Audit and Scrutiny Committee

Wednesday, 14 October 2020

NOTICE IS HEREBY GIVEN that a Meeting of the **Audit and Scrutiny Committee** is to be held at **remote locations via video-conference**, on **Wednesday, 14 October 2020** at **09:30.**

BUSINESS

12. **Question Time *****

     Consider any oral question on matters delegated to the Committee in
     terms of the Council's Scheme of Administration.

Summary of Audit and Scrutiny Committee functions:

Audit Functions - Consider reports from the Council's internal auditor
& Audit Scotland concerning Council Functions.
Scrutiny Functions - Scrutinising the policies of the Council and their
effectiveness in meeting the action plans of the Council as set out in
the Corporate Development Plan and evaluating the actions of
Committees in implementing the action plans set out in the Corporate
Development Plan.
Performance Monitoring - To receive reports on the performance of
and trends within all of the Council's services in terms of service
standards and performance information.
Standards - To ensure that the highest standards of probity and public
accountability are demonstrated.

**Moray Council Committee meetings are currently being held virtually due to
Covid-19. If you wish to watch the webcast of the meeting please go to:
http://www.moray.gov.uk/moray_standard/page_43661.html
to watch the meeting live.**

*   **Declaration of Group Decisions and Members Interests -** The Chair of the meeting shall seek declarations from any individual or political group at the beginning of a meeting whether any prior decision has been reached on how the individual or members of the group will vote on any item(s) of business on the Agenda, and if so on which item(s). A prior decision shall be one that the individual or the group deems to be mandatory on the individual or the group members such that the individual or the group members will be subject to sanctions should they not vote in accordance with the prior decision. Any such prior decisions will be recorded in the Minute of the meeting.

**   **Written Questions** - Any Member can put one written question about any relevant and competent business within the specified remits not already on the agenda, to the Chair provided it is received by the Proper Officer or Committee Services by 12 noon two working days prior to the day of the meeting. A copy of any written answer provided by the Chair will be tabled at the start of the relevant section of the meeting. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than 10 minutes after the Council has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he or she can submit it in writing to the Proper Officer who will arrange for a written answer to be provided within 7 working days.

***   **Question Time -** At each ordinary meeting of the Committee ten minutes will be allowed for Members questions when any Member of the Committee can put a question to the Chair on any business within the remit of that Section of the Committee. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than ten minutes after the Committee has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he/she can submit it in writing to the proper officer who will arrange for a written answer to be provided within seven working days.

Clerk Name:
Clerk Telephone: 01343 563014
Clerk Email: committee.services@moray.gov.uk

THE MORAY COUNCIL

Audit and Scrutiny Committee

<u>SEDERUNT</u>

Councillor Donald Gatt (Chair)
Councillor George Alexander (Member)
Councillor Frank Brown (Member)
Councillor Theresa Coull (Member)
Councillor John Cowe (Member)
Councillor Tim Eagle (Member)
Councillor Graham Leadbitter (Member)
Councillor Marc Macrae (Member)
Councillor Aaron McLean (Member)
Councillor Maria McLean (Member)
Councillor Shona Morrison (Member)
Councillor Derek Ross (Member)
Councillor Sonya Warren (Member)
Councillor Walter Wilson (Member)

Clerk Name:
Clerk Telephone: 01343 563014
Clerk Email: committee.services@moray.gov.uk

MORAY COUNCIL

Minute of Meeting of the Audit and Scrutiny Committee

Wednesday, 29 January 2020

Council Chambers, Council Office, High Street, Elgin, IV30 1BX

PRESENT

Councillor James Allan, Councillor Theresa Coull, Councillor John Cowe, Councillor Lorna Creswell, Councillor Tim Eagle, Councillor Ryan Edwards, Councillor Claire Feaver, Councillor Donald Gatt, Councillor Marc Macrae, Councillor Derek Ross, Councillor Amy Taylor

APOLOGIES

Councillor Frank Brown, Councillor Aaron McLean

IN ATTENDANCE

The Chief Executive; the Chief Financial Officer; the Head of Governance, Strategy and Performance; the Head of HR, ICT and Organisational Development; the Audit Manager; Ms Maggie Bruce, Audit Scotland and Mrs Caroline Howie as Clerk to the meeting.

