

Aberdeenshire Council

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Aberdeenshire Council and the Controller of Audit
20 September 2018

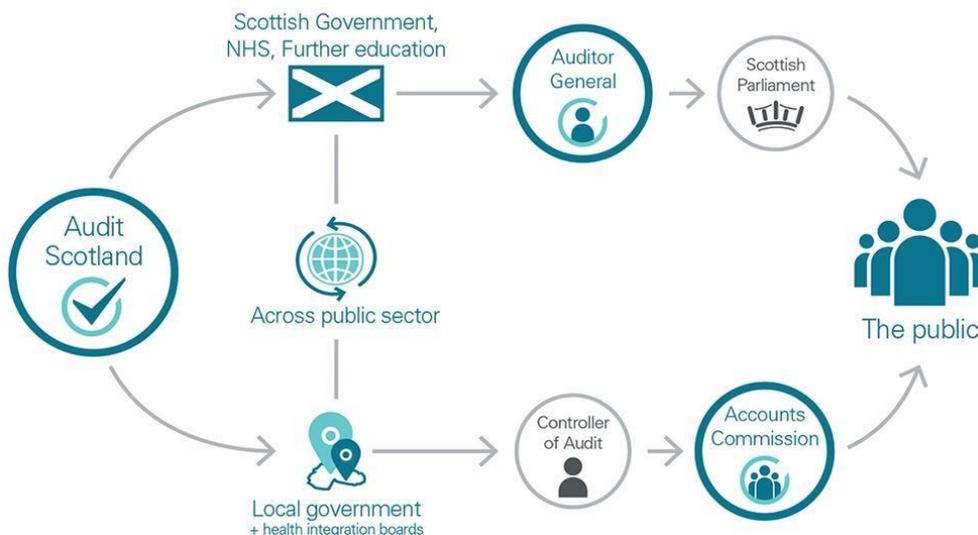
Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Summary of uncorrected misstatements

Key messages

Audit of the 2017/18 annual accounts

- 1** In our opinion, Aberdeenshire Council and its group financial statements give a true and fair view and were properly prepared.
- 2** The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.
- 3** The statement of accounts of the five section 106 charities administered by the council are free from material misstatement.

Financial management

- 4** Effective budget monitoring arrangements are in place but the council should do more to monitor the achievement of its savings plans.
- 5** While the council has agreed an action plan to strengthen its arrangements to minimise the potential for fraud, it needs to review the adequacy of authority levels assigned to staff responsible for making council payments.
- 6** Borrowing levels are managed and affordable.

Financial sustainability

- 7** Through its medium term financial planning, the council is aware of its future funding shortfalls.
- 8** Following the use of reserves as planned, the council promptly took steps to return the working balance (General Fund free balance) to its approved level.

Governance and transparency

- 9** Council and community priorities, informed by detailed assessments of population and economic demands, have been agreed following wide engagement with communities.
- 10** Delivery plans reflecting services' detailed actions and milestones are at an early stage of development. These need to be progressed and reflect resource requirements to assist delivery of the council's priorities.
- 11** Elected members work well together and there is clear leadership from the Strategic Leadership Team.

12 New scrutiny arrangements are not yet working effectively.

Key messages

Value for money

while 24% are declining. There is scope for wider use of benchmarking

13 Performance varies across services. 59% of indicators are improving to target areas for improvement.

14 New ways of working are being considered with the de

velopment of the Culture and Sport Business Unit.

15 Recent inspection activity has generally been positive.

Introduction

1. This report summarises the findings arising from the 2017/18 audit of Aberdeenshire Council and its group (the council).
2. The scope of the audit was set out in our Annual Audit Plan presented to the Audit Committee on 21 March 2018. This report comprises the findings from:
 - an audit of the council's annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the *Code of Audit Practice 2016* as illustrated in Exhibit 1.

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:
 - an audit of the 2017/18 annual accounts of the council, and the statement of accounts for each of the five section 106 charities administered by the council, including the issue of independent auditors' reports setting out our opinions
 - a review of the council's key financial systems

- audit work covering the council's best value arrangements in respect of leadership and partnership working
- consideration of the four audit dimensions.

Introduction

4. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.
5. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the *Code of Audit Practice (2016)* and supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's arrangements for securing financial sustainability, performance management and corporate governance. We also comment on the council's financial position, and report on the its best value arrangements and in doing this we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.
9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to their attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2017/18 audit fee of £387,000 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence. **Adding value through the audit**
12. Our aim is to add value to Aberdeenshire Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.
13. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

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14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts



Main judgements

In our opinion, Aberdeenshire Council and its group financial statements give a true and fair view and were properly prepared.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.

The statement of accounts of the five section 106 charities administered by the council are free from material misstatement.

Audit opinions on the annual accounts

15. The annual accounts for the council and its group for the year ended 31 March 2018 were approved by the Audit Committee on 20 September 2018. We reported, within our independent auditor's report that, in our opinion:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.

16. We have nothing to report in respect of: misstatements in information other _____ than the financial statements; the adequacy of accounting records; or the information and explanations we received.

The council and its group annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Audit opinions on section 106 charities

17. Due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where

members of Aberdeenshire Council are sole trustees, irrespective of the size of the charity. For Aberdeenshire Council the applicable charities are:

- Aberdeenshire Charities Trust (known as ACT2)
- Aberdeenshire Educational Trust
- Anderson & Woodman Library Trust
- Andrew Cooper History Prize Fund
- Mcdonald Public Park Endowment

Part 1 Audit of 2017/18 annual accounts

18. After completing each of those audits, we reported in our independent auditor's reports that, in our opinion:

- the financial statements give a true and fair view of the charity's financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

Submission of the council's annual accounts for audit

19. We received the unaudited annual accounts on 27 June 2017 in line with the audit timetable set out in our 2017/18 Annual Audit Plan.

20. The agreed timetable also required submission of a complete working papers package by 30 June 2018. The content of the required package is set out in our Working Paper Checklist. While some papers were received by 30 June, the majority were not received until 5 July 2018. Evidence to support significant balances within debtors and creditors was not initially provided as expected. While the necessary evidence was obtained during the audit process, its omission from the package did delay the audit process.

21. On conclusion of the audit, we carry out a lessons learnt review with the finance team to update year end procedures and improve our respective processes for the subsequent year's audit. The content and availability of working papers will form part of that review in due course. **Risk of material misstatement**

22. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team, and the wider audit dimension risks identified.

Materiality

23. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

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- 24.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.
- 25.** On receipt of the annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest audited accounts.	£9.6m
Performance materiality – If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this acts as a trigger point to consider further audit procedures. Using our professional judgement, we calculated performance materiality at 70% of planning materiality.	£6.7m
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This is calculated at 1% of planning materiality subject to a minimum threshold of £150k.	£150k

Source: Audit Scotland, Annual Audit Plan 2017/18

How we evaluate misstatements

26. Misstatements identified during the audit which were amended in the accounts increased net income on the comprehensive income and expenditure statement by £39.334m and Net Assets by £43.319m. In addition, prior year net assets have increased by £3.985m. The main matters are covered in [Exhibit 3](#) and relate to net pension liabilities, a provision for compensation payments and council tax income.

27. A number of further adjustments were identified during the course of our audit and while it is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, the final decision on this lies with those charged with governance, taking into account advice from senior officers and materiality. Management do not propose to adjust for the misstatements set out in [Appendix 3](#) as the amounts are not considered material in the context of the accounts. Had the accounts been adjusted, the net impact would have been to increase net income in the comprehensive income and expenditure statement by £3.538m with a corresponding increase in Net Assets.

Significant findings from the audit in accordance with ISA 260

- 28.** International Standard on Auditing 260 (UK) requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#).
- 29.** The findings include our views about significant qualitative aspects of the council's accounting practices including accounting policies, accounting estimates and judgements and misstatements in the annual accounts.

Exhibit 3

Significant findings from the audit of the financial statements

Finding

1. Net pension liabilities

In accordance with International Accounting Standard (IAS) 19, covering Employee Benefits, actuaries determine the pension asset/liability to be included in councils' financial statements. An IAS 19 assessment generally involves adjusting the most recent triennial valuation to reflect latest available data (i.e. a 'roll forward' approach). Due to the roll forward nature of IAS19 reports and the date on which the report was prepared, differences between estimated figures provided by the actuary (e.g. assets) and the actual experience of the fund may have a material impact on the net liability position.

Such was the case across the majority of councils in 2017/18. In respect of Aberdeenshire Council, the revised information obtained from the actuary in August 2018 confirmed that asset values had improved by £43m and therefore this would reduce the net liability included in the council's balance sheet.

Resolution:

As this was a material figure, we requested that the annual accounts be amended to reflect the updated report provided by the actuary. The revised accounts have been amended to reflect the updated information including Note 35 to the accounts (defined benefit pension schemes).

2. Provision in respect of land compensation payments

In 2017/18, the council included a provision of £7.5m in its accounts in respect of its expected share of compensation payments for land acquired under Compulsory Purchase Orders for the construction of the Aberdeen Western Peripheral Route (AWPR).

Having considered the Agreement with Ministers in respect of the AWPR, the council is required to pay an agreed capital contribution as and when requested. If project costs are greater than planned, the council may be requested to pay an additional contribution up to the level of an agreed cap.

All costs in respect of the AWPR accrue to Transport Scotland as the party responsible for overall delivery of the project. Payments in respect of Compulsory Purchase Orders will therefore form part of the overall cost of the project and the council's total commitment is limited to the agreed amount of the capped capital contribution. Aberdeenshire is not therefore required to include a provision for its share of compulsory purchase orders.

Resolution:

The revised accounts have been amended to remove the provision of £7.5m.

3. Council tax income raised from second homes

Council tax income raised in respect of second homes is ring fenced for affordable housing initiatives. In previous years, the council included the amounts in the accounts as creditors on the basis they would be paid out to relevant schemes. The correct accounting treatment is to include the amounts as earmarked balances within the general fund until agreement has been reached on how the funding will be used. At

that point, depending on the specific circumstance, the amount will be included as a provision or a creditor. The amounts held by the council at 31 March 2018 have not yet been allocated to any scheme and should therefore be included in the accounts as income in the council tax income account and earmarked funds within reserves. This misstatement was discussed with officers last year but not adjusted due to materiality. It has been reflected in the 2017/18 unaudited accounts as an earmarked balance, but the council has incorrectly included income of £4m in respect of previous years as current year income when the previous year's figure should have been restated.

Resolution: The revised accounts have been amended to correctly split relevant income from second homes between the current and prior year. Prior year figures have been restated to show increased income and reserves of £4m and current year income and reserves have been reduced accordingly.

