

## **REPORT TO SCRUTINY AND AUDIT COMMITTEE – 1 JULY 2016**

### **SCRUTINY AND AUDIT COMMITTEE – ANNUAL REPORT**

#### **1. Recommendations**

**The Committee is recommended to:**

- (i) Consider and approve the draft Annual Report text for submission to Council in September 2016; and**
- (ii) Delegate authority to approve the final version to the Chair and Vice Chair of Scrutiny and Audit Committee.**

#### **2. Background / Discussion**

- 2.1 At Council on 30 June, 2011, the Scrutiny and Audit Committee's investigation report No. 19, "Evaluation of the Effectiveness of the Scrutiny and Audit Committee", was considered. Amongst its recommendations, approved by Council, was one that an annual report be prepared to inform Members of the work of the Committee.
- 2.2 As last year, the timescale covered in the report has been adjusted to reflect the financial year, running from April to March. The draft report appended, prepared jointly by the Chair and Vice-Chair with officer input, covers the period from April 2015 to March 2016. The proposed text content has been circulated informally to Members for their consideration.
- 2.3 The Head of Finance and the Monitoring Officer within Business Services have been consulted on this report and had no comments to make.

#### **3 Equalities, Staffing and Financial Implications**

- 3.1 An equalities impact assessment is not required because this report records the work of the Committee from April 2015 to March 2016, and does not impact on any of the protected groups. Any further actions or recommendations which might impact on these groups in terms of service delivery will have been considered by officers and reported to the relevant Policy Committee.
- 3.2 This report has no adverse staffing or financial implications. It supports the Council's policy to have an effective scrutiny and audit function, makes the work of the Committee more transparent, and will help make the Committee's work more sustainable.

**Ritchie Johnson**  
**Director of Business Service**



Scrutiny and Audit Committee  
**Annual Report**  
2015 – 2016



**Members of the Committee  
As at March 2016**

Clr Gillian Owen (Chair)

Clr Ross Cassie (Vice-Chair)

Clr Peter Bellarby

Clr Nan Cullinane

Clr Sandy Duncan

Clr Katrina Farquhar

Clr Ian Gray

Clr Jim Ingram

Clr Gwyneth Petrie

Clr Cryle Shand

Clr Ian Tait

Clr Michael Watt

## Aberdeenshire Council Scrutiny and Audit Committee

Welcome to the Aberdeenshire Council Scrutiny and Audit Committee annual report for 2015/16.

This is the fourth full year of operation since the local government elections of 2012, during which the Committee has continued with its innovative approach, through the adoption of new technology to support its function, as well as in terms of how it investigates matters of wider interest and concern. There has been an extended and refined approach to the use of informal workshop sessions as an enabling process, when it comes to determining topics for formal investigation. Internal Audit continues to be a prime focus of this Committee; ensuring the Council's systems and processes are fit for purpose is key, as is continual financial monitoring. The Committee has also extended its scrutiny of risk, with regular updates of the risk registers being shared quarterly with Members via Ward Pages.

Since April 2015, we have undertaken two investigations; **Alternative Delivery Models** and **Contracts Registers**. The first was chosen in the awareness that although Aberdeenshire Council has experienced a number of years of financial restraint and made significant achievements, there are still huge fiscal challenges to be faced in future years. Contracts Registers were chosen as the second investigation, in order to assess how prepared Aberdeenshire Council was to meet the new statutory duty to have a contracts register publicly available, online, by mid April 2016.

Cllr Gillian Owen, *Chair*

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OWEN AND CASSIE

Cllr Ross Cassie, *Vice Chair*

Selecting topics is a key area of work, but the Committee does have other roles on which to focus, including monitoring, or reviewing, national reports from Audit Scotland. It is expected that this role will continue to expand. In 2015, national reports from Audit Scotland were submitted to the Committee for consideration, as reports to formal committee meetings:

- Audit Scotland - Report on Borrowing and Treasury Management in Councils (2 July, 2015); and
- Audit Scotland - Review of Recovery of Benefits Subsidy 2013/2014 (23 September, 2015).