Also Present

Councillor Graham Leadbitter (ex-officio)

1   Chair of Meeting

The meeting was Chaired by Councillor Gatt.

2   Declaration of Group Decisions and Members Interests *

In terms of Standing Order 20 and the Councillors' Code of Conduct, there were no declarations from Group Leaders or Spokespersons in regard to any prior decisions taken on how Members will vote on any item on the agenda or any other declarations of Member's interests in respect of any item on the agenda.

3   Minute of meeting dated 13 November 2019

The Minute of the meeting of the Audit and Scrutiny Committee dated 13 November 2019 was submitted and approved.

4   Written Questions

The Committee noted that no written questions had been submitted.

5   Accounts Commission Paper - Safeguarding Public Money: Are You Getting It Right?

A report by the Depute Chief Executive (Education, Communities and Organisational Development) provided Committee with the third in a series of four reports considering the issues raised in a recent Accounts Commission publication relating to the roles of councillors and officers in safeguarding public money.

Discussions took place on Continuing Personal Development (CPD) for Councillors, on how CPD records are maintained, and on proposals for further support for Councillors in this area.

Councillor Eagle sought clarification on the recent review of the staff structure and if this would require further review in respect of the role of Chief Education Officer.

In response the Chief Executive advised that the role had been taken into account during the recent management review. He further advised the Corporate Management Team would continue to monitor the structure on an ongoing basis.

Thereafter the Committee agreed to note the:

   i.   consideration of a further two aspects of the Accounts Commission report on 'How councils work' entitled 'Safeguarding public money: are you getting it right?; and

   ii.   comments made in relation to the two checklists covering 'Councillors' Continuing Personal Development' and 'the roles of Statutory Officers including the Chief Education Officer'.

Councillor Leadbitter entered the meeting during discussion of this item.

6   Accounts Commission Report - Local Government in Scotland - Financial Overview 2018/19

A report by the Depute Chief Executive (Economy, Environment and Finance) provided Committee with information published by the Accounts Commission in its report entitled 'Local Government in Scotland - Financial Overview 2018/19'.

Discussion took place on the challenges to the Council when there is uncertainty around the amount of funding that will be made available to councils when the financial settlement is announced in the forthcoming budget.

Ring-fencing of funds for specific Scottish Government initiatives and funding for health and social care were highlighted as particular issues.

Councillor Leadbitter noted the demands placed on the health service as a consequence of the ageing population and referred to the complex landscape and financial challenges facing the public sector both now and likely to do so in future years.

Thereafter the Committee agreed to note Audit Scotland's Financial Overview report for 2018/19.

7   Audit Scotland Briefing Paper - Preparing for Withdrawal from the European Union

A report by the Depute Chief Executive (Education, Communities and Organisational Development) provided Committee with information provided by Audit Scotland in a briefing paper entitled 'Preparing for Withdrawal from the European Union'.

Following consideration the Committee agreed to note that:

i.   Audit Scotland has concluded that, across the public sector, preparations for withdrawal from the European Union have been reasonable and proportionate given the level of uncertainty; and

ii.   although the 'no deal' scenario planned for has been avoided for now, uncertainty will remain as the departure date passes and changed arrangements are negotiated. The Council will continue to work with Scottish Government and partners to ensure the impact of any changes are mitigated where these are within the control of the Council.

8   Work of the Internal Audit Section in the Period from 1 October 2019 to 31 December 2019

A report by the Depute Chief Executive (Education, Communities and Organisational Development) advised Committee on the work of the Internal Audit Section for the period from 1 October 2019 to 31 December 2019.

Councillor Feaver sought clarification on whether an update would be provided on whether the improvements had been investigated and implemented in respect of Licensing fees.

In response the Audit Manager advised any items not progressed within timescales would be reported to Committee.