Source: Audit Scotland

Management commentary, annual governance statement and remuneration report

30. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.
31. During the year, the council reviewed and refreshed its Code of Governance and in line with CIPFA/SOLACE guidance, carried out a self-evaluation of its arrangements. The self-evaluation and consequent action plan provide sound evidence to support the effectiveness review required by guidance to be described in the council's annual governance statement. Similarly, the Management Commentary has been refreshed in line with Scottish Government Guidance. It now 'tells the council's story' for the year and provides a bridge between the council's budget outturn results and amounts included in the comprehensive income and expenditure statement.
32. Regulations have required the inclusion of a remuneration report within local authority accounts since 2011. Since then the expectation has been that the Remuneration Report would be placed alongside the Annual Governance Statement within the accounts. In 2017/18, the remuneration statement has been separated from the Annual Governance Statement and placed before the notes to the accounts within the council's financial statements. In our view, the Remuneration Report has been incorrectly positioned within the annual accounts.
33. Based on our knowledge and work performed, we concluded that the content of the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

Council responsibilities in respect of the annual accounts

34. The Local Authority Accounts (Scotland) Regulations 2014 (2014 Regulations) set out a range of requirements for councils in respect of their annual accounts. A public notice is required to be published on a council's website including details of the period for inspecting and objecting to the accounts. While the inspection notice was published on Aberdeenshire Council's website by the due date, it was not given sufficient prominence. In our opinion it would have been difficult for a member of the public to locate

the document especially as it was not picked up by the website's search function. This matter was discussed with finance officers and steps were promptly taken to move the accounts to a more logical page within the 'council and democracy' section of the website.

35. Ideally, a link from the council's home page would be the best option for advertising the availability of the accounts. The council however opted to use social media to raise general awareness.
36. The 2014 Regulations provide for a common period for inspection of council accounts with the latest period being from the first Monday following 30 June. This year's inspection period was therefore 2 July until 23 July inclusive. The council opted to delay the period by one week in order that the Audit Committee could consider the accounts prior to making them available for public inspection.

Part 1 Audit of 2017/18 annual accounts

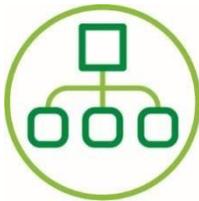
37. It is also the responsibility of the council to provide the auditor with signed accounts by the statutory date of 30 June. This includes the provision of signed charities accounts where the charity is regarded as a section 106 body under the Local Government (Scotland) Act 1973. While we received the council's accounts by the due date, we did not receive the charities' accounts until the following week.
38. The requirements of the 2014 Regulations will form part of the lessons learnt review with officers already mentioned in paragraph 21.

Added value

39. We supported the council in the development of its code of governance selfevaluation process. This involved feedback on draft documentation, attendance at meetings with Legal and Governance officers and recommendations that the Audit Committee have oversight of the process and responsibility for sign off as part of its consideration of the Annual Governance Statement.

Part 2

Financial management



Main judgements

Effective budget monitoring arrangements are in place but the council should do more to monitor the achievement of its savings plans.

While the council has agreed an action plan to strengthen its arrangements to minimise the potential for fraud, it needs to review the adequacy of authority levels assigned to staff responsible for making council payments.

Borrowing levels are managed and affordable.

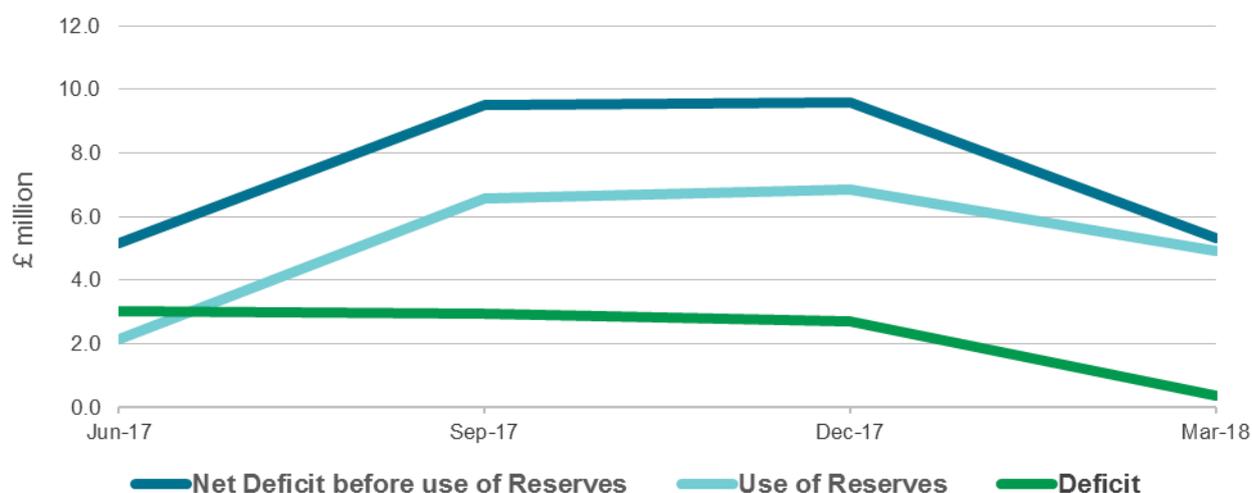
Financial performance in 2017/18

- 40.** On a statutory basis, the council reported a deficit of £73.1m on the provision of services in 2017/18. Adjusting this balance to remove the accounting entries required by the Code of Practice for Local Authority Accounting, the council's usable reserves decreased by £6.3m. This decrease reflects a year end deficit of £0.4m and planned use of reserves of £5.9m.
- 41.** In previous years the council reported surpluses, however for the first time in 2016/17 a deficit position was reported. Although the council approved a balanced budget in February 2017, it assumed savings of £24m. We noted that budget monitoring reports were quickly forecasting a year end deficit for the 2017/18 financial year. The first budget monitoring report to elected members covered the 3 months to 30 June 2017 and indicated a deficit of £3.0m. This improved by December 2017 when a deficit position of £2.7m was reported and there was significant further improvement in the last 3 months of the year resulting in a final deficit of only £0.4m (0.07% of budget).
- 42.** Throughout the year the council's Strategic Leadership Team (SLT) regularly reviewed the financial position. A number of specific measures were implemented to return the budget to a breakeven position. These included: vacancy management; a review of the costs of supplies and utilisation of contracts including consideration of the delay in expenditure on specific items; and review of procurement.
- 43.** The final position was achieved after significant improvements in the forecast position by Business Services (£2.0m), Infrastructure Services (£2.3m), Capital Financing (£1.2m) and Other Services (£0.7m), offset by a £3.8m reduction in the level of Capital From Current Revenue (CFCR). [Exhibit 4](#) sets out the forecast positions reported during 2017/18 and highlights significant improvement in the final quarter.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

Exhibit 4

Forecast year end position



Source: Budget Monitoring Reports, Aberdeenshire Council

44. The outturn position was reported to full council in June 2018. This stated that overall, the council was over budget by £0.4m as shown in [Exhibit 5](#). This was the net result of an underspend of £1.1m against revised budgeted expenditure of £553.3m offset by £1.5m less income received through Revenue Support Grant than had been assumed in the original budget. During the year, the council made use of its General Fund 'free balance' known as its 'Working Balance' to support both planned and unplanned expenditure. These amounts are reflected in [Exhibit 6](#).

Exhibit 5

2017/18 Revenue Outturn and analysis of use of Working Balance

Revenue Outturn	Revised budget - £m	Actual- £m	Diff - £m
Expenditure	553.263	552.158	1.105
Income	(548.318)	(546.826)	(1.492)
Use of Earmarked Reserves	(1.550)	(1.550)	0
Use of Statutory Reserves	(2.860)	(2.860)	0
Use of Working Balance	(0.535)	(0.922)	0.387

45. In 2017/18, the Aberdeenshire Integration Joint Board (IJB) reported an outturn position of £3.5m expenditure in excess of budget and, in line with the IJB's Integration Scheme, a formal request was made for additional contributions from partners, Aberdeenshire Council £1.5m and NHS Grampian £2m. In July 2018, the council formally approved its additional contribution and that it would be funded from the Working Balance.

46. The closing Working Balance on the council's General Fund was forecast to be £6.1m, which is below the minimum balance of £9m agreed by the council in February 2018. In order to restore the Working Balance, the council agreed to release the City Region Deal earmarked balance of £5m so that the final

position was £11.1m. The City Region Deal is now to be funded entirely from the Capital Plan.

Exhibit 6

Use of Working Balance 2017/18

Use of Working balance	£m
Planned Reduction in Working Balance approved by Council in February 2017	1.000
Other Expenditure approved by Council in September 2017	0.875
Creation of Earmarked Reserve for Credit Unions approved by Council in September 2017	0.234
Adult Social Work invoice approved by Council in June 2018	0.956
Minor movements in year	0.047
Funding of Deficit	0.387
Sub Total – Use of Working Balance	3.112
Transfer from Earmarked Reserves approved by Council in February 2017	(2.577)
Use of Working Balance	0.922

Source: Budget Monitoring Reports, Aberdeenshire Council

Savings Plans

47. The council prepared a balanced budget for 2017/18 which assumed savings of £24m would be delivered. In our Annual Audit Report for 2016/17 we commented that the council *'does not specifically report on progress against agreed savings but focuses on the achievement of a balanced bottom line position. Consequently, it is difficult to demonstrate if planned savings were achieved and therefore if plans were robust or if compensating factors produced the required outcome'*.
48. Our review of budget monitoring reports prepared for the council and service committees confirms that this practice continues to be the case. It is not clear whether the council has achieved the agreed savings or if other factors contributed to the final outturn position. While the focus is rightly on achieving financial balance, given the annual dependence on savings to return a balanced budget, there is a need for robust challenge and monitoring of savings plans as part of the scrutiny process.
49. The Local Government Overview Report also highlighted the importance of savings plans being clear and that the impact on services should be understood. Risks associated with income generation initiatives or arising from cuts to services should be explicit and considered by councillors as part of their

scrutiny role. Regular updates on forecasts of funding gaps as savings are approved should enable councillors to better understand the impact decision being made but also risks of not achieving savings targets.