Other Audit Scotland reports, with less direct relevance to Aberdeenshire Council's operations, were lodged on Ward Pages for Members' consideration of additional action required. These included Self-directed support; School education; Procurement in councils; The 2013/14 Audit of the Scottish Government Consolidated Accounts; Common Agricultural Policy Futures Programme; Community Planning - Turning Ambition into Action; and Update on Developing Financial Reporting.

The Committee has continued with the timetable for investigations which will result in two investigations being carried out per year, giving time for a series of workshops, and mini investigations, on current issues, or concerns. Workshops have been held on:

- Six Key Areas for Development – Debrief – session with Area Managers Banff & Buchan and Buchan (23 April, 2015);
- update workshop on GLOW (1 June, 2015);
- the technological future-proofing of shared systems to support Health and Social Care Integration (11 June, 2015);
- improvement (8 October, 2015);
- Her Majesty's Inspectorate of Education/ Education Scotland and Care Commission external inspection reports, and what the council does with them (9 November, 2015);
- the Council's Risk Register and supporting processes (3 December, 2015);
- key Worker Housing (17 September, 2015);
- teacher recruitment and retention (17 September, 2015);
- the maintenance of Council House gardens (16 November, 2015);
- Historic Aberdeenshire (3 February, 2016);
- cross agency response to emergency planning (17 February, 2016); and
- The Grants Register (3 March, 2016).

In addition to its workshops and investigative evidence gathering, the Committee has called in services where there have been concerns over Internal Audit matters. For example, sessions were held with Fleet on 14 September, 2015, and with the Developer Obligation Team on 27 January, 2016.

The Scrutiny and Audit Committee continues to concentrate on the issues that can effect change, and where it sees a clear role for the Committee in pursuit of that change for the better. Increasing pressures on public spending make it even more crucial that Aberdeenshire Council is assured that resources, fiscal, property, and staff, are well husbanded and directed to where they have the greatest impact on serving the needs of Aberdeenshire's communities. The services we deliver are crucial for all, and if our Committee can find even one small way to help effect change, and make the whole organization more efficient and cost effective, then we shall have done our job.

We would like to place on record our gratitude to all Officers who have assisted in the operation of our Committee, and also to the many visitors that have come before us.



Cllr Gillian Owen



Cllr Ross Cassie

## What do we do?

### Roles and Remit of the Committee

The Scrutiny and Audit Committee has three main functions:

1. To be a traditional audit committee with a focus on risk, control and assurance, and financial reporting.
2. To exercise scrutiny over the Treasury Management function.
3. To examine the effectiveness of council policy implementation and service delivery through a self-determined programme of investigations.

The role of the Committee is defined fully in the Aberdeenshire Council Scheme of Delegation, which can be viewed online at [www.aberdeenshire.gov.uk/councillors](http://www.aberdeenshire.gov.uk/councillors)

## Work of the Scrutiny and Audit Committee in 2015 -16

To determine the Committee's work plan for the year ahead, in February 2015 Members considered subjects, (new and deferred from consideration in previous years), which had been suggested by other Councillors, or council officers, and the general public of Aberdeenshire, as possible investigation topics. In providing supporting evidence for their submissions, Councillors and officers were asked to consider:

- **Residents and Employee Surveys;**
- **Internal and external audit reports;**
- **Issues raised by residents, local community groups and external organisations;**
- **Government policies and priorities;**
- **Council policies and priorities;**
- **Feedback on the Council's performance from other agencies;**
- **Previous Scrutiny and Audit investigations; and**
- **Performance Management information.**

The topics were considered on 22 June, 2015 informally, and formally approved by Committee on 2 July, 2015. As some of the proposed topics had a specific geographical focus, Members from the local area committees decided to remove themselves from consideration of these items.