Councillor Feaver also sought clarification on what recommendations were made following the audit of garden waste permits, what the costs were and if reconciliation was possible.

The Audit Manager referred to the recommendations provided in appendix 1 to the report, and noted that the costs of the service in the first year were still being finalised. He further advised the Council undertook to implement garden waste permits over a short period of time and opted not to number these. In terms of reconciliation the number of permits produced, the number sold and the number remaining is known, however a full reconciliation wasn't possible. He advised he was of the opinion an appropriate level of control was in place.

Following further discussion the Committee agreed to note the report.

9   Local Government Benchmarking Framework 2017/18 Results

A report by the Depute Chief Executive (Education, Communities and Organisational Development) presented the Committee with benchmarking performance data for the period 2017/18 following publication of national results and a national report.

Councillor Eagle stated this was the third time he had seen the report and was concerned that some areas were not performing in a way he would have hoped. He sought clarification on what areas the Corporate Management Team (CMT) had identified that were not a priority and were therefore willing to let slip and which ones had CMT identified as priorities.

In response the Head of Strategy, Governance and Performance advised it was Councillors, and not officers, who identified priorities through the Corporate Plan. This would then direct officers to the areas to prioritise and therefore those areas not prioritised would be likely to see a dip in performance.

Councillor Eagle stated it was for Councillors to establish the priorities and for officers to look at targets in the report to identify which ones fit within the priorities identified. He sought clarification on how the report could be made more useful to show how the areas being targeted could be identified to allow specific monitoring. It would then be possible to seek information from officers on the non-prioritised areas to allow consideration of performance and if it was slipping, how far it would be allowed to slip.

In response the Chief Executive advised the role of officers was recognised and the purpose of the report was to allow Committee to identify areas where they may want further scrutiny.

The Head of Strategy, Governance and Performance advised reporting to Service Committees is under review and in future this will have a focus on strategic priorities.

During further discussion the role of Service Committees was discussed and it was advised the structure of Committees would be under consideration at the forthcoming Council meeting on 12 February, where it was hoped more clarity would be provided.

Thereafter the Committee agreed to note the Council's performance in terms of informing potential future agenda items.

Councillor Cowe entered the meeting during discussion of this item.

10   Scottish Public Services Ombudsman (SPSO) Recommendations Report

A report by the Chief Executive asked Committee to consider the Scottish Public Services Ombudsman (SPSO) Recommendations Report to demonstrate that SPSO recommendations are considered at a senior level.

Following consideration the Committee agreed to approve the report.

11   Statement of Outstanding Business at January 2020

A report by the Head of Governance, Strategy and Performance asked Committee to consider progress and timescales in relation to follow-up reports and actions requested by the Committee at previous meetings.

Following consideration the Committee agreed to note progress and timescales in

relation to follow-up reports requested by the Committee.

12   Question Time

There were no questions raised.

REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: INTERNAL AUDIT ANNUAL REPORT - 2019/20

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES and ORGANISATIONAL DEVELOPMENT)

1.   REASON FOR REPORT

1.1   To provide Committee with a copy of the Internal Audit Annual Report for the year ended 31 March 2020, together with the Internal Audit Manager's opinion on the adequacy and effectiveness of the council's system of internal control.

1.2   This report is submitted to Committee in terms of the Council's scheme of administration, paragraph III (I) (9) - considering the annual assurance statement provided by Internal Audit on the Council's control environment.

2.   RECOMMENDATION

2.1   It is recommended that the Committee consider and note the contents of the annual report given as Appendix 1 to this report and seeks clarification on any matters relating thereto.

3.   BACKGROUND

3.1   The Public Sector Internal Audit Standards applicable to local government require the Internal Audit Manager to deliver an annual internal audit opinion and report for use by the organisation to inform its governance statement. The governance statement is published with the annual accounts and draws on a wide range of sources to report on how the council is managed and controlled.

3.2   It is proposed that the Committee considers the contents of the annual report which provides a commentary on internal audit activity during the year and the opinion on the Council's control environment.