Housing revenue account

- 50.** The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year.
- 51.** Total net HRA income of £18.1m was in excess of budget by £0.6m, largely as a result of increases in income, particularly from internal recharges. The council's policy is to use net income as Capital Funded from Current Revenue (CFCR) and this surplus therefore reduces the amount the council is required to borrow. Overall, the council maintained its uncommitted HRA working balance of £2.0m.
- 52.** The council has a 30 Year Business Plan in place for the HRA that models all expenditure and income over the period to ensure affordability in the long term. In response to a number of significant challenges, such as the requirements of Energy Efficiency Standard for Social Housing, delivery of the new build programme and overall tenant affordability, the council undertook a review of the Business Plan during the year, the outcome being reported to the Communities Committee in February 2018. The committee agreed to receive further reports on the Sheltered Housing service and the level of savings required to ensure the Business Plan remains affordable.

Capital programme

- 53.** The council has developed a 15 year General Fund Capital Plan which will provide capital investment of £877.4m over the period to 2032.
- 54.** In February 2017, the council approved a total capital budget for 2017/18 of £167.1m. Of this total, £132.3m related to general services and £34.8m to the HRA.
- 55.** In 2017/18, total general fund capital spend was £105.2m which was £27.0m (20.4%) below budget. The key reasons for this underspend related to delays experienced in 2 major projects outwith the council's control. In both cases, the council is contributing funding to the project but is not the lead partner responsible for delivery of the project. The relevant funding has been carried forward to 2018/19.
- 56.** The construction of the Aberdeen Western Peripheral Route (AWPR) is the responsibility of Transport Scotland but includes capped funding from Aberdeenshire Council and Aberdeen City Council. The construction of the route has been undertaken by a partnership which originally included Carillion, Balfour Beatty and Galliford Try. Following the liquidation of Carillion, the remaining partners became jointly liable for the project. Due to winter weather delays, public utility diversions and the impact of Carillion's liquidation, completion was put back to Autumn 2018 resulting in an underspend on the council's current year budget of £15.6m.
- 57.** The City Region Deal involves a range of projects across the city and Shire including a Bio-Therapeutic Hub for Innovation and Digital Infrastructure projects. Business cases for these projects were delayed resulting in an

underspend of £11.4m, matched by a compensating reduction in forecast funding from central government. **58.** During the year, the council opened 2 new primary schools, Turriff and Uryside. Development of new primary schools at Markethill and Kinellar are ongoing and work commenced on the Inverurie Community Campus.

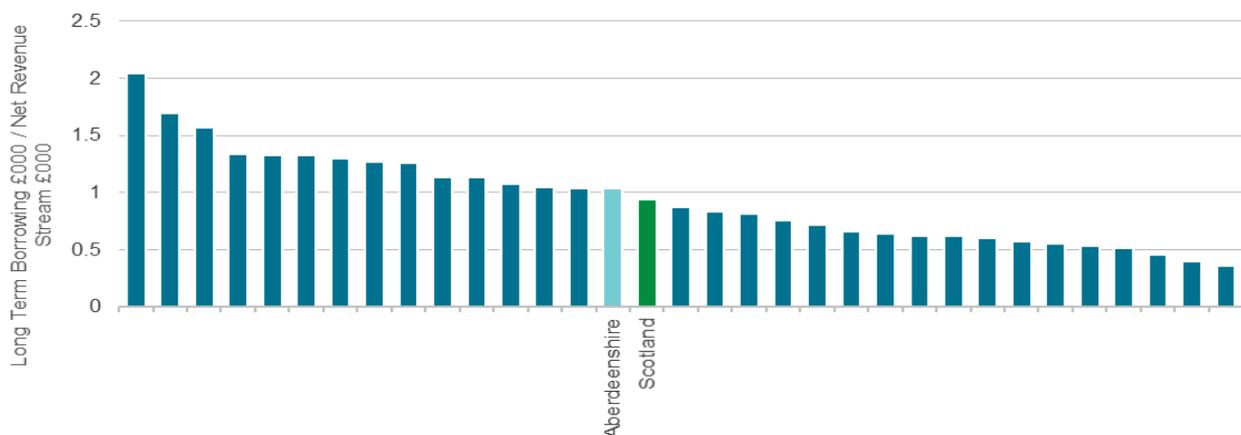
- 59.** The HRA capital programme for 2017/18 totalling £34.8m was approved by the Housing & Social Work Committee in March 2017. Total capital expenditure of £31.6m was £3.2m less than budgeted due to slippage in the new build programme and delays in starting the Housing Improvement Plan.
- 60.** Capital monitoring reports currently report annual spend against budget. Due to their long term nature, many capital projects span several financial years and therefore there is merit in also reporting whole of life budget and actual costs for significant projects.

Borrowing in 2017/18

- 61.** Analysing long term borrowing as a proportion of net revenue stream gives an indication of the relative indebtedness of the council. [Exhibit 7](#) shows long term borrowing at 31 March 2018 as a proportion of net revenue stream for all councils in Scotland. This shows that the council is just slightly above the Scottish Average.

Exhibit 7

Scottish councils' long term borrowing as a proportion of net revenue streams



- 62.** Source: Scottish councils' unaudited accounts 2017/18

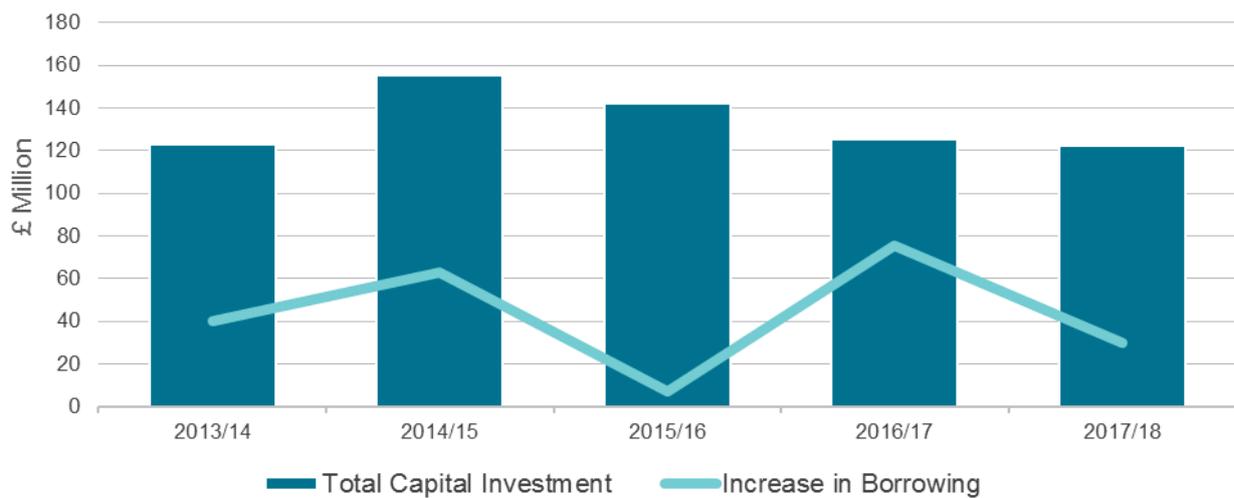
- 63.** The council's outstanding loans at 31st March 2018 were £639m, an increase of £29.7m on the previous year. [Exhibit 8](#) shows that while the council has increased its level of borrowing, it is not heavily dependent on borrowing to deliver its capital programme. It is only one element of the financing arrangements in place to deliver its overall capital plan.

- 64.** In both the 2018/19 Revenue and Capital budgets the council has clearly set out the revenue impact of planned capital expenditure and the risks associated with this. A Treasury Management Strategy is agreed annually by members and progress is reported every 6 months. Included within the strategy is a Long Term Borrowing Strategy which sets out the council's response in the event of a significant rise in interest rates.

65. CIPFA revised the Prudential Code and the Treasury Management Code in December 2017. It now requires all local authorities to produce detailed Capital Strategies intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The council is working with its Treasury Advisors to prepare a Capital Strategy for implementation in 2019/20.

Exhibit 8

Total Capital Investment and Increase in Borrowing 2013/14 – 2017/18



Source: Aberdeenshire Council

Budgetary monitoring and control

66. The [Local Government in Scotland: Financial overview 2016/17](#) (November 2017) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for councils with decreasing (or low levels) of usable reserves to rely on.
67. In line with the council's new scheme of governance, scrutiny of Aberdeenshire's overall financial performance has been undertaken by the council from January 2017. It therefore receives regular revenue and capital monitoring reports. However, commentary on any significant variances is restricted to only those areas reserved for the council. Although variances in service budgets are noted, there is no commentary on these reported to the council. Detailed revenue monitoring reports for each directorate continue to be provided to the relevant service committee. This means that a number of reports potentially need to be consulted to gather the overall picture for the council's financial position.
68. We concluded that budget monitoring reports provided a good level of commentary on significant variances against budget. However, we felt there was scope to provide a summary of service budget variances in the overall report to council as this would assist public scrutiny and transparency.

69. The committee cycle is such that service committees receive their budget monitoring information first, the council meeting being toward the end of the cycle. With regard to year end monitoring, the information was not available for service committee meetings held in May/early June as final figures had not been confirmed. As an alternative, final monitoring for each service committee was made available as a Bulletin Report only. However, these bulletins were not publicly available. To compensate for the early committee meetings and provide an opportunity for debate, explanations for variances in service committee budgets could be usefully included in the final monitoring report prepared for the council.

70. Included in the council's final year end monitoring report is an item 'Expenditure funded from borrowing' which we understand to relate to Capital From Current Revenue (CFCR). This is shown in the monitoring report as 'income' the council has failed to achieve. However, it suggests that the council spent more

than originally planned on day to day revenue expenditure and balanced this by spending less on capital items. There is therefore scope for the council to improve the transparency of its monitoring reports.

71. The council has effective budget monitoring arrangements in place but should do more to monitor the achievement of its savings plans. A balanced budget has been set on the basis that savings will be delivered. When these do not materialise, there is added pressure in managing costs.

Systems of internal control

72. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

73. Each year we assess the key financial controls operating in the council's main financial systems and report our findings in an Interim Report to the Audit Committee. In July 2018, we reported that payment of invoices which are not initiated by an electronic purchase order continued to be an area of audit risk. Such invoices require to be manually authorised and, from our samples, we continue to find a high number of errors in respect of levels of authority. Officers are authorising invoices for payment where the invoice amount is often significantly more than their approved authorisation limits. This is not in keeping with the council's financial regulations and significantly increases the risk of fraud. Further detail is provided within Part 4 on Governance.

74. Due to the weaknesses identified around levels of authority, it was necessary for us to carry out increased levels of substantive testing. This provided us with sufficient assurance on the validity of the council's expenditure.

