p>100%</p>	<p>Paul Macari</p>	<p>Jack Rigby</p>	<p>The Digital Inclusion workstream continues to feed into Aberdeenshire Council's Digital Strategy. Updates on the Digital Strategy, including digital inclusion, are presented to Business Services twice a year.</p> <p>The Digital Inclusion Group continues to work on action planning across 4 key priorities:</p> <ul style="list-style-type: none"> - Digital Connectivity – working with UK & Scottish Governments, as well as telecoms industry, to further improve broadband connectivity and infrastructure across Aberdeenshire as a whole. - Digital Access – working with Connecting Scotland and the Digital Citizen Unit, as well as internal services such as Education and Tackling Poverty & Inequalities, to further the ability to get digital devices to those who need it. Equally, this workstream explores how best to ensure public access devices are as available as possible. - Digital Confidence – working across services to further enhanced digital skills training for residents across Aberdeenshire. - Hybrid – ensuring that there are always alternative ways for residents to access services where digital 	<p>31-Mar-25</p>
<p>AGS2021-2022 7 7. Develop and implement governance frameworks to support and promote cross service working and collaborative projects</p>	<p>Completed</p>	<p>100%</p>			<p>The Collaboration Board formed April 2021 undertakes tasks and activities as directed by SLT, to cover consideration and development of the MTFS and budget strategy, improvement and change. The group also recognises the continuing influence of Covid-19 and supports Service Recovery and Reform and will assess and respond to future emerging risks.</p> <p>The Board facilitates safe space for cross service peer challenge and consequence, adopting a fluid and responsive approach to timeline priorities, looks outward to support the organisation by building capacity and capability. Inclusiveness, openness and transparency are core principles where Board members are responsible for sharing outputs with colleagues reporting to Directorate Management Teams and Boards.</p> <p>The Collaboration Board is Accountable to Strategic Leadership Team.</p>	<p>31-Jan-22</p>

Self Evaluation Action 2023

Report Type: Actions Report
Generated on: 06 March 2024

Action	Status	Progress	Managed By	Assigned To	Latest Note	Due Date
PSIF CW 2023 Aberdeenshire Council PSIF 2023 Improvement Plan	In Progress	68%			PARENT ACTION	30-Jun-24
PSIF CW 2023 1. Governance & financial management style	In Progress	67%			PARENT ACTION	31-Mar-24
PSIF CW 2023 1.1 Review budget-setting process to include longer-term financial planning, more stakeholder engagement (including communities) and participatory budgeting	In Progress	75%	Directors	Mary Beattie; Alison Tennant; Karlyn Watt	The 2024/25 budget setting process included the agreement of a Medium Term Financial Strategy to cover the next 5 years (2024/25 – 2028/29), including a detailed Capital Plan covering the same period, along with indicative high level spend and funding estimates that fall within the affordability limits set out with in the MTFs and Capital Plan for the period 2029/30 through to 2038/39. A budget engagement exercise was carried out between 4 October 2023 and 17 November 2023, with the outcome reported to the Council in November 2023. Further engagement took place in the period before the formal budget meeting in February 2024. Work is progressing to develop a Participatory Budget Strategy to align that with the overall budget process for future years. Further work will also be done to explore with the Strategic Leadership Team how more longer-term financial planning can be developed during 2024/25 and we will continue to evolve and adapt our processes year on year based on past experience.	31-Mar-24
PSIF CW 2023 1.2 Consider further ways to present performance data to ensure it is accessible and easily understood by a range of stakeholders	In Progress	60%	Directors 2024; SLT; Rob Simpson	Fiona McCallum	A performance management system procurement review group was established in Sept 2023 to review the current arrangements. Demos have been provided by different suppliers but alternative solutions are over budget. The strategy and innovation team is exploring how performance data and reporting can be provided within the data hub solution.	31-Mar-24
PSIF CW 2023 2. Risk Management	In Progress	90%			PARENT ACTION	30-Jun-24
PSIF CW 2023 2.1 Embed an approach for governance of the risk strategy and risk register	Completed	100%		Mary Beattie; Susan Donald	The governance of risk is now well established with Risk Management and Business Continuity a standing item on the agenda of the Corporate Risk Management Steering Group. Service Risk Registers are currently subject to review and this will be complete by mid-June 2024. Work is ongoing to review and revise the Directorate and Corporate Risk Registers.	30-Jun-24
PSIF CW 2023 2.2 Review the approach to risk to ensure it continues to meet our needs	In Progress	80%		Mary Beattie; Susan Donald	The Service Registers are all complete and are currently being updated and reviewed by services with a deadline of mid-June 2024. The Directorate Risk Register and Corporate Risk Register are currently being developed to reflect the emerging themes from the Service Risk Registers. The aim of the Council's approach to Risk Management is to create a culture of ongoing monitoring, updating and review with the intention that this iterative approach embeds risk management as a business as usual activity.	30-Jun-24
PSIF 2024 3. Leadership	In Progress	20%			PARENT ACTION	31-Mar-24
PSIF CW 2023 3.1 Share information on transformation projects widely across the Council	In Progress	20%	Directors 2024	Kate Bond	A communications strategy and stakeholder map has been developed, and a SharePoint site built which will be a portal for staff to learn more about the transformation programme. This will go live at the point the transformation strategy is agreed by councillors and the programme is formally launched (expected October 2023)	31-Mar-24
PSIF CW 2023 4. Results	In Progress	95%			PARENT ACTION	31-Mar-24
PSIF CW 2023 4.1 Explore data-sharing opportunities with partners	In Progress	90%		Fiona McCallum	A workshop is being held on 19 March with colleagues from Public Health, NHS Grampian and Aberdeen City to explore data sharing opportunities.	31-Mar-24
PSIF CW 2023 4.2 Demonstrate how we are using benchmarking to make service improvement	Completed	100%		Fiona McCallum	All Services are required to report in business plans how they have used benchmarking to make service improvements.	31-Mar-24