3.3   The report covers the year to 31 March 2020 and is provided as **Appendix 1**.

4. **SUMMARY OF IMPLICATIONS**

    (a)   **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**
    Internal Audit assists the organisation to secure the control environment and provision of this annual report supports the Council's commitment to effective and accountable governance arrangements.

    (b)   **Policy and Legal**
    The report supports the requirement under the Public Sector Internal Audit Standards to deliver an annual opinion and report for use by the council to inform its governance statement.

    (c)   **Financial Implications**
    No financial implications.

    (d)   **Risk Implications**
    Audit work mitigates the risks arising as a consequence of inadequate internal control systems.

    (e)   **Staffing Implications**
    No implications.

    (f)   **Property Implications**
    No implications.

    (g)   **Equalities/ Socio Economic Impact**
    An Equality Impact Assessment is not needed because the report refers to the regulatory framework of the council.

    (h)   **Consultations**
    There have been no consultations in respect of this report.

5. **CONCLUSION**

5.1   **The Internal Audit annual report provides a summary of the nature and extent of audit work carried out during the year to inform the audit opinion on the internal control environment operating within the Council.**

Author of Report: Atholl Scott
Background Papers: Internal Audit Reports and Working Paper Files
Ref: AS/asc/141020

INTERNAL AUDIT

ANNUAL REPORT and OPINION

1 APRIL 2019 to 31 MARCH 2020

Background

This report is issued in compliance with the Public Sector Internal Audit Standards (PSIAS) which requires the Internal Audit Manager to deliver 'an annual internal audit opinion and report that can be used by the organisation to inform its governance statement', and which 'must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'.

The annual report must incorporate:

- the scope, including the time period to which the opinion relates, and any scope limitations;
- consideration of all related requirements including reliance on other assurance providers
- a summary of the information that supports the opinion; and
- the risk or control framework or other criteria used as a basis for the overall opinion
- the overall opinion, judgement or conclusion reached

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Basis of Opinion

The opinion takes the form of assurance, provided to the Audit and Scrutiny Committee, on the council's system of internal control. This opinion is based on my knowledge of the council's governance, risk and control processes and from internal audit activity completed during the period to 31st March 2020.

There are limitations to the level of assurance that can be provided dependent on the scope and coverage of the audit work completed. This is reflected in the opinion provided below. A particular feature this year has been the global pandemic towards the end of the financial year. This prevented the timely conclusion of a number of planned projects albeit most of these had been sufficiently well advanced, and to a stage where conclusions could be drawn on the effectiveness of established controls.

Risk or Control framework informing the Opinion

The annual audit plan presented to the Audit and Scrutiny Committee at the start of the year describes in some detail the framework around which audit work is developed. The selection of audit topics is informed having regard to

corporate planning documents; budget data, information drawn from the corporate risk register and internal audit's own audit system.

Committee agenda papers and minutes are also monitored to obtain an overview of policy developments across the council and to assess their potential impact on systems of control, and changes in key personnel and related risk impacts are also taken into account.

These processes take into account the strategies, objectives and risks of the organisation and meet the expectations of senior management and the Audit and Scrutiny Committee, thus creating a programme of work intended to inform the overall annual opinion.

An element of the plan each year covers work on main financial systems which are of key significance to the council in terms of good financial governance. These systems receive the greatest focus in terms of management control and are also reviewed on a cyclical basis by the external auditor to obtain assurances needed for the audit of the annual accounts. Internal audit takes account of planned external audit work to avoid duplication; and also undertakes work which external audit can use to inform its own work.

For 2019/20, main systems work covered aspects of payroll, including testing of controls for new starts and leavers and validating employee details and amounts paid to employees across a number of services.

Housing benefits payments were sample tested in detail to confirm the accuracy of the subsidy claim which the council submits to the Department for Work and Pensions, some £17 million annually.

Procurement and creditor payments work was completed through sampling of invoices, taking in large payments, routine payments and credit notes; reviews of payment invoices also featured in many of the audits completed within services and in validating year end stock valuations.