Standards of conduct for prevention and detection of fraud and error

75. Public bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper measures in place. We reviewed the council's arrangements including policies and codes of conduct for staff and elected members, whistleblowing and the fraud prevention/response plan.

- 76.** In response to recommendations made in our Interim Report, the council has agreed to implement the following actions:
- extend the requirement to maintain registers of interest to members of the Strategic Leadership Team and senior procurement officers
 - safeguard the council and its staff through clearer guidance on declaring and managing conflicts of interest
 - improving record keeping and reporting in respect of the number of whistle blowing cases raised and sharing any learning from cases raised.
- 77.** The council has however been slow to respond to our recommendation to refresh its counter fraud policy. Plans are now in place for a revised policy to be considered by the audit committee by 31 December 2018.

Added Value – Data Analytics

- 78.** Data analytics is defined by the International Auditing and Assurance Standards Board (IAASB) as “the science and art of discovering and analysing patterns, deviations and inconsistencies.... in the data underlying.... an audit ...for the purpose of planning and performing the audit”. Such techniques provide ways of dealing with high volumes of transactions and complexity. They also enhance audit quality and efficiency.
- 79.** In 2017/18, we further developed the use of data analytics in Aberdeenshire Council as part of our planned audit approach. We obtained and analysed every general ledger transaction processed in 2017/18. As well as providing an improved approach for our sample selection, we were able to review the volume of transactions processed in the year and have subsequently shared our results with the Head of Finance. For example, we identified that the council processes a high volume of low value transactions representing internal trading between council services. In overall terms, the amount involved is £2m and while significant, this is not a material amount in the context of the council’s total budget. If such transactions were managed differently, there is the potential for a significant amount of staff resource to be used more effectively.
- 80.** The Head of Finance will consider the results from the data analytics exercise and we will monitor developments as part of our ongoing engagement with the council.

Part 3

Financial sustainability



Main judgements

Through its medium term financial planning, the council is aware of its future funding shortfalls.

Following the use of reserves as planned, the council promptly took steps to return the working balance (General Fund free balance) to its approved level.

Financial planning

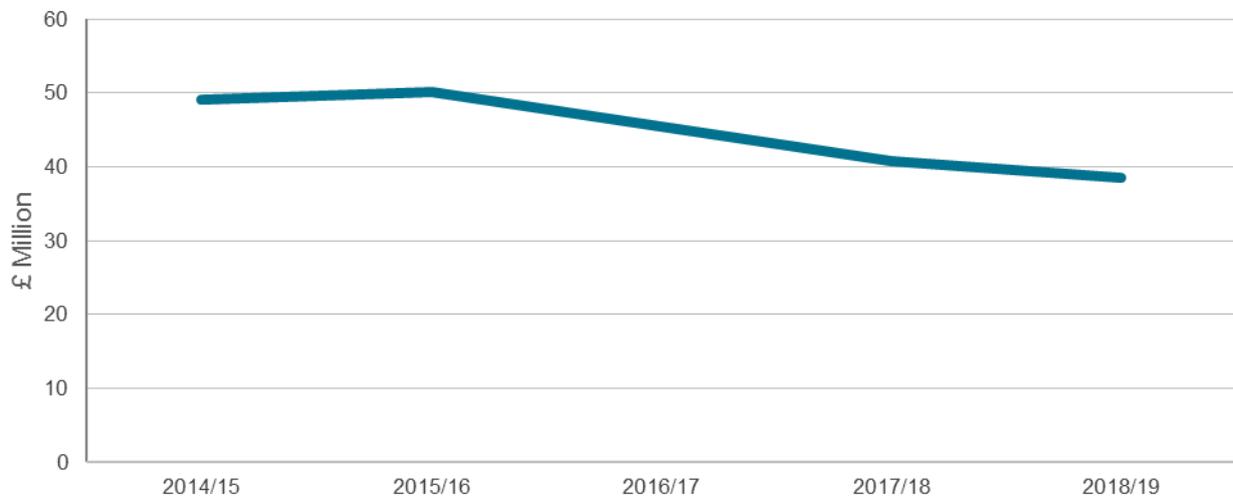
81. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the council's strategies. In addition, budgets should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on the council.
82. The council has developed a Medium Term Financial Plan (MTFS) to ensure '*a structured approach to financial planning across Services and presents a complete view of the Revenue Budget, Capital Plan and Council Reserves allowing the Council to consider and plan the full financial impact of decisions taken now on next year's budget and an indication of the impact on future years*'. The MTFS is best described as an overarching set of principles to be followed in the budget setting process rather than a clearly documented strategy.
83. Budgets are prepared with full involvement of members and consultation with wider stakeholders. Regular meetings were held with elected members during the process providing opportunities to discuss political priorities to be reflected in budgets and areas for potential savings.
84. The council prepares detailed indicative 5 year revenue budgets, which are approved along with the annual budget in February each year. This provides a clear indication of the forecast financial position over the period. Future years are based on the best estimate of financial uplifts and funding settlements available. Although budgets do not consider the impact of different scenarios on the assumptions made (for example the impact of pay inflation being greater than expected), they do provide a clear discussion of the risks that impact on these assumptions. **Five Year Funding position**
85. The council is facing a number of challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing costs of services and reductions in central government funding. In addition, there is increased uncertainty surrounding EU withdrawal plans and the impact of Scotland's new financial powers on local government.

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

- 86.** The 2018/19 revenue budget was approved in February 2018, following stakeholder consultation and discussions with elected members. In developing the revenue budget for 2018/19, the council identified a funding gap of £23.8m to be met from a 3% increase in Council Tax, estimated to raise an additional £4.0m of income, and savings of £19.8m. Following final approval of the Scottish Government's budget, in common with other councils, Aberdeenshire was awarded additional funding of £7.8m in the week before the council was due to meet to set its own budget. This additional funding provided the council with flexibility in the following areas:
- reducing the level of required savings by £2.6m
 - creating an earmarked reserve of £3.0m to support future increases to staff costs as a result of ending of the public sector pay cap
 - using the balance of £2.2m to support the anticipated 2017/18 deficit.
- 87.** In Part 2 of the report, we highlighted that the council were forecasting an overspend for 2017/18 from early in the year. The revenue budget for 2018/19 notes the MTFS approach to ensure the full financial impact of decisions taken now are reflected in the next year's budget.
- 88.** The council's indicative 5 year budgets for the period 2018/19 – 2022/23 estimate a total cumulative funding gap of £38.6m by 2022/23. This is an improvement on the reported position in 2017/18 when the forecast 5 year funding gap was £40.8m. Exhibit 9 shows the council's steady improvement each year in the forecast cumulative 5 year funding gap reported as part of the Revenue Budget.
- 89.** The indicative 5 year budget is based on officers' assumptions of the likely changes to income and expenditure in the period. The report accompanying the budget is clear on the key risks including:
- Grant settlement – a one year only settlement has been received from the Scottish Government
 - Pay provision – a yearly 2% increase has been budgeted for, however pay negotiations in light of the removal of the public sector pay cap have not been finalised
 - Demographic changes – Aberdeenshire continues to show a general rise in population which impacts on not only care services for the elderly, but also increasing pupil numbers and early years provision.
- 90.** The council has committed to further detailed work on future years' budgets to re-examine assumptions and priorities. This will continue to be part of the MTFS discussions in preparation for the draft 2019/20 budget proposals expected to be reported to the council in the autumn. By taking a longer term view of its financial position, the council should be better placed in managing the anticipated shortfall.

Exhibit 9

Forecast cumulative 5 year funding gaps 2014/15 – 2018/19



Source: Aberdeenshire Council Revenue Budgets 2014/15 - 2018/19

Office Space Strategy

91. In January 2017, the council agreed recommendations relating to the New Office Project as part of the Office Space Strategy. The key element of this was the decision to further progress the proposal to develop a new council office at Harlaw in Inverurie, to accommodate the functions currently located in Gordon House and Woodhill House, along with further development of other offices in towns across the area.
92. Following further review of these recommendations as part of the development of a Business Case and the change in political leadership of the council in May 2017, a revised set of proposals was agreed by the council in April 2018.
93. Included amongst these is the retention of Woodhill House, with associated potential lease/shared ownership with public sector partners. The council has been looking to ease spare capacity at Woodhill House for some time, and the inability to do so in the current economic climate has contributed to a reduction in income for the council. Should the council be able to secure a long term partner for Woodhill House, this would have a positive impact on revenue generation.

Actuarial valuation of pension funds

94. An actuarial valuation of pension funds is required every three years. The latest was concluded by 31 March 2018 in respect of the position of funds as at 31 March 2017. The purpose of such a valuation is to:
 - assess the financial health of the pension fund at a point in time i.e. in this case 31 March 2017, by comparing the fund's assets with its liabilities, i.e. past service costs accrued by fund members
 - develop a funding strategy with appropriate assumptions so that the fund is able to meet its future liabilities
 - set the employer contribution rates required for the next three years - the actuary assesses the level of each participating employer and agrees contribution rates to fund the cost of new benefits and make good any

existing deficits. This enables a contribution rate to be agreed with each employer in the fund for the next 3 year period.

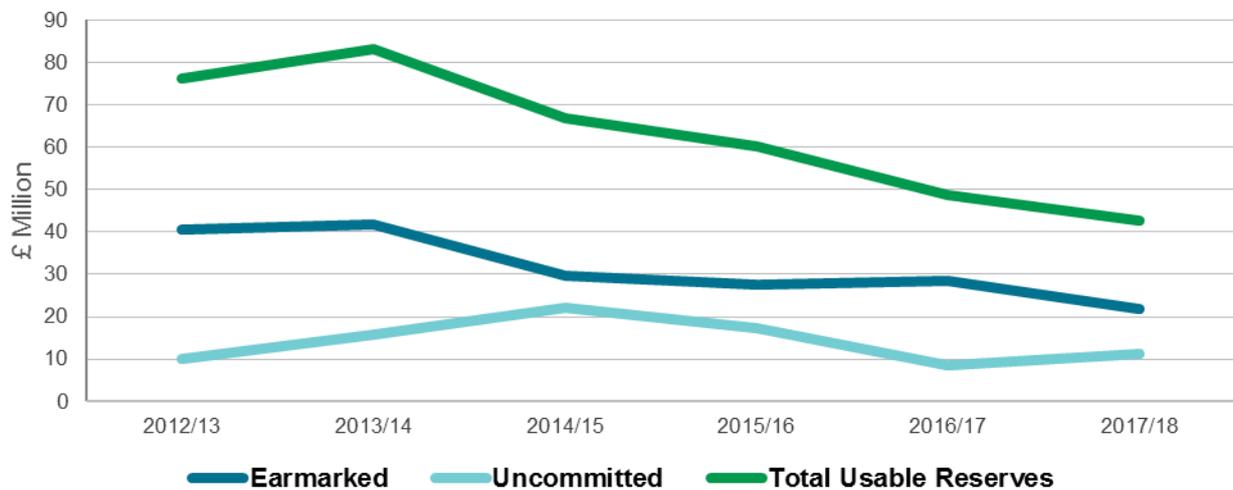
95. Aberdeenshire Council is one of 48 employers in the North East Scotland Pension Fund administered by Aberdeen City Council. In overall terms, the fund has assets of approximately £4bn. Following the 2017 valuation, the pension fund's funding level increased from 94% to 107%. This is the level of assets held by the fund to meet liabilities (estimated current cost of past service benefits). The valuation also determines the employer contribution rate for the next three years and in respect of Aberdeenshire, this has been held at 19.3%. This is the net effect of an increase in contribution rate to 22.2% reduced by 2.9% to reflect that assets are now greater than liabilities.