**Best Value Thematic Action
Plan 2023-24**

Report Type: Actions Report
Generated on: 06 March 2024

Action	Status	Progress	Managed By	Assigned To	Latest Note	Due Date
2023-24 BV T Best Value Thematic Action Plan 2023-24	In Progress	32%			<u>PARENT ACTION</u>	31-Jan-25
2023-24 BV T 1. Council Vision and Priorities	In Progress	15%		Kate Bond	<u>PARENT ACTION</u>	30-Sep-24
2023-24 BV T 1.1 All Head of Service Plans to be peer reviewed	In Progress	30%	Directors 2024	Kate Bond	Collaboration Board have agreed to peer review all Business Plans and this will take place during March/April - prior to all Business Plans being considered at committee.	01-May-24
2023-24 BV T 1.2 Provide case studies within the annual report	In Progress	0%	Directors 2024	Kate Bond		30-Sep-24
2023-24 BV T 2. Reducing Inequalities and Climate Change	Overdue	0%			<u>PARENT ACTION</u>	31-Dec-23
2023-24 BV T 2.1 Committees to consider and discuss the IIAs presented as part of a report and this will be formally minuted	Completed	100%	Area Chairs and Vice Chairs; Directors 2024; Policy Chairs and Vice Chairs	Karen Wiles	Committee officers will action when mentioned in debate	31-Dec-23
2023-24 BV T 3. Alignment of delivery plans – Transformation	In Progress	35%			<u>PARENT ACTION</u>	31-Jan-25
2023-24 BV T 3.1 Full Council to agree Transformation Strategy and associated governance framework	Completed	100%	Jim Savege	Kate Bond	Full Council agreed the transformation strategy and work to deliver the programme is now underway https://aberdeenshire.moderngov.co.uk/documents/s10444/Transformation%20Strategy%20-%20Covering%20Report.pdf	30-Nov-23
2023-24 BV T 3.2 Policy committees to monitor their areas of responsibility	In Progress	5%	Directors 2024; Jim Savege	Kate Bond	No transformation business cases have been completed yet, but policy committees will be responsible for overseeing them once approved.	31-Jan-25
2023-24 BV T 3.3. Twice yearly reporting to full council, with links to MTFS	In Progress	0%	Directors 2024; Jim Savege	Kate Bond		31-May-24
2023-24 BV T 4. Alignment of delivery plans – Asset Plans	In Progress	80%			<u>PARENT ACTION</u>	31-Mar-24
2023-24 BV T 4.1 Outputs from review of Capital Plan reported to budget meeting	In Progress	80%	Directors 2024; Jim Savege	Mary Beattie; Karlyn Watt; Allan Whyte	The Capital Plan was reviewed through the Capital Plan Sub Group and was subject to an affordability and achievability review. The Capital Plan was approved by the Council as part of the budget setting meeting in February 2024, with a cap of 8.5% on borrowing agreed. The development of a Capital Strategy will be progressed during 2024/25.	31-Mar-24