In addition to completing the year end stock valuations across council services, a more in-depth review was conducted of the joint equipment store operated by the Social Care Occupational Therapy Service. A number of recommendations were made to strengthen operational controls, and these should assist in the management of the store which has now been designated as the Social Care Hub with responsibility for distribution of staff personal protective equipment.

Arrangements for access to the council's main financial system were reviewed with the audit looking at the controls governing user access rights and the procedures for administration and monitoring of user activity. The audit found that officers within the Payments Section had a clear understanding of the systems architecture, with established processes for system updates and data security back -up in place.

Capital plan work was limited to a review of the multi-year programme for the upgrading of street lighting with LED units which had the dual objectives of reducing costs and improving energy efficiency. The project was well advanced by year end and was on track to deliver its stated objectives.

Aside from these works other projects focusing on departmental systems were taken forward covering topics. These covered school catering, absence management, corporate licensing, an audit of Milne's High School and payments to foster and kinship carers. An overview of school fund returns covering the 2018/19 school session was completed and an assessment carried out of the process for managing and accounting for income from the sale of brown bin permits.

Grant claims relative to the strategic timber funding for strengthening rural roads and the bus service operator's grant were also examined in confirmation that the funding obtained had been claimed in accordance with relevant grant conditions.

While the majority of planned audit projects have been completed, scheduled reviews of a number of topics were ongoing when lockdown took place. An audit of the funding of schools delivered under Public Private Partnership and the Design, Build, Finance, Maintain models had been completed to draft report stage and is with the service awaiting a response, the others covering debtors, ICT security and control of hardware, school transport, and pupil equity funds were at various stages of completion. It is intended that these projects will be carried forward and resurrected at the appropriate time, although it should be noted that the scope of the work as originally planned will need to be revisited to ensure it considers changes in operational practice as a consequence of the pandemic.

Summary of work that supports the Opinion

The audit assessment of the adequacy and effectiveness of the Council's system of internal control comprises the following elements:

- Governance – in supporting the preparation of the council's annual governance statement, sufficient information was obtained by Internal Audit to conclude that the council generally complies with the latest good governance practice issued by CIPFA / SOLACE during 2016/17, and that the Corporate Management Team (comprising the Chief Executive, two Depute Chief Executives and the Chief Officer - Moray Health and Social Care) and Senior Managers have a strong awareness of the challenges facing the council in the incoming period. Again for 2019/20, formal written assurances from senior managers were obtained to evidence their role in securing good governance across their respective services and any issues reported in these statements were considered for inclusion in the published annual statement. The need to update the council's Local Code of Corporate Governance to reflect the new guidance remains under consideration,

with the intent of developing a code which is both relevant and achievable in a local context.

- Risk Management – procedures are well developed with a risk management policy and strategy in place and risk registers maintained at corporate and service levels. The corporate risk register summarises the principal risks facing the organisation under eight themes; these themes focus on critical risk areas including finance, environment and operational continuity. At the outset of the pandemic, risk issues were also reflected in an incident management team 'action log' which was updated on a daily basis to provide a reference point for issues that emerged as potential risks and required management attention. During the year, the council's insurers Zurich undertook an independent review of risk management practice which concluded that 'there is clear evidence that the organisation recognises the need for and importance of a well embedded risk management framework', and made a number of recommendations to support work in this area.

- Internal Control Environment – the internal control environment is evaluated through completion of a range of audit projects as described above and contained within an annual audit plan agreed by the Audit and Scrutiny Committee. External audit also assess aspects of the internal control framework in the course of their work. Internal audit operate independently within the organisation and there have been no limitations imposed by management on the scope of audit work performed. The internal audit opinion has been informed by the audit work completed during the year.

Statement on Conformance with the Public Sector Internal Audit Standards

The Local Authority Accounts (Scotland) Regulations 2014 require public bodies to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing. These standards are designated as 'Public Sector Internal Audit Standards'.