Reserves

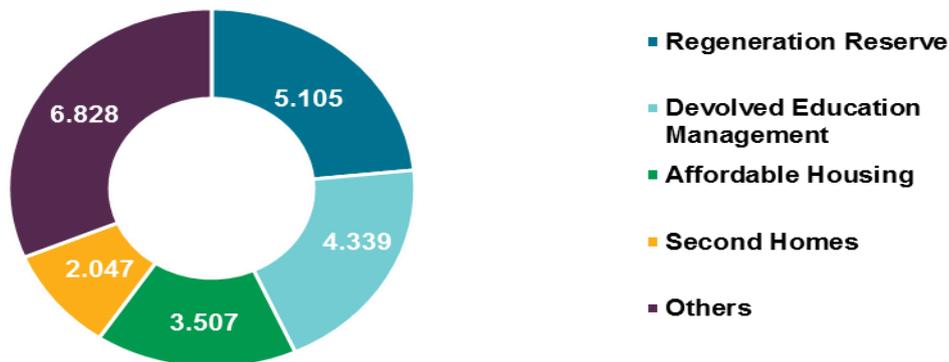
96. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the council decreased by £6.3m from £48.8m in 2016/17 to £42.5m in 2017/18 as illustrated in [Exhibit 9](#). In the six year period since 2012/13, total usable reserves have fallen by £33.7m or 44.2%. Whilst this reflects planned use of both revenue and capital reserves during 2017/18, it also includes the unplanned use of earmarked balances to support the revenue budget overspend.

Exhibit 10

Total Usable Reserves, General Fund Earmarked and Uncommitted balances



Earmarked balances 31 March 2018 - £ Million



Source: Aberdeenshire Council

97. The level of earmarked reserves has decreased in the year by £6.6m (23.1%) to £21.8m. This reflects both the use and release of earmarked balances in the year.
98. The council reviews the level of its uncommitted reserves when setting the budget each year and in February 2018 agreed a revised Working Balance of £9.0m to be held as a minimum contingency fund to meet unexpected expenditure. As reported at para xx, the Working Balance of £11.1m at 31 March 2018 was achieved following the decision to release the City Region Deal earmarked balance of £5.0m.
99. Exhibit 11 presents the council's usable reserves position in relation to the net cost of services in comparison to other Scottish councils for 2017/18. This shows that the council has low levels of reserves in comparison to other Scottish councils. There is no prescribed minimal level of usable reserves. In setting a policy, councils take relevant risks into consideration but typically, minimum uncommitted General Fund balance are between two and four per cent of net revenue budget. Currently the council's level of uncommitted reserves is 2% and therefore at the lower end of this scale. Officers are currently undertaking a full review of reserves and it is expected that the outcome of this will be reported to the council in November 2018.
100. It is important that the members are clear on the reasons for holding reserves and the intended plans for their use. The council used £3.1m of uncommitted reserves to support revenue expenditure, both planned and unplanned, during the year. By their nature, the council cannot continue to use reserves to support the revenue position indefinitely and therefore clarity is required to be provided to members to allow for greater scrutiny as to why reserves have been used – planned or unplanned – and whether use of committed reserves has been for the purpose initially intended.

Exhibit 11

Total Usable Reserves as proportion of Net Cost of Services 2017/18

downturn Businesses were not required to apply for this relief; the council identified all those who were eligible for the scheme and amended bills as appropriate. Approximately £2.7m of additional relief was awarded to around 2,000 local businesses under the scheme.

Part 4

Governance and transparency



Main Judgements

Council and community priorities have been agreed. These were informed by detailed assessments of population and economic demands, and wide engagement with communities.

Delivery plans reflecting each services' detailed actions and milestones are at an early stage of development. These need to be progressed and reflect resource requirements to assist delivery of the council's priorities.

Elected members work well together and there is clear leadership from the Strategic Leadership Team.

New scrutiny arrangements are not yet working effectively.

Council Plan 2017 - 2022

- 105.** Following the local election in May 2017, and the establishment of a new council administration, a new Council Plan 2017- 2022 was unanimously agreed by the council in November 2017. The plan includes 11 priorities and is based on a good understanding of community needs.
- 106.** The plan was initially developed from the Administration's Manifesto but it was also informed by annual Strategic and Economic Assessments.
- 107.** An extensive public engagement exercise was carried out – around 1,500 resident's views were received via online survey, Citizens Panel and various community engagement events. Amendments proposed by opposition members were accepted into the final plan. We therefore concluded that the Council Plan is based on clear evidence of local priorities and enjoys wide support of all members.
- 108.** Each priority is led by a specific Directorate with other Directorates influencing and supporting delivery. Through the lead Directorate, in

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

consultation with Policy Committees, expected outcomes have been identified for each priority and set out in Delivery Plans. The delivery plans also identified proposed actions and measures of success in respect of each council priority. The first round of delivery plans were considered by policy committees during April/May 2018 and represent a good starting point. More work is required to ensure plans contain clear actions and timescales in respect of council priorities and that they provide a framework for prioritising the allocation and use of resources i.e. finance, workforce and assets. This will enable the assessment of delivery to be clearly measured and monitored.

- 109.** A series of workshops with policy committees is planned for autumn 2018 to determine performance indicators for each of the priorities which will be used for reporting purposes from January 2019. Information will be held in the council's performance management software, Pentana.

Community Planning

- 110.** The Council is a key partner in the Aberdeenshire Community Planning Partnership (CPP). The overall vision of the CPP is ‘working together for the best quality of life for everyone in Aberdeenshire’. The vision is supported by 6 guiding principles: Inclusion, Accountability, Partnership, Evidence-based, Sustainability and Efficiency. To deliver this vision, the Local Outcomes Improvement Plan (LOIP) 2017-27 was agreed in March 2017 which contains 3 priority areas - Changing relationship with Alcohol, Child Poverty and Connected & Cohesive Communities. The CPP Board also agreed to keep a ‘watching brief’ over 2 further areas – homelessness and obesity. These can be added to the LOIP priorities should it be required in the future.
- 111.** The individual plans are at different stages of development. An action plan for Changing the relationship with Alcohol has been agreed and set performance measures have been developed to monitor the impact of the actions. However, the other 2 LOIP areas are not yet at a stage where an action plan is available.
In addition, there are also 3 Locality Plans – for Peterhead, Fraserburgh and Banff/Macduff. The Peterhead Locality Plan is well developed, based on previous plans in place. The other locality plans are still in development.
- 112.** The LOIP covers a 10 year period and while it was agreed in March 2017, some 18 months ago, supporting plans are not yet concluded. It is important that the council works with partners to ensure plans are agreed in order that actions to benefit the community can be progressed and mechanisms are developed to monitor the impact of the LOIP.

Member and officer working relationships

- 113.** The council has 70 elected members, of which more than 50% were elected for the first time in May 2017. In common with previous elections, no political party had a majority and so a joint administration was formed between the Conservatives, Liberal Democrats and Independents. This was a return to the ‘Alliance’ administration which had led the council between 2012 and 2015. During the year, we observed a range of council and committee meetings and met with 15 elected members. Overall, we concluded that elected members work well together:
- respect and good behaviour is evident in meetings with several examples of consensus across the chamber. For example, the administration accepted an 11th priority into the council plan and, in regard to the development of the culture and leisure business unit, there is a mutual willingness to try ‘something different’ and to have a full review after 12 months of operation.
 - the scheme of governance permits member promoted business
 - member working groups were established to enable fuller consideration of recent significant issues, for example, review of the scheme of governance, office space strategy and the culture and leisure business unit. In each case the working groups developed options for consideration and decision by full council.
- 114.** The council also has an area management structure including six area committees each supported by an area manager. The area structure provides an important link between the council and communities and this was an important element of consideration when area committees were reviewed as part of the scheme of governance. With increased responsibilities for councils

under community empowerment and the development of locality planning, there is scope to revisit the effectiveness of the council's committee structure.

115. The Strategic Leadership Team (SLT) of the council comprises the chief executive, three directors, head of finance, head of legal and the chief officer for the integration joint board. It meets every week on a Wednesday morning. Agenda papers are circulated in advance.

116. There has been continuity in SLT since the chief executive's appointment in November 2014. In April 2018, the director of education retired. Interim arrangements were in place over the summer until the new Director took up his post in August 2018.

117. There is evidence of clear leadership by SLT. The chief executive meets on a weekly basis with administration group leaders and with all group leaders in advance of council meetings. Directors also meet regularly with their respective committee chairs. In addition, there are ad hoc meetings and discussions where members take the opportunity to raise matters on a more informal basis. Councillors said they had good access to officers and working relationships are respectful and constructive.

Scheme of Governance

118. Following an extensive review led by an elected member working group, the council introduced a revised Scheme of Governance in January 2017. The main driver for the review was to consider how the council would organise and conduct its business following the transfer of responsibilities for social care to the integration joint board. The council also wanted to review its arrangements for scrutiny as there was a feeling the role of the Scrutiny and Audit Committee needed to be refreshed.

119. One year on, officers commenced a post implementation review in late 2017. Matters identified from the review were formally considered by the Procedures Committee at a series of meetings in early 2018

120. We observed meetings of the committee and found that developments are identified through discussion between members and support of officers, rather than members simply being presented with a number of options by officers. This ensures there is an inclusive approach to the development of governance and is driven by the needs of members.