**Best Value Wider Scope Action Plan
2023-24**

Report Type: Actions Report
Generated on: 06 March 2024

Action	Status	Progress	Managed By	Assigned To	Latest Note	Due Date
2023-24 BV WS Best Value Wider Scope Action Plan 2023-24	In Progress	82%			PARENT ACTION	31-Jan-25
2023-24 BV WS 1. Financial sustainability - Transformation Plans	In Progress	36%			PARENT ACTION	31-Jan-25
2023-24 BV WS 1.1 Full Council to agree Transformation Strategy and associated governance framework	Completed	100%	Directors 2024; Jim Savege	Kate Bond	Full council agreed the transformation strategy at its meeting of 23rd Nov 2023. https://aberdeenshire.moderngov.co.uk/documents/s10444/Transformation%20Strategy%20-%20Covering%20Report.pdf	01-Dec-23
2023-24 BV WS 1.2 Policy committees to monitor their areas of responsibility	In Progress	10%	Directors 2024; Jim Savege	Kate Bond	Discovery work on the transformation themes is underway. Once business cases have been developed and approved, these will be subject to regular monitoring by policy committees	31-Jan-25
2023-24 BV WS 1.3 Twice yearly reporting to full council, with links to MTFS	In Progress	0%	Directors 2024; Jim Savege	Kate Bond		31-May-24
2023-24 BV WS 2. Financial sustainability - Capital	Completed	100%			PARENT ACTION	31-Mar-24
2023-24 BV WS 2.1 The outputs from the Capital Plan review is reported to the budget meeting	Completed	100%	Directors 2024	Mary Beattie	A revised 5 year and indicative future years capital plan was agreed as part of the Council's 24-25 budget setting process.	31-Mar-24
2023-24 BV WS 3. Vision, Leadership and Governance – updating policies	Completed	100%			PARENT ACTION	31-Dec-23
2023-24 BV WS 3.1 A review will be undertaken to ensure all externally-facing policies are included in the corporate reporting framework	Completed	100%	Kate Bond	Fiona McCallum	This review has been undertaken and all policies are being considered by their respective policy committees to determine as timetable for updates being made	31-Dec-23
2023-24 BV WS 4. Vision, leadership and governance: Adult Social Care	In Progress	95%			PARENT ACTION	31-Mar-24
2023-24 BV WS 4.1 Develop and complete action plan on recommendations from Internal Audit of IJB Governance	In Progress	95%	Pamela Milliken	Lauren Cowie	All actions from the Internal Audit report have now been completed except one. The last recommendation relates to publication of agendas for the Clinical and Adult Social Work Committee. Information is provided to this Committee from both Council and NHSG and agreement is therefore required on publication of information. Work is progressing rapidly with the Information Governance team of NHSG with the aim to complete as soon as practicable. Once agreement is reached, any updated exemptions will be placed before the IJB for consideration as part of the refreshed IJB Handbook due to be presented in March 2023.	31-Mar-24

REPORT TO AUDIT COMMITTEE - WEDNESDAY, 17 APRIL 2024

AUDIT SCOTLAND: LOCAL GOVERNMENT IN SCOTLAND FINANCIAL BULLETIN 2022/23

1 Executive Summary/ Recommendations

1.1 The Accounts Commission [Local Government in Scotland Financial Bulletin 2022/23](#) was published on 16 January 2024. The bulletin provides a high-level analysis of the financial performance of Scottish Councils during 2022/23, their financial position at the end of that year and the financial outlook. It also reflects on councils' funding and expenditure in 2022/23, and the potential impacts of the Verity House Agreement made between COSLA and the Scottish Government in June 2023.

1.2 The Committee is recommended to:

1.2.1 Consider and comment on the findings of the Audit Scotland report on the financial performance of councils across Scotland in 2022/23 and the long-term challenges that are faced going forward.

2 Decision-Making Route

2.1 The Accounts Commission and Audit Scotland work together to deliver public audit in Scotland and in January 2024 Audit Scotland published the [Local Government in Scotland - Financial Bulletin 2022/23](#). The report looks at Scottish Councils' financial performance during 2022/23, along with long term challenges they face.

3 Discussion

3.1 *Scottish Councils' Financial Summary 2022/23*

3.1.1 In 2022/23, Scotland's 32 councils received a total of £21.3 billion in revenue funding and income (funding for day-to-day spending). In cash terms this is £757 million more than the year before but in real terms (that is adjusting for inflation) it represents a decrease of 2.8 per cent (£619 million).