**The range of topics suggested in 2015 was as follows:**

You suggested...	We did...
HMle and Care Commission Reports	Workshop held 9 November 2015, reported to 10 December, 2015. Action – no further action required.
The economic development function in council	Report update requested in the first instance – received 29 October, 2015. Action – Update report to be submitted in October, 2016.
Joint Health and Social Care Integration	Defer – consider for future years – legislation too recent to have its application formally reviewed in advance of full operational implementation.
The use of unlicensed UAV drone systems by operators in Aberdeenshire for commercial purposes	No action – outwith Committee remit – proposer advised.
Council House Gardens	Untidy Gardens and Garden Maintenance report to Committee 23 September, 2015 – action - Workshop to be held. Session held on Council Garden Maintenance and Wider Environment Management, Monday 16 November reported to Committee via bulletin ward pages. Action: note current processes – no further action.
Education/legal services mishandling of land acquisition for schools	No action – outwith Committee remit - proposer advised.
Failure to implement Government and Aberdeenshire planning policy	No action – outwith Committee remit- proposer advised.
Why Councillors do not implement Aberdeenshire Council Policies and Guidance regarding wind turbine planning applications	No action – outwith Committee remit- proposer advised.
Lack of Transparency in the Area Committee Planning Decisions	No action – outwith Committee remit - proposer advised.
Historic aspects of Aberdeenshire towns	Report requested in first instance- reported to Committee December, 2015 – widened to Historic Aberdeenshire, not just towns; workshop held 3 February, 2016, reported to Committee 30 March. Determined to revert to officers for appropriate action.

<p>Waste of public council tax money by Area Councillors</p>	<p>No action – outwith Committee remit- proposer advised.</p>
<p>Area Committee re Planning Proposals (Wind Turbines)</p>	<p>No action – outwith Committee remit- proposer advised.</p>
<p>Lack of consultation and or keeping elected members up to date with things to do with and or affecting their wards/ looking at a more effective way to run the council by allowing elected members to speak and vote on issues that affect their wards.</p>	<p>Referred to Governance Working Group and e-Committee to consider – proposer advised.</p>
<p>Way Area Committee make their decisions re the implementation of Government and Aberdeenshire Planning Policy, particularly in relation to wind turbine applications.</p>	<p>No action – outwith Committee remit - proposer advised.</p>
<p>Why doesn't the LDP demonstrate compliance with the Aarhus Convention?</p>	<p>No action – outwith Committee remit - proposer advised.</p>
<p>Why doesn't the LDP demonstrate compliance with the Lisbon Treaty for wind turbine development?</p>	<p>No action – outwith Committee remit - proposer advised.</p>
<p>Lack of transparency and accountability in Area Committee meetings/decisions</p>	<p>No action – outwith Committee remit - proposer advised.</p>

<p>Contracts Register</p>	<p>Determined to be investigation for Winter/ Spring 2015/16. Report concluded 7 March, 2016 and to be considered by Council, in context of an action plan response from Strategic Leadership Team, in early course.</p>
<p>Risk Register</p>	<p>Workshop held 3 December, 2015 alongside annual training – formal report to Committee on 10 December, 2015.</p> <p>Actions – agreed to receive quarterly updated risk registers via Ward Pages as a consultation – first reports received spring 2016.</p>
<p>Effective Scrutiny – self-assessment</p>	<p>Workshops held on 28 September, 2015 and 28 January, 2016 and reported to Committee on 29 October, 2015 and 18 February, 2016 respectively. In addition, visits were held to parallel committees in The Moray Council and Aberdeen City Council (Moray Council's Audit and Scrutiny Committee on 10 June, and to Aberdeen City Council's Audit, Risk and Scrutiny Committee on 25 June, 2015. These were reported to Committee on 2 July, 2015.</p> <p>Actions – recommend to Council approval of named substitutes for formal committee, based on the Local Review Board model, and removal of posts of Provost and Depute Provost from those debarred, by reason of political posts, from participation in Scrutiny and Audit; revision and updating of handbook- now to be "An introduction to Aberdeenshire Council's Scrutiny and Audit Committee; Strategic Leadership Team to consider method through which greater scrutiny of performance might be considered by the Committee; and in all other respects confirmed current operating processes and procedures as fit for purpose and appropriate as undernoted:</p> <ol style="list-style-type: none"> <li>(1) That for formal committee, Members continue to advise the Chair, the Monday before the meeting, of any officers who they would wish to have in attendance to facilitate Committee's consideration of specific issues;</li> <li>(2) That officer attendance should routinely be at Head of Service and operational specialist level, to best support the Committee;</li> <li>(3) To note the differences in approach to officer attendance and agenda processing in Moray and Aberdeen City's comparator committees;</li> <li>(4) To reaffirm the current process of Internal Audit Call-Ins as effective and efficient, facilitating in camera detailed consideration and the seeking of assurance;</li> <li>(5) To formalise relationships and facilitate communication with the service committees, that the outputs of workshops, Internal Audit Call-Ins, and Investigations, including the notes of sessions be shared with Directors and the Chair/ Vice Chair of the appropriate parent Committee;</li> </ol>