121. A revised Scheme of Governance, incorporating the findings from the officer review and the recommendations of the Procedures Committee was presented to the council in June 2018 and is expected to be approved in September 2018. Key amendments in the revised scheme include:

- cross directorate procurement work plan reports will now only be presented to the committee responsible for the greatest expenditure rather than all appropriate committees
- further clarification on the scrutiny arrangements for Area and Policy Committees to ensure that the scrutiny role of committees is clear both in terms of policy and service delivery functions and the Committee Review Process.
- the Audit Committee's remit has been clarified further in terms of scrutiny referrals and other delegations. In particular the role of the Audit Committee in relation to the annual accounts has been clarified

- guidance for raising Notices of Motion and the process for raising Member Promoted Issues at council/committee meetings have been moved from Standing Orders into the Guidance section to increase visibility.

122. There is clear evidence that the council continues to review its governance arrangements to ensure they are appropriate and fit for purpose.

Audit Committee

123. Introduced by the new Scheme of Governance, the audit committee came into existence in January 2017, replacing the former Scrutiny and Audit Committee. Following the council election in May 2017, other than the Chair, there was a completely new committee many of which had just become councillors for the first time. There have been discussions between external audit, the Chair and officers to ensure the committee is considering all relevant areas in accordance with its remit.

124. Under the 2014 regulations, the committee should consider the outcome of a review of the financial systems on an annual basis. This duty is met by its consideration of the code of governance self-evaluation (refer para 31). In addition, it is required to consider the adequacy of internal audit on a regular basis. Public Sector Internal Auditing Standards require an independent review of internal audit at least every 5 years with an interim self assessment. Consideration of these reports will assist the audit committee in meeting its ongoing duties.

125. It was also agreed that the audit committee would receive national audit and inspection reports as appropriate and have oversight of the council's arrangements in respect of risk management, and information governance including cyber security. **126.** A training event was carried out during the year but was not well attended. The small number, however, enabled good discussion. Going forward, there are plans to hold regular short sessions around formal audit committee business.

127. The audit committee now has greater awareness of its remit and responsibilities and should now put plans in place to review its effectiveness on an annual basis.

Scrutiny

128. The new Scheme of Governance provides for wider elected member involvement in scrutiny by sharing responsibility across policy and area committees. Previously, only the Scrutiny and Audit Committee had formal responsibility for scrutiny in the council.

129. In addition to routine scrutiny activities such as performance and finance monitoring, committees now have the option to initiate a Committee Review Process which could entail a request for a report or lead to an investigation being carried out. This process has not yet been formally initiated by any committee. However, we understand that elected members raise issues on a more informal basis.

130. The Audit Committee Scrutiny Referral Process allows the Audit Committee to refer a matter of service delivery identified for improvement from audit reports to the appropriate policy committee and request that a Committee Review Process be carried out. In September 2017, the Audit Committee initiated this process in response to Internal Audit recommendations arising from their Primary School Visits. [Exhibit 12](#) shows that it took 8 months to complete stage 1 of the process which does not for effective scrutiny. We recognise that this was the first referral under the new

arrangements and that some processes were quickly amended. The proposed revisions to the Scheme of Governance should provide greater clarity on the review arrangements and their application should continue to be kept under review to enable effective scrutiny to be undertaken promptly.

Exhibit 12

Timeline - Committee Referral Process initiated by Audit Committee

Date	Details
21/09/17	Audit Committee agree to ask Education and Children's Services Committee (ECS) to undertake Stage 1 Review.
27/11/17	Audit Committee informed that previous request was too late for inclusion on the agenda for ECS meeting held in October but that it would be considered at the next meeting in December.
07/12/17	ECS agree to undertake Stage 1 of Committee Review Process and receive a report back by March 2018.
31/01/18	Audit Committee acknowledge response from ECS
22/03/18	Report received by ECS who confirm satisfaction with processes in place in Primary Schools.
24/05/18	Audit Committee note the decision of ECS to take no further action. In view of planned follow up work by Internal Audit in Primary Schools which would revisit previous recommendations, the Audit Committee deferred a decision on proceeding to Stage 2 of the Committee Review Process until it had considered Internal Audit's next report.

Source: Aberdeenshire Council

131. More generally, our meetings with elected members confirmed the existence of strong working relationships with officers; members felt they were able to ask questions of officers outside of meetings and were satisfied that officers would provide a response. Whilst this is generally positive, there is a risk that scrutiny is carried out 'behind the scenes' rather than in an open and transparent manner. From our attendance at council and committee meetings during the year, we observed varied levels of scrutiny.

132. Whilst we recognise that these scrutiny arrangements are fairly new and that there has been limited opportunity to put them into practice, there should be continued review to determine if additional training is required and encouragement provided within committees to use the review process as part of good scrutiny.

Role of Area Committees

133. The governance review introduced a vision statement for Area Committees to:

- Advocate on behalf of local communities
- Be accountable to their local residents

- Connect with localities and make decisions on matters exclusive to their area
- Make the connection with the Community Planning Framework
- Influence policies affecting all of Aberdeenshire from the ground upwards
- Monitor performance affecting their localities
- Provide a cross-cutting approach and matrix management to focus on local, rather than Service led, issues

134. We observed a number of area committee meetings during the year and concluded that they were generally meeting this vision. Agenda items focus on the local area, with performance reporting reflecting local circumstances. We observed evidence of area committees influencing wider council policy, for example area committees each providing a response regarding the council's position on the proposed dualling of the A96.

Code of corporate governance

135. We commented on the self-assessment undertaken to review governance arrangements. The council set up governance service champions across the council as part of the review process for the Scheme of Governance. There is merit in widening the remit of this group so that it can contribute to the council's wider governance arrangements on an ongoing basis. This may assist in embedding the self-assessment as routine business.

Internal audit

136. The council's internal audit function is carried out by an in house team. When we plan to place reliance on internal audit work we carry out an assessment of the internal audit function to ensure that it is sufficient in terms of documentation standards, reporting procedures and quality, and is performed in accordance with Public Sector Internal Audit Standards (PSIAS).

137. PSIAS also requires an external assessment of the internal audit function to be carried out at least once every 5 years. A review was carried out by the Chief Internal Auditor of Dundee City Council and the results were presented to the Audit Committee in September 2018. The overall conclusion was that the council's internal audit section generally conforms with the requirements of PSIAS. No areas of non-conformance were reported although there were three areas of partial conformance. An action plan has been agreed to address the issues raised in the review.

Levels of authority for authorising invoices for payment

138. In Part 2, we highlighted weakness in processes for the payment of invoices. During testing of audit samples in 2016/17 and 2017/18, we found a high number of instances where invoices were approved by officers with an inappropriate level of authority.

139. Across both 2016/17 and 2017/18 we found that a total of 28 invoices out of a combined sample of 60 had been approved by officers with insufficient authority. For example:

- 2 invoices in respect of housing associations ranging from £35k to £63k where the authorising officers only had authority to approve amounts up to £500.

- an admin support officer with an approval level of £3,000 approving an invoice for £38,000.

140. In all cases, we were satisfied that expenditure was valid, however we would recommend that authority levels are reviewed to ensure that relevant officers are assigned appropriate amounts to manage the value of invoices they are likely to be responsible for. We recommend the increased use of electronic methods as a more efficient method of approving expenditure, in strengthening controls and minimising the risk of fraud.

National Fraud Initiative

141. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity. NFI activity is summarised in [Exhibit 10](#).

Exhibit 13

NFI activity



14,250 Matches



1,899

Recommended for
investigation



2,813

Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

142. The latest NFI exercise was carried out during 2017. At July 2018, Aberdeenshire Council had reviewed 19.7% (2,813) of the 14,250 matches identified for investigation and 96.1% (1,824) of recommended matches. This shows continued progress since our last review of the council's arrangements for responding to the exercise in February 2018 and significant change since our initial review in June 2017

143. There have been no identified instances of fraud from the exercise and only one error of £10,000. Although significant progress has been with the review of matches since our initial review, overall, we consider the council's engagement with the exercise to be mixed. Investigation of matches in the early stages was slow, despite there being a good foundation in the planning. There is scope for further improvement in future by a more timely review of matches.

Cyber security

144. The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017 which requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate.

145. The council have developed a Cyber Incident Response Procedure which outlines the structure for dealing with Cyber incidents. Incidents are reported to the Information Management Operational Group, and the most serious are also reported to the Digital Aberdeenshire Group. We reviewed the

procedures and concluded that they gave clear instruction to officers in the event of such an incident.

Transparency

- 146.** Transparency means that the general public have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using resources such as money, people and assets.
- 147.** There is evidence from several sources which demonstrate the Council's commitment to conducting business in an open and transparent manner:
- Members of the public can attend meetings of the full Council and other committees. Council and service committee meetings are available to view live as a webcast, with the library of previous webcasts available to view for a period of six months. Minutes and agenda papers for these committee meetings are readily available on the council's website. Our review of agenda papers does not highlight excessive levels of business held in private. Where items are held in private the reasons for doing so are clearly provided.
 - The public has access a wide range of information on the council's website including the register of members' interests, current consultations and surveys and the council's complaint process.
 - The council makes good use of public consultation e.g. development of the new Council Plan, Community Planning arrangements, preparation of the 2017/18 revenue budget.
 - Under the banner of 'Aberdeenshire Performs', a wide range of performance information is available on the website, including progress against Core Priorities, service performance, complaints data, customer satisfaction levels, benchmarking information and results from the Citizens Panel. A recent review would suggest that some of the information needs to be brought up to date.
 - The council makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties facing the council. We have however previously reported that the council could provide improve transparency by providing a clearer audit trail around its reasons for setting up earmarked balances, their subsequent use and release.

Added value

- 148.** We worked with the Chair, Vice Chair and lead officers of the Audit Committee to improve the effectiveness of the committee and to raise awareness of the committee's responsibilities in relation to the annual accounts. Several discussions were held at regular catch up meetings with the Director of Business Services and Chair and Vice Chair of the committee.
-

Part 5



Main judgements

Performance varies across services. 59% of indicators are improving while 24% are declining. There is scope for wider use of benchmarking to target areas for improvement.

New ways of working are being considered with the development of the Culture and Sport Business Unit.

Recent inspection activity has generally been positive.

Best value

149. Best value is assessed over the five-year audit appointment as part of the

annual audit work. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period. The BVAR report for Aberdeenshire Council is planned for year 4 in the five-year programme (i.e. 2019/20)

150. The Best value audit work carried out this year focused on the council's leadership and partnership working arrangements. The findings of this work are peppered throughout the report and collated below.

Value for money is concerned with using resources effectively and continually improving

services.