3.1.2 Council tax is an important source of income for councils, accounting for 13 per cent (£2.7 billion) of total funding in 2022/23. Councils received more income from council tax, due to an overall increase of 4.5 per cent in the amount of council tax billed and an increase in in-year collection rates of 0.5 per cent (from 95.7% to 96.2% for councils across Scotland).

3.1.3 However, the amount received has not kept pace with inflation and in real terms this represents a fall in income of 2.5 per cent compared to 2021/22. In 2022/23, a one-off grant of £278 million was received by councils, to distribute the £150 Cost of Living Award to eligible households.

- 3.1.4 Aberdeenshire Council's collection rates are shown below - it should be noted that the increase for 2022/23 was likely due to the Cost-of-Living Award which was paid to eligible households as part of billing.

	2020/21	2021/22	2022/23
Aberdeenshire Council Tax Collection Rate	95.48%	96.56%	96.93%

- 3.1.5 Revenue funding and income comes from a variety of sources. Almost 60% of total revenue funding comes from the Scottish Government with core revenue funding to councils amounting to £12.2 billion in 2022/23. This was an increase to core funding in both cash terms (7.4% increase) and real terms (0.7% increase) from the previous year.

- 3.1.6 Aberdeenshire Council saw an increase in revenue funding in 2022/23. The table below shows the revenue funding from the Scottish Government, demonstrating an increase year on year since 2020/21, excluding the additional Covid-19 funding received in 2020/21 and 2021/22.

	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
General Revenue Grant	405,376	381,139	360,475
Ring-Fenced Revenue Grant	26,664	32,328	31,133
Non-Specific Revenue Grant	13,648	-	-
Non-Domestic Rates	80,112	104,867	138,786
Total	527,800	518,334	530,384
Covid-19 Funding	68,382	7,401	-
Total excluding Covid-19 funding	459,418	510,933	530,384

- 3.1.7 In 2021/22, councils received an additional £0.5 billion in nonrecurring revenue funding from the Scottish Government to support their Covid-19 response. When this is included, councils experienced a real terms reduction of 3.6 per cent in revenue funding from the Scottish Government in 2022/23 compared to 2021/22. Excluding this amount, councils experienced a real term reduction of 4.2 per cent.
- 3.1.8 Specific revenue grants funding totaled £786 million in 2022/23 and was allocated to fund specific policies or initiatives such as for early learning and childcare expansion and the pupil equity fund. In addition to specific revenue grants, other funding received by councils is directed for national policy initiatives.
- 3.1.9 Local government is the second largest area of Scottish Government spending; however, this proportion has reduced over the last decade. In 2013/14 local government (capital and revenue) accounted for 30 per cent of the total spend. In 2022/23, it has fallen to 23 per cent. It should be noted that local government

spend has been relatively static while Scottish Government spend increased by 37 percent and with Health and Social Security there have been areas of growth for both.

3.1.10 At the time of budgeting, the thirty councils that Audit Scotland sampled identified budget gaps totaling £476 million for 2022/23, compared to £350 million for the same sample of councils for 2021/22. This represents a budget gap of 2.9 per cent of the net cost of services. Use of reserves and making recurring savings were expected to bridge 71 per cent (£342 million) of the budget gap. The relative use of reserves to bridge the budget gap has doubled from 17 per cent in 2021/22 to 34 per cent in 2022/23.

3.1.11 Councils' capital expenditure in 2022/23 was £3.6 billion. This is a 16 per cent (£0.5 billion) increase in cash terms compared to 2021/22. This was driven by a 52 per cent increase in borrowing. At £1.41 billion, this was the largest source of capital financing, surpassing government grants which accounted for £1.35 billion of capital expenditure. The higher costs associated with borrowing place further pressure on revenue budgets over the longer term.

3.1.12 Aberdeenshire Council increase in borrowing is shown in table below:

	31 March 2021 £000	31 March 2022 £000	31 March 2023 £000
Total net borrowing	807,198	865,464	900,136

3.1.13 In 2022/23 capital funding from the Scottish Government rose by 19 per cent in real terms to £0.82 billion compared to 2021/22. However, it still remains lower than previous years leading up to the Covid-19 pandemic.

3.2 Scottish Councils' Financial Position and Outlook

3.2.1 In 2022/23, Scottish Councils increased their total usable reserves by £0.31 billion, from £4.15 billion to £4.46 billion. Revenue reserves increased by 2.2 per cent (£80 million) and capital reserves increased by 40 per cent (£232 million). The increase in capital reserves may be linked to slippage against capital projects, noted by auditors in some Annual Audit Reports for 2022/23.