<p>Effective Scrutiny – self-assessment (continued)</p>	<p>(6) That consideration be given to processes which would ensure that the parent committee's monitoring of Council approved investigation recommendations, through inclusion on appropriate formal parent committee, and the Chair and Vice Chair being briefed on the proposed work at the outset and before the Committee reports to Council;</p> <p>(7) To recommend to Full Council that Legal &amp; Governance consider how best, procedurally, areas of concern over inaction, or delays to action on Council approved SAC investigation outcomes may be reported to Council for remedial action, or, alternately, how SAC may be empowered to enforce any delayed actions; and</p> <p>(8) To recommend to the Future Governance Working Group that each service committee be asked to undertake a self-assessment, and that their "handbooks" also be considered by the Future Governance Working Group.</p>
<p>Performance Management</p>	<p>Defer – consider for future years – Benchmarking Framework too recently in place to have its application formally reviewed in advance of full operational implementation. Defer pending outcome of the "Performance" Council in September, 2015.</p>
<p>Key Worker Housing</p>	<p>Considered at joint workshop on Teacher Recruitment and Retention held on 17 September, 2015, reported to Committee on 29 October, 2015.</p> <p>Action - details on the assessment of Council property for housing conversion options be made available to the Committee via Ward Pages.</p>
<p>Teacher Recruitment</p>	<p>Considered at joint workshop with Key Worker Housing held on 17 September, 2015. Reported to Committee on 29 October, 2015.</p> <p>Action - updates on (1) national discussions on teacher recruitment and retention to be reported to Committee as bulletins on Ward Pages and (2) the specific ratio for secondary, primary, and pre-school class to teacher be made available to the Committee.</p>
<p>The practice of the Council facilitating political group meetings prior to any Planning Committee</p>	<p>No action – outwith Committee remit - proposer advised.</p>

## Monitoring of Previous Investigations

Since its inception, the Committee has undertaken 29 investigations. From 2007, the Committee has also received formal reports on how its recommendations arising from investigations, and subsequently endorsed by full Council, are being applied.

Some recommendations are simple changes in processes and can be observed in action within a reasonably short time; others are more cultural in their application and may take a considerable time to establish and demonstrate to be effective.

Every six months, a report collates updates on progress with the recommendations, giving Members the opportunity to consider any barriers to implementation. The Committee may also dismiss matters from consideration if it is felt that the recommendations are no longer valid or have been overtaken by events.

Members are keen to keep clear the distinction between their monitoring of the application, or otherwise, of Council-approved recommendations arising from Scrutiny and Audit investigations, and the specific remit over operational matters which sits with each of the policy committees.

In addition to these areas of interest, the Committee has continued to pursue concerns identified in previous topic consideration.

From the previous topic choices, on 21 May, 2015, the Committee received an update report on Waste Management; and on 29 October, 2015, Members received an update report on Economic Development and Regeneration, a topic which has been of continued interest for several years. The Committee, acknowledging the various regeneration projects ongoing, and the role of the Regeneration Working Group, asked for a further update in October, 2016.

A key responsibility of the Committee is to ensure that the Council's Internal Audit function is properly resourced and has appropriate standing within the Council. It also reviews the activities of Internal Audit, including its annual work programme. In 2015, the Committee had oversight of the newly merged service with Aberdeen City Council. Members were assured that although the scope of work on Aberdeenshire issues might be reduced, the depth of investigation on control and process would remain.

Each formal meeting of the Committee receives the reports from the Chief Internal Auditor which have been presented to policy committees, either as confidential documents, or in open meetings. To highlight the importance which Members attach to this aspect of their role, these reports are now taken first on the Scrutiny and Audit Committee agenda.