The Scottish Local Authorities Chief Internal Auditors' Group, comprising the audit managers or equivalent of all Scottish Councils, has developed a checklist for assessing conformance with the Standards. This supports the requirement for periodic self assessments and external assessments as part of Internal Audit's Quality Assurance and Improvement Programme.

During the year, the focus for internal audit has been to progress the implementation of recommendations made following external quality assessment of internal audit completed by the Audit Manager and an Auditor from Fife Council. The main area that remains under consideration relates to strengthening processes that evidence audit planning arrangements, which

has been impacted by the pandemic, otherwise good progress has been made to implement the other recommendations made.

Quality Assurance and Improvement Programme

The external inspection was thorough and the resulting report provided a useful external perspective of how the service performs, confirming that the internal audit service generally conforms to the required public sector internal audit standards.

Opinion

Any system of control can only ever provide reasonable and not absolute assurances that control weaknesses or irregularities do not exist or that there is no risk of error, fraud, or breaches of laws or regulations. Furthermore, it is the responsibility of management to establish an appropriate and sound system of internal control and to monitor the effectiveness of that system, and it is the responsibility of the Internal Audit Manager to provide an annual assessment of the robustness of the internal control system.

An added dimension this year is the impact of the pandemic which has seen significant disruption, and substantial changes to the way in which services are delivered, including those services provided by internal audit. This will have the potential to impact on the audit opinion for the 2020/21 financial year, however it is my opinion, based on audit work completed, that reasonable assurance can be placed on the adequacy and effectiveness of the council's internal control system for the year to 31 March 2020.

Atholl Scott, CMIIA
Internal Audit Manager
22 September 2020

REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: STATEMENT OF OUTSTANDING BUSINESS AT SEPTEMBER 2020

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1.   REASON FOR REPORT

1.1   The Committee is asked to consider progress and timescales in relation to follow-up reports and actions requested by this Committee at previous meetings.

1.2   This report is submitted to Committee in terms of Section III (I) (11) of the Council's Scheme of Administration relating to evaluating the actions of Committees and implementing the Action Plan set out in the Corporate Development Plan.

2.   RECOMMENDATION

2.1   It is recommended that the Committee considers and notes progress and timescales in relation to follow-up reports requested by this Committee.

3.   BACKGROUND

3.1   A listing of follow-up reports generated from previous meetings is maintained and progress recorded. At the request of the Chair of the Audit and Scrutiny Committee, in order to assist in programming the work of the Committee, this information is presented in **Appendix 1**.

4.   SUMMARY OF IMPLICATIONS

(a)   **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**
Performance reporting is linked to the Chief Executive's Office Service Plan in assisting with the monitoring and reporting of performance in line with the Council's Performance Management Framework.

(b)   **Policy and Legal**
None.

(c) Financial implications
None.

(d) Risk Implications
None.

(e) Staffing Implications
None.

(f) Property
None.

(g) Equalities/Socio Economic Impact
An Equality Impact Assessment is not needed because the report is to inform the committee on performance issues.

(h) Consultations
Relevant officers have been consulted in relation to the reports and actions listed in **Appendix 1** relating to their service, any comments received have been considered when compiling this report.

5.   CONCLUSION

5.1   The Committee considers progress and timescales in relation to follow-up reports requested by this Committee.

STATEMENT OF OUTSTANDING BUSINESS AT OCTOBER 2020 – REPORTS

Date of Audit and Scrutiny Meeting	Subject & Committee Decision	Update	Responsible Officer	Date to be Completed	Completed
4 December 2018	**Internal Audit Charter (Terms of Reference)** Seek a report providing a draft Internal Scrutiny Charter for consideration	A draft Charter has been considered by this committee meeting but further work is required. It is suggested that the intial draft is circulated by email around committee members and comments sought. An updated draft can then be considered at the next meeting of the committee.	Depute Chief Executive (Education Communities and Organisational Development (ED, Comms and OD))	Feb 21	

STATEMENT OF OUTSTANDING BUSINESS – ANNUAL REPORTING

Date of Audit and Scrutiny Meeting	Subject & Committee Decision