3.2.2 Councils' borrowing costs have reduced over the past nine years. A key contributing factor to this has been the decision by Councils to re-profile principal repayments over a longer period, in line with the 2016 Loans Fund regulations. Some Councils also used the financial flexibility afforded by the Scottish Government that permitted a reduction in the statutory repayment of debt in 2020/21, 2021/22 and 2022/23. Although borrowing costs have reduced, the long-term affordability of these payments is an important element of councils' financial sustainability. There is a risk that decisions to reschedule debt repayments may add pressure on future budgets as it defers costs to later years and does not tackle the underlying challenges to financial sustainability.

- 3.2.3 Scottish Councils' total net debt increased by six per cent (£1billion) between 2021/22 and 2022/23.
- 3.2.4 At the time of budgeting, from the sample of thirty councils, a total budget gap of £725 million was identified for councils' 2023/24 budgets, a significant increase on the £476 million identified in 2022/23. This represents 4.2 per cent of the net cost of services (in real terms) compared to 2.9 per cent in 2022/23.
- 3.2.5 Aberdeenshire Council demonstrated a 2.7% budget gap in 2022/23 identifying the Council in the mid-range of the table against the 31 other councils for that reporting year.
- 3.2.6 The most common bridging actions taken to set balanced budgets in 2023/24 were:
- recurring savings (33 per cent)
 - the use of reserves (27 per cent)
 - increases to council tax (18 per cent)
- 3.2.7 Some councils have already taken difficult decisions to address budget gaps through implementation of recurring savings options. However, in the face of public opposition, some councils have reversed decisions that related to the reduction or cessation of services as part of savings put forward for 2024/25. This illustrates the increasing challenges that councils are facing in delivering balanced budgets and highlights the need for proper and timely consultation over budget proposals.

3.3 Financial Sustainability

- 3.3.1 The core allocation received by councils in 2022/23 was £12.2 billion compared to the value of £12.1 billion in 2013/14, a 1.3 per cent increase.
- 3.3.2 Overall, the general revenue grant in 2022/23 is 2.9 per cent (£262 million) lower than in 2013/14 and income from non-domestic rates is 8.1 per cent (£244 million) lower
- 3.3.3 Specific revenue grants funding must be used to fund specific policies or initiatives such as for early learning and childcare expansion and the pupil equity fund. In addition, other funding received by Councils is directed for national policy initiatives. Though not formally ring-fenced, this funding is provided with the expectation that it will be spent on specific services.
- 3.3.4 Specific revenue grants have increased by over five hundred per cent (£663 million) across the last decade (although there was a reduction in 2022/23). This significant increase has been a key contributory factor in keeping the overall local government budget at a similar level.
- 3.3.5 Some Councils use indicators to assess their financial resilience but the extent to which they are used and their effectiveness varies. Auditor returns indicated that in some cases, financial resilience indicators are not used to any great extent by councils on a regular basis. Financial resilience is instead built into

day-to-day financial processes and strategies. In other cases, auditors highlighted the use of key financial ratios recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance within the management commentary of the accounts or reporting upon financial resilience monitoring in their medium-term financial plans.

- 3.3.6 The pensions' triennial funding valuation has been completed during 2023/24 and was a key component of the Medium-Term Financial Strategy agreed by Full Council for 2024/25.
- 3.3.7 Councils' medium- and longer-term financial plans demonstrate a clear recognition of the difficult financial context and the need to continue to innovate at pace and make difficult decisions to become more financially sustainable. But it is recognised that some councils are already experiencing significant resistance when seeking to make service reductions to balance budgets. This reinforces the need for effective consultation and engagement with communities on planned local service changes.

3.4 Verity House Agreement

- 3.4.1 In June 2023, the Verity House Agreement, was agreed between the Scottish Government and COSLA.
- 3.4.2 The partnership agreed that:
- From June 2023, a default position of no ring-fencing or direction of funding unless there is a mutual understanding of the reasons for a ring-fenced funding arrangement.
 - By the end of September 2023, to agree a new fiscal framework which will govern the allocation of funding for local authorities and provide councils with increased control over their budget-setting processes. This includes multi-year settlements wherever possible to support strategic planning and investment.
 - By the end of October 2023, to undertake a joint review of specific grants and in-year transfers to local government.