The Committee continues to monitor the number of agreed recommendations, arising from Internal Audit investigations, which services have not implemented successfully by the agreed date. The total number of actions "completed and dismissed" fluctuates across the year as new actions are added. The Committee exercises keen scrutiny in relation to this, and to recurring breaches of the Council's Financial Regulations over the year. In 2015/16, an increasing number of breaches of Financial Regulations, and European procurement standards, raised concerns amongst Members; The Chief Executive and Director of Business Services attended a Special Meeting of the Committee on 24 March, 2016 in order to debate the issues. The Committee was reassured that the Senior Leadership Team took the issue very seriously and Directors had been instructed to address the issues arising from Internal Audit reports which had highlighted the breaches. Financial Regulations were being reviewed as part of the Council's review of governance documents and practice and as part of this further training and awareness raising on Financial Regulations would be undertaken. It was agreed that the Committee would invite the Chief Executive back to revisit the issue six months following the meeting.

Members are also kept to maintain scrutiny of the reasons provided by services for failure to deliver agreed actions arising from Internal Audit investigations; in 2015 there were several instances where undue delay in implementation resulted in matters being called before Committee for detailed discussion, in

the forum of a stand-alone meeting, with service officers. The Committee welcomes these opportunities to explore beyond the wordings presented to it in Internal Audit reports and understand more clearly the barriers which officers may have faced in successful implementation. One issue analysed in 2015/16 appeared, on the surface, to be an inexplicable delay by the service, but, on deeper consideration, highlighted to Committee issues in recruitment policy and practice which may be inhibiting delivery. A workshop is to be arranged with the lead service to delve deeper into the matter.

## **External Audit**

The Scrutiny and Audit Committee is responsible for managing all aspects of the Council's relationship with its external auditors, including the review of annual work programmes and strategic risk analysis. The Committee is also charged with monitoring progress of any actions agreed by the Council in response to external audit concerns, and ensuring that implementation is carried out as agreed.

This is the final year of Deloitte as the Council's external auditors. Part of that role includes their reporting assessments of the Council's operations, as well as on follow-up matters arising from national work undertaken by Audit Scotland. Deloitte representatives regularly attend Committee meetings and, in turn, consider the Committee's operation as part of their assessment of the Council's governance and scrutiny.

In September, 2015, the Committee considered Deloitte's comments on the audited accounts, together with a management team response to the issues raised. This action plan came back to Committee in March, 2016 to allow Members to consider the implementation of agreed actions and it was agreed to note the progress made towards addressing the issues raised in the External Auditor's Audit Report 2014/15, instructing officers to provide further information to Members, via Ward Pages, on the issues around the 2014 National Fraud Initiative exercise.

## **External Inspections**

In 2006, the Committee was charged with receiving reports on the outcomes of External Inspections across Aberdeenshire's services, with the caveat that these should have already been considered by the parent policy committee or management team. Following consideration, in November, 2013, of how the assessments/inspections were considered by other committees, it was agreed that the prime responsibility for monitoring the overview reports should revert to the parent committees. In May, 2014, the Education, Learning and Leisure Committee agreed that it should receive regular reports, starting in August, 2014. The Scrutiny and Audit Committee has monitored, and will continue to monitor, the application of this decision.

Suggested as a topic for consideration in 2015/16, a workshop was held on Care Commission and HMIE (now Education Scotland) inspections on 9 November, 2015. It was agreed that no further action was needed by the Scrutiny and Audit Committee on this matter, beyond the continued monitoring of the inspections being considered by the appropriate policy committees.

## **Financial Monitoring**

The Committee has responsibility for budget monitoring overview, considering update reports on service savings, and this year, concluded its oversight of the 'Six Key Areas For Development' works. As part of this, a workshop session was held with Margaret-Jane Cardno,

(Banff & Buchan Area Manager) and Chris White (Buchan Area Manager) on 23 April, 2015. This session considered lessons to be learnt from the Six Key Areas project work, including the need for greater lead in time for community sponsored capital projects.

The Committee recognises that financial monitoring is an important part of its role within the Council's governance structures. Although the Policy and Resources Committee in November, 2013 discharged the Committee from delegated authority to monitor revenue budget savings, this remains an area of keen interest to Scrutiny and Audit Councillors. The Committee expects that guidance arising from the **Charging for Services** investigation will be applied by services in meeting the challenges of increasingly restricted finances. It is also hoped that the tool kit and checklist developed by the Committee in the **Alternative Delivery Models** investigation will assist policy committees and services in looking at doing things differently.