- Vision and strategic direction – what the council is trying to achieve (paras 105 -112)
- Performance – overall progress on performance (paras 151 -158)
- Use of resources: revenue and capital budgets, workforce (paras 47-71)
- Partnership working – Community Planning Partnership, Integration Joint Board, City Region Deal, Northern Alliance (paras 110-112. 164-170)
- Continuous improvement - Self-evaluation, transformation, surveys, inspection reports (paras 159 -170)

Overview of performance

151. The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

152. Based on a number of measures that we believe give an indication of council performance in key service areas for the public, we found that the

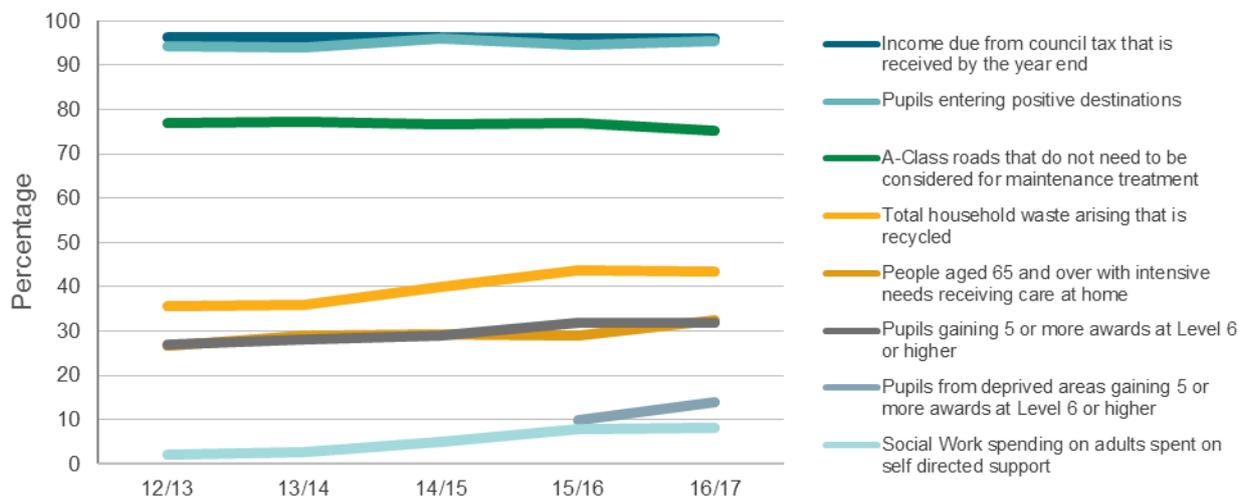
council's performance in the last five years has been maintained or improved as illustrated in [Exhibit 14](#). However, when comparing performance in 2016/17 over 58 separate indicators against the Scottish average at [Exhibit 15](#), the council's performance is mixed, 52% of indicators are similar or better than the

Scottish average while 48% are below the Scottish average. The council is however showing improving performance, particularly where it is worse than average.

- 153.** These charts suggest that although the council is improving performance, it is still only an average performer compared to others in Scotland. The Accounts Commission's Challenges and Performance Report 2018 suggested that '*councils should continue to work to understand the variations in performance between them, learn what has been successful in other councils and, where appropriate, apply these lessons to their own services*'.

Exhibit 14

Aberdeenshire Council's performance against selected indicators 2012/13 to 2016/17



Source: LGBF

Exhibit 15

Aberdeenshire Council's performance compared to Scottish average 2016/17 and direction of travel 2012/13 to 2016/17

Compared to the Scottish average		Total	Declining	Stable	Improving
Better than average	↑	25 (43%)	5 (9%)	8 (14%)	12 (21%)
Similar to average	↔	5 (9%)	1 (2%)	1 (2%)	3 (5%)
Worse than average	↓	28 (48%)	8 (14%)	1 (2%)	19 (33%)
Total		58 indicators	14 (24%)	10 (18%)	34 (59%)

Source: Analysis of 58 largely non-financial LGBF indicators

Statutory performance indicators (SPIs)

154. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

155. For 2017/18 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value.
- SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

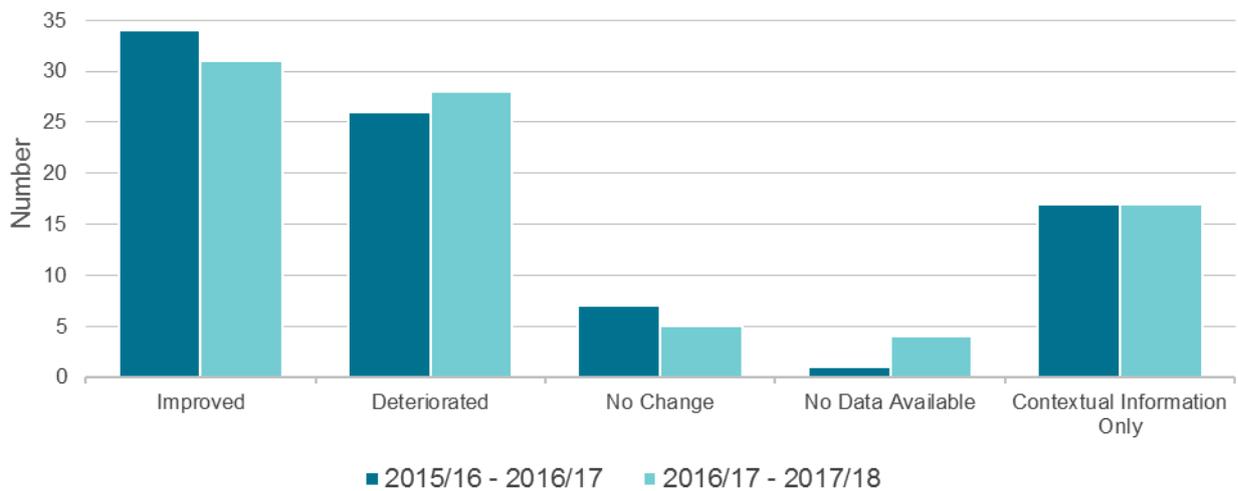
156. Overall, we concluded that the council's arrangements for publication are satisfactory. For 2017/18, the council has produced a total of 85 indicators covering SPI's 1 and 2. A summary of the council's performance results compared with 2016/17 is set out in [Exhibit 16](#) and overall, shows a deteriorating position for the year. Further analysis shows that a total of 16 indicators have improved in both 2016/17 and 2017/18, with 10 showing a deterioration in both years.

157. The following examples were taken from the 31 indicators where performance improved during the year:

- average time taken to process new benefit claims from the date of receipt to the date of decision in days – 25 (35 in 2016/17)
- average days taken to complete non-emergency response repairs – 8.4 (9.9 in 2016/17)
- percentage of school leavers achieving an award in Literacy and Numeracy at least at SCQF Level 4 – 93.47% (92.72% in 2016/17)
- average time between time of noise complaint and attendance on site in hours – 273.1 (326.5 in 2016/17)

Exhibit 16

Direction of Performance 2016/17 - 2017/18



Source: Audit analysis of council's SPIs

158. Among the 28 indicators showing a deterioration in performance compared with the previous year were the following:

- sickness absence per employee in days – 9.43 (8.97 in 2016/17)
- percentage of community care assessments completed within target timescales – 76.5% (80.2% in 2016/17)
- the difference in average tariff score of all S4 in SIMD Quintile 5 and Quintile 1 – 89 (68 in 2016/17)
- percentage of high risk premises visited by trading standards within the agreed timescale – 90.32% (94.29%)

Continuous improvement

159. As part of the council's annual review of performance, it has adopted the 'How Good is your Council' methodology. There is also wide use of residents' surveys.

160. In terms of transformation, the council's key projects are listed below with some of key developments detailed thereafter:

- delivery of culture and leisure services
- development of an office space strategy
- working in partnership to deliver health and social care services and education reform
- development of a new waste strategy.

Culture and Sport Business Unit

161. In January 2018, the council decided not to progress with the development of a Culture and Sports Charitable Trust (ALEO), after previously supporting implementation by 1 April 2018. The full business case was approved in November 2017 subject to final consideration of the impact of the report from the Barclay Review of Non-domestic Rates.

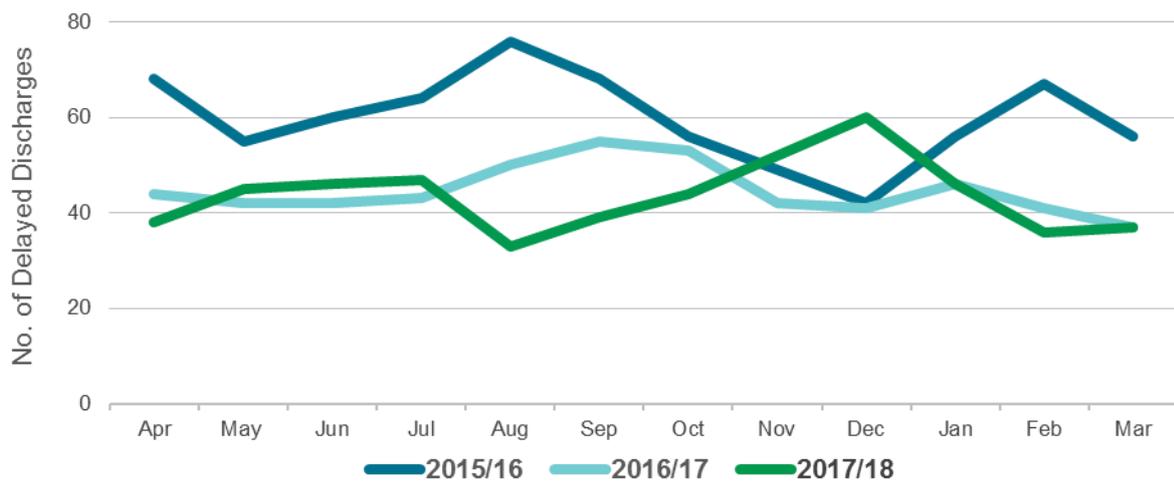
- 162.** In November 2017, Scottish Ministers announced that they would remove the financial benefit to councils of developing 'new' ALEOs by reducing the Government revenue grant by the equivalent of any Non-domestic Rates Relief such that there is no net benefit. In addition, in December HM Revenue and Customs decided not to appeal a legal decision which effectively equalises the VAT position on the operation of sports facilities between those delivered directly by councils, and those delivered via ALEOs, thereby removing any VAT benefit. These developments changed the forecast net benefit included in the council's full business case of £500k annually to a net annual deficit of £270k.
- 163.** In its place, the council agreed to develop a Culture and Sport Business Unit, the primary focus of which is to deliver on the council's social objectives and health and wellbeing priority, through increased participation in services. The secondary objective is to maximise income for reinvestment in services where appropriate. We will continue to monitor the development of the Business Unit.