3.5 Overall Recommendations

- 3.5.1 Audit Scotland made a number of recommendations that all Scottish councils should consider. Aberdeenshire Council is already demonstrating financial leadership in these areas, as set out below.
- 3.5.2 **Recommendation 1:** Prioritise the achievement of recurring savings and avoid reliance on non-recurring savings to enhance longer-term financial sustainability.
- As part of the 2024/25 budget setting process and the development of the Medium-Term Financial Strategy (MTFS), one of the key principles is that financial sustainability will be achieved and maintained through transformation, greater partnership working, targeted investment, reducing

costs and more efficient ways of working. Currently, the value of the transformation proposals is insufficient to bridge the budget gap for 2024/25, so budget savings proposals have been identified to close the gap. In future years, it is expected that more transformation proposals will be agreed and implemented thus generating additional savings and reducing the need for further targeted budget savings proposals.

3.5.3 Recommendation 2: Ensure that management commentaries, set out within their annual accounts, are open and transparent, include a clear link between budget outturn and the financial performance in the accounts and report on the achievement of planned savings targets.

- The management commentary included in the 2022/23 annual accounts included links between budget outturn and financial performance and achievement of savings. The Council continues to review the format and content of the management commentary to ensure that it is in line with best practice.

3.5.4 Recommendation 3: Provide clear statements about reserves policy and explicitly set out the purpose of committed reserves within their annual accounts. This will enhance the level of assurance that councils can provide regarding their ongoing financial sustainability.

- A clear reserves strategy, including the purpose of committed reserves, was approved as part of the 2024/25 budget setting process. The management commentary included in the 2022/23 annual accounts also included a clear statement about reserves and the purposes of committed reserves. The Council continues to review the format and content of the management commentary to ensure that it is in line with best practice.

3.5.5 Recommendation 4: Ensure effective and timely consultation and engagement with communities on the options that must be considered to achieve a balanced budget.

- A budget engagement exercise was carried out between 4 October 2023 and 17 November 2023, with the outcome reported to the Council in November 2023. Further engagement took place in the period before the formal budget meeting in February 2024. The Council continues to evolve and adapt its processes year on year based on past experience.

3.5.6 Recommendation 5: Strengthen their monitoring and reporting of financial resilience including clearer and more public-facing use of performance against financial resilience indicators and measures. Financial resilience indicators should be a component of councils' medium and longer-term financial plans to provide assurance that they are balancing short-term pressures with robust planning for long-term financial sustainability.

- A series of financial performance indicators are reported as part of the management commentary within the annual accounts, and also reported regularly throughout the year to Strategic Leadership Team. The Council

continues to evolve and adapt monitoring and reporting of financial resilience in line with best practice.

3.5.7 **Recommendation 6:** Work with the Scottish Government to build momentum and accelerate progress in the development of a fiscal framework for local government to enhance the clarity and certainty of budgets for councils in future years.

- The Council continues to regularly engage with the Scottish Government through a number of fora including COSLA Leaders and the Settlement and Distribution Group.

4 Council Priorities, Implications and Risk

4.1 This report is relevant to all Council priorities.

Pillar	Priority
Our People	<ul style="list-style-type: none"> • Learning for Life • Health & Wellbeing
Our Environment	<ul style="list-style-type: none"> • Climate Change • Resilient Communities
Our Economy	<ul style="list-style-type: none"> • Economic Growth • Infrastructure and public assets

4.2 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed.

Subject	Yes	No	N/A
Financial			x
Staffing			x
Equalities and Fairer Duty Scotland			x
Children and Young People's Rights and Wellbeing			x
Climate Change and Sustainability			x
Health and Wellbeing			x
Town Centre First			x

4.3 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken for this report as it provides an overview of the financial position of all thirty-two councils across Scotland for 2022/23 by Audit Scotland.

4.4 The following Risks have been identified as relevant to this matter on a Corporate Level:

- ACORP001 Budget Pressures
- ACORP002 changes in government policy, legislation and regulation

5 Scheme of Governance

- 5.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporate within the report and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.
- 5.2 The Committee is able to consider this item in terms of Section G.1.3 of the List of Committee Powers in Part 2A of the Scheme of Governance.

Rob Simpson

Director of Business Services

Report prepared by Katie Insch, Policy Officer, Karlyn Watt, Strategic Finance Manager and Fiona McCallum, Strategy & Innovation Manager
25 March 2024

REPORT TO AUDIT COMMITTEE – 17 April 2024

COMMITTEE REVIEW PROCESS STAGE 1 – INTERNAL AUDIT REPORT 2310 – ASSURANCE REVIEW OF ADULTS WITH INCAPACITY

1. Executive Summary/Recommendations

1.1 This report offers an update on the matter of ‘Adults with Incapacity’, as detailed in Internal Audit Report 2310, and answers the associated questions within the agreed framework of the Stage 1 process. Members are asked to consider recommendations and agree future improvement actions.