## **Risk Management**

Aberdeenshire Council has delegated authority to the Scrutiny and Audit Committee to review, in conjunction with Council managers, the adequacy of risk assessment arrangements and procedures.

As the process is now well embedded within the Council's operating and governance procedures, the Committee's input had reduced to an annual oversight of all the risk registers. On 3 December, 2015, a workshop session with the Risk Manager was held, highlighted increasing awareness by Services of risks relating to (a) budget pressures; (b) changes in government policy, legislation and regulation, (c) workforce (attracting and retaining the right skills, performance and reward package), (d) business and organisational transformation, and (e) working with other organisations (e.g. supply chains, out-sourcing and partnership working). This was amplified when the annual report on risk registers was considered by Committee on 10 December, 2015.

The Committee noted the ongoing work to move the risk registers and their review process to the 'Covalent' system - which could capture live information and be interrogated in a variety of ways to generate management reports. Members were interested to see how that process will be accomplished, and acknowledged the current trial register.

At the formal Committee on 10 December, 2015, it was agreed that the quarterly update reports on the risk registers should be submitted for Committee consideration, initially via the consultation function on Ward Pages. The first of these reports was lodged in spring 2016. Members welcome the increased opportunity to consider risk at a strategic level.

An additional workshop was held with the Risk Manager in February, 2016, allowing reflection on cross agency working in response to the recent floods.

## **Treasury Management**

In April, 2012, the Committee was given powers to review the treasury management policy within the context of the Risk Management Strategy, as well as to make any appropriate recommendations to the Policy & Resources Committee.

At its meeting on 10 December, 2015, Members considered a report, Review of the Performance of the Treasury Management Function and Investments for the Period to 30 September, 2015.

Prior to this, in pursuit of increasing and reaffirming its awareness of Treasury Management, the annual session on Treasury Management was held on 5 October, 2015. All members of the Council were invited to attend this session, led by Alan George of CAPITA and Don Peebles of Chartered Institute of Public Finance and Accountancy (CIPFA).

On 18 February, 2016, the Committee formally considered a report, Treasury Management Strategy Statement and Prudential Indicators 2016/17 and, having reviewed the Prudential Indicators for 2016-2019 as set out in the report, agreed that the Treasury Management Strategy Statement and Prudential Indicators be submitted to Policy and Resources Committee for approval.

## **Training and Self-Assessment**

The Committee has continued to build on its commitment to self-improvement and performance monitoring. Councillors continue to develop and apply their skills and approaches needed to fulfil the Committee's remit.

While acknowledging that effective scrutiny is a responsibility of all Elected Members, the Committee continues to seek further training and development opportunities to enable it to carry out the particular functions expected of it. For example, as part of the 2015/16 topic selection, Members embarked on two workshops looking at the Committee and its operating processes and procedures. The Committee's handbook, originally written in 2007, and updated at regular intervals, was redesignated "An Introduction to Aberdeenshire's Scrutiny and Audit Committee". As part of the consideration, the document was revised to be more succinct and less backward looking. It may be found at <http://www.aberdeenshire.gov.uk/council-and-democracy/about-us/scrutiny-and-audit/>

From the two workshops, it was also agreed that Council be recommended to amend the set-up of the Committee, to allow (a) the appointment of formal substitute members for formal committee, based on the model of substitution applied to the Local Review Board Councillors and (b) the removal of the posts of Provost and Depute Provost from those restricted, by reason of political roles, from serving on the Committee. Members were of the opinion that the posts were civic and not political in nature and so of a different category to other excluded post-holders.

These recommendations were referred to the Council's Future Governance Working Group for consideration as part of the review of the Council's decision making processes including the work of Committees and their operation.

## Looking forward

The Committee completed its investigative work on the Contracts Register, in March 2016. This was reported to Full Council in June 2016. Members met in June to discuss the Committee's work programme for the year commencing August 2016-June 2017 and agreed to conduct an investigation into Freedom of Information practice in Aberdeenshire Council and to seek reports and undertake workshops on a variety of other topics including complaints, feedback, Town Centre Healthchecks and disposal of surplus equipment

The Committee is aware of the ongoing work of the Council's Futures Governance Working Group, looking at the allocation of roles and remits across the Council's committees and commits to working to undertake whatever role it may be given in the future shape of governance in Aberdeenshire.