Integration of health and social care

- 164.** The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.
- 165.** The Aberdeenshire Integration Joint Board (IJB) is provided in partnership with NHS Grampian and became fully operational on 1 April 2016. The financial transactions of the IJB are reflected in the council's accounts and consolidated into the council's group accounts.
- 166.** The IJB has performed well against the Scottish average and showed improvement on the previous year in respect of delayed discharges, emergency admissions and the number of adults who agreed they are supported to live as independently as possible. [Exhibit 17](#) demonstrates the improving position in recent years in respect of delayed discharges.

Exhibit 17

Delayed Discharges 2015/16 – 2017/18



Source: Aberdeenshire Integration Joint Board

Local scrutiny plan and activities

- 167.** The 2018/19 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the council was considered by the council and the audit committee in May and June 2018 respectively. The LAN did not identify any new scrutiny risks in the year which would require specific work during 2018/19, however the council's financial position was highlighted as requiring continued monitoring and we have commented on this in Parts 2 and 3 of the report. The council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.
- 168.** In November 2017, Education Scotland reported on community learning and development (CLD) in Aberdeenshire. CLD partners within Aberdeenshire and the geographical area of Peterhead and Mintlaw were inspected. A range of strengths were identified including leadership at all levels, effective and ambitious community organisations existed led by skilled volunteers, and well planned community services were improving outcomes and promoting a strong sense of 'place'.
- 169.** The council is a member of the Northern Alliance Partnership (the Alliance) alongside Aberdeen City, Argyll and Bute, Highland, Moray, Orkney, Shetland and Western Isles councils. The Alliance was initially established to highlight to the Scottish Government, the challenges experienced by northern councils around recruitment and retention of teachers. More recently, the remit has been extended to support teaching professionals to collaborate for improvement by sharing best practice, supporting the development of professional networks and pursuing partnership approaches to educational development.
- 170.** The council has appropriate governance in place to ensure that educational provision is well organised and well led. Scrutiny outcomes, including inspections, have, in recent years, been mixed in both the primary and secondary sector, and demonstrate scope for improvement. Outcomes for children and young people are in most cases in line with or lower than the Virtual Comparator but higher than the national average.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>With the increasing pressure to identify savings and use of reserves to support ongoing expenditure, it is important that financial information supports robust challenge and monitoring.</p> <p>The council does not specifically report on progress against agreed savings but focuses on achievement of a balanced bottom line. It is therefore difficult to demonstrate if savings were achieved or if compensating factors produced the required outcome.</p> <p>The council earmarks a range of balances for specific purposes. While the reasons for setting up the funds are clear, the audit trail to support their use and/or removal could be enhanced to demonstrate that balances are used as intended.</p> <p>There is a risk that financial monitoring reports are not sufficiently detailed to enable robust scrutiny.</p>	<p>To enhance transparency and scrutiny of information, budget monitoring reports should provide details on the extent of achievement of savings plans, any consequent impact on service delivery and more narrative on the reasons and use of earmarked balances.</p>	<p>Agreed in principle by Strategic Leadership Team. Action and timing to be completed by 20/09/2018.</p>

2	<p>While council priorities have been agreed, it is unclear what improvement action is intended, associated resource implications and how progress will be monitored.</p> <p>There is a risk the council is unable to achieve the improvement expected when priorities were agreed.</p>	<p>Develop clear actions and milestones to take forward agreed council and community planning partnership priorities ensuring that progress can be measured and pace of change demonstrated.</p> <p>Develop supporting medium term resource plans demonstrating financial and workforce capacity to deliver priorities.</p>	<p>Agreed in principle by Strategic Leadership Team. Action and timing to be completed by 20/09/2018.</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p>New scrutiny arrangements implemented around 18 months ago have not been used by the council's policy committees.</p> <p>There is a risk that council decisions are not subject to effective scrutiny.</p>	<p>Committees could be asked to report back on their scrutiny arrangements to ensure that it is given sufficient attention. Where appropriate, further support and training should be provided until the arrangements are embedded.</p>	<p>Agreed in principle by Strategic Leadership Team. Action and timing to be completed by 20/09/2018.</p>
4	<p>There is regular review of the council's performance information by elected members and officers. Such reviews could make more use of benchmarking and the outcomes be systematically used to target areas for improvement.</p> <p>There is a risk that performance information is not effectively used as a driver for improvement.</p>	<p>Arrangements should be put in place to demonstrate that the outcome from performance information reviews informs improvement plans.</p>	<p>Agreed in principle by Strategic Leadership Team. Action and timing to be completed by 20/09/2018.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		

<p>1 Loss of key finance staff</p> <p>In December 2017, the Chief Accountant retired and the Senior Accountant who led on the preparation of the financial statements commenced maternity leave. While alternative management arrangements have been put in place, the officers concerned have not previously been involved in the preparation of the annual accounts. There is a risk that statutory requirements will not be met.</p>	<ul style="list-style-type: none"> Internal appointments have been made to both roles which will enable a wider review of the finance function The annual accounts process will be supported as required to meet the necessary deadlines. 	<p>Regular meetings during the audit process. Audited accounts provided for Audit Committee on 20/09/2018. Annual lessons learnt review to be carried out on conclusion of the audit.</p>
<p>2 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p> <p>(This risk also applies to the charities. Similar planned work will be carried out)</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> Audit work concluded satisfactorily in respect of journals, estimates and significant transactions. No fraud concerns identified from our work in respect of management override of controls.
<p>3 Risk of fraud over income and expenditure</p> <p>Aberdeenshire Council receives a significant amount of income in addition to Scottish Government funding.</p>	<ul style="list-style-type: none"> Schemes of delegation in place No history of significant fraud 	<p>Audit work completed satisfactorily. Other than the increased risk reported in respect of weaknesses in payment authority levels, no major matters identified.</p>

[Appendix 2 Significant audit risks identified during planning](#)

Audit risk	Assurance procedure	Results and conclusions
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<p>The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud. Potential areas of concern include council tax, business rates and income from sundry debtors.</p> <p>The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure. The council incurs significant expenditure in areas such as welfare benefits, social care payments and grants.</p> <p>(Risk of fraud over expenditure also applies to the charities.</p> <p>Similar planned work will be carried out)</p>	<ul style="list-style-type: none"> Corporate fraud policy in place <p>Appropriate processes for the authorisation, separation of duties and workflow associated with income and expenditure</p> <p>Compliance with procurement regulations</p> <p>Budgetary control arrangements and regular financial monitoring by management and scrutiny by members through cycle of committee reporting</p> <p>Regular review of financial systems and internal controls by internal audit</p>	
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions.</p> <p>The 2017/18 accounts will also reflect the outcome of the triennial valuation of the pension fund based on revised membership data and financial assumptions.</p> <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Use of clearly defined methodologies and procedures including experts, as appropriate, when making significant estimations and judgements <p>Management review by qualified finance staff.</p>	<ul style="list-style-type: none"> Commentary included in Exhibit 3 of Annual Audit Report.
<p>5 Integration Joint Board</p> <p>Aberdeenshire Health and Social Care Integration Joint Board (IJB) is responsible for commissioning adult social care while the council is responsible for delivering services. A shortfall of approximately £4m is anticipated in respect of 2017/18. In accounting terms, the IJB is a joint venture between the council and NHS Grampian and consequently, a share requires to be included in each partner's group accounts.</p> <ul style="list-style-type: none"> There are risks that: the council does not have proper arrangements in 	<ul style="list-style-type: none"> The financial ledger coding structure identifies all IJB transactions <p>Regular monitoring of financial information</p> <p>Treatment of over- and underspends set out in the Integration Scheme</p> <p>Council, NHS Grampian and IJB finance staff are liaising to identify options to resolve financial challenges being experienced</p> <p>Subject to the above, early agreement of balances between council and IJB.</p>	<p>Commentary included in Annual Audit Report in relation to additional contributions approved by partners.</p>

place to ensure the completeness and correct

Audit risk	Assurance procedure	Results and conclusions
<p>classification of IJB related transactions</p> <ul style="list-style-type: none"> balances between the council and the IJB are not agreed in sufficient time for preparation of the financial statements budget overspends will directly impact on the council's budget and due to the demand led nature of a number of the budgets concerned, there is a risk of unexpected (i.e. unplanned) overspends. 		

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>6 Financial sustainability</p> <p>Five year indicative revenue budgets considered as part of</p> <ul style="list-style-type: none"> the 2018/19 budget setting process forecast a cumulative deficit of approx. £40m by 2022/23. The council has developed a Medium Term Financial Strategy (MTFS) to provide a structured approach to financial planning in order to manage the financial shortfall. There is a risk that savings targets will not be met impacting on services and delivery of council priorities. 	<ul style="list-style-type: none"> Budgetary control arrangements Budget planning and development arrangements Involvement of Strategic Leadership Team in budget planning process and ongoing budget monitoring arrangements. 	<ul style="list-style-type: none"> Commentary included in Annual Audit Report.
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7 Effective scrutiny

In January 2017, the council implemented new arrangements for scrutiny across the council including a new audit committee. Officers and members have identified a number of issues from the first 12 months of operation which will form the basis of a review of the operation of the scheme.

Following the council election in May 2017, around 50% of members were elected for the first time. While a comprehensive induction programme was provided, it can take time and experience to undertake effective scrutiny.

There is a risk that scrutiny and review is not robust.

- Planned review of the council's scheme of governance (having operated for 12 months)

Comprehensive induction programme for elected members carried out during 2017.

Commentary included in Annual Audit Report.

Appendix 3 Summary of uncorrected misstatements

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements that are individually greater than our reporting threshold of £150,000.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 3](#). We are satisfied that these errors do not have a material impact on the financial statements.

No.	Account areas	Comprehensive income and expenditure statement		Balance sheet		Movement in Reserves Statement
		Dr £000	Cr £000	Dr £000	Cr £000	
1	Dr Creditors			781		
	Cr Cost of Services		781			
	Over-accrual of creditor invoices.					

2	Dr Debtors		1,081			
	Cr Cost of Services	1,081				
	Under-accrual of debtor invoices.					
3	Dr Debtors		1,676			
	Cr Cost of Services	1,676				
	Late income received, not included in correct year.					
Totals		0	3,538	3,538	0	0
Net impact		3,538	3,538			

Aberdeenshire Council

2017/18 Annual Audit Report

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