1.2 The Committee is recommended to:

1.2.1 Consider whether this further Stage 1 scrutiny report and recommendations provides the Committee with sufficient assurances on this matter; and

1.2.2 Where the Committee feels that the report does not provide adequate reassurance, request the delivery of a Stage 2 workshop for the Committee to allow for further exploration of the issue and identification of potential improvement actions.

2 Decision-Making Route

2.1 At its meeting on 18 May 2023, the Audit Committee considered [Internal Audit reports](#) submitted by the Chief Internal Auditor advising the Committee of the outcomes of completed audits. The Committee agreed to conduct the Committee Review Process relating to a matter of service delivery for improvement identified from Internal Audit Report 2310 – Adults with Incapacity, with the Stage 1 Report to be brought back to the Committee on 21 September 2023 with a further report being presented on the 21 December 2023. At its meeting on 21 December 2023 it was requested that a further report be presented on this meeting the 17 April 2024, to offer continued reassurance that the matters within the Audit Report are being addressed.

3 Discussion

3.1 The detailed scope of this review was presented to the Audit Committee on 18 May 2023. This report aims to answer and provide continued assurance around the areas for improvement identified and actions completed. All recommendations have been completed and an update on all actions identified from the Internal Audit is provided in Appendix 1.

3.2 A short life working group continues to take forward the actions from the Internal Audit. They continue to meet regularly and have been advancing on addressing the recommendations from the Internal Audit.

4 Council Priorities, Implications and Risk

4.1 This report helps deliver the Strategic Priority “Health and Wellbeing” within the Pillar “People”.

4.2 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed.

Subject	Yes	No	N/A
Financial		X	
Staffing		X	
Equalities and Fairer Duty Scotland		X	
Children and Young People’s Rights and Wellbeing		X	
Climate Change and Sustainability		X	
Health and Wellbeing		X	
Town Centre First		X	

4.3 There are no staffing or financial implications specifically arising from the recommendations if agreed.

4.4 The screening section as part of Stage One of the Integrated Impact Assessment process has been completed. This did not identify the requirement for any further detailed assessments to be undertaken. An integrated impact assessment is not required because this report is to provide committee with information relating to a matter being processed by way of the Committee Review Process.

4.5 The following Risks have been identified as relevant to this matter on a Corporate Level:

- ACORP004 Business and Organisational Transformation

5 Scheme of Governance

5.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the [Scheme of Governance](#) and relevant legislation.

- 5.2 The Committee is able to consider and take a decision on this item in terms of Section G.1.1a of the List of Committee Powers in Part 2A of the Scheme of Governance as the matter relates to the scrutiny and review of the effectiveness of Council policy implementation and Council service delivery in respect of a function within its remit.

Pamela Milliken, Chief Officer, Aberdeenshire Health & Social Care Partnership

Report prepared by Ryan McGregor, Mental Health and Learning Disabilities Manager, Aberdeenshire HSCP

Date 17 March 2024

APPENDIX 1 – Internal Audit Report 2310 Action Plan Update

Appendix 1 – Internal Audit Report 2310 Action Plan Update

A summary of progress against specific recommendations within Internal Audit Report 2310 – Assurance Review of Adults with Incapacity is provided below, as at March 2024.

Item No.	Recommendation	Grading	Person(s)	Due Date	Progress	Status
1.1	<p>The Service should document and implement procedures in respect of DWP appointeeship / Intervention Orders / Access to funds / guardianship and POA in dealing with Adults with Incapacity.</p> <p>Staff required to apply the procedures should be adequately trained in their application.</p>	Moderate	North Partnership Manager / North Mental Health and Learning Disabilities Service Manager	February 2024	<p>The Health and Social Care Partnership short life working group continues to meet to take forward the actions from this Internal Audit.</p> <p>The Aberdeenshire Health and Social Care Partnership Department for Work and Pensions Corporate Appointeeship Policy is being used appropriately to support with the management of DWP Appointeeships, Intervention Orders and Access to Funds.</p> <p>A separate group continue to take forward the development of an ALDO Training Course for staff who require to use Department for Work and Pensions Corporate Appointeeship. Further work is ongoing around developing an ALDO Training Course for Access to Funds.</p> <p>This recommendation has been closed off as completed.</p>	Completed
1.2	<p>The Service should implement processes and controls to ensure consistent and complete records.</p> <p>AWI records are held, and these are accessible to relevant officers.</p> <p>A reconciliation of existing files against system records should be undertaken, and corrections applied where necessary.</p>	Major	North Partnership Manager / North Mental Health and Learning Disabilities Service Manager	February 2024	<p>Our Finance Teams along with our Administrative Support and Social Work Teams have completed all cross checks on service users and are satisfied all records are consistent and complete.</p> <p>It continues to be the intention of the short life working group as it completes the Internal Audit to move into being an oversight and monitoring group for the Corporate Department for Work and Pensions Appointeeship, which will provide a mechanism to support with periodic assurance over content and financial records.</p>	Completed

Item No.	Recommendation	Grading	Person(s)	Due Date	Progress	Status
	A system of review should be developed and implemented to obtain regular periodic assurance over the content and accuracy of AWI financial records.				This recommendation has been closed off as completed.	
1.3	The service should ensure authorisations are adequately documented, maintained up to date, retained in an accessible location, and communicated to relevant parties.	Major	North Partnership Manager / North Mental Health and Learning Disabilities Service Manager	February 2024	<p>In conjunction with 1.4 of this Internal Audit a support plan for the management of Corporate Department for Work and Pension Appointeeship's has been developed. It will be a requirement of all service users to have this support plan completed, which will detail how their monies will be managed. This will be stored within our electronic recording system – Carefirst.</p> <p>The Aberdeenshire Health and Social Care Partnership Department for Work and Pensions Corporate Appointeeship Policy provides clarity around audit. This has been completed by Team Managers, with an ongoing rolling program.</p> <p>This recommendation has been closed off as completed.</p>	Completed
1.4	The Service should ensure there is a clear and consistent audit trail for all instances where funds are managed on behalf of service users. This should be subject to periodic reconciliation against other records (e.g. bank statements, cash balances, and other source documentation), and potential discrepancies escalated, and the results and actions recorded.	Major	North Partnership Manager / North Mental Health and Learning Disabilities Service Manager	February 2024	<p>A support plan has been developed and agreed by the short life working group. This has been developed to be available within our electronic recording system of Carefirst. All service users who have a Corporate Department for Work and Pensions Appointeeship will have a support plan created that can be reviewed and monitored regularly. It will provide an overview of how day to day monies is managed, it will provide clarity on larger spends and who has authorised this.</p> <p>Our Finance Department working with our Social Work Team Managers, as part of the policy will provide periodic audit with any issues being escalated through usual management structure and a link to the oversight and monitoring group.</p> <p>This recommendation has been closed off as completed.</p>	Completed

Item No.	Recommendation	Grading	Person(s)	Due Date	Progress	Status
1.5	<p>The Service should establish and implement protocols for cash withdrawals which adequately balance the resource and other risks.</p> <p>The Service should review the security arrangements for money held on behalf of service users, and ensure they are adequate.</p> <p>The Service should ensure appropriate controls are in place to manage cash balances, including all cash movements being signed and witnessed.</p>	Major	North Partnership Manager / North Mental Health and Learning Disabilities Service Manager	February 2024	<p>Guidance has been implemented to provide continuity of cash/card security for employees managing Corporate Department for Work and Pensions Accounts. This includes movement of cash and it being signed and witnessed.</p> <p>In discussion with our insurance, facilities, asset management, finance, and social work teams, access to safes have been found or the need for additional safes have been identified and the arrangements around purchasing and installing is completed.</p> <p>This recommendation has been closed off as completed.</p>	Completed
1.6	<p>The Service should ensure client accounts with balances in excess of specified thresholds are reviewed to ensure they are managed appropriately.</p> <p>The Service should ensure client inventories are maintained up to date and complete.</p>	Moderate	North Partnership Manager / North Mental Health and Learning Disabilities Service Manager	February 2024	<p>The short life working group has considered how best to support this recommendation. This has been updated and detailed within the Aberdeenshire Health and Social Care Partnership Department for Work and Pensions Corporate Appointeeship Policy.</p> <p>The Aberdeenshire Health and Social Care Partnership Department for Work and Pensions Corporate Appointeeship Policy, linking with the Aberdeenshire Health and Social Care Partnership Adults with Incapacity Guidance supports discussions if funds reach a level where a financial guardianship would be more appropriate. Through the tightening of audit this will be monitored, and an appropriate Adults with Incapacity Case Conference would be convened to discuss should funds go above this level.</p> <p>Discussion around inventories has been ongoing, it has been agreed these will be present within the support plan.</p> <p>This recommendation has been closed off as completed.</p>	Completed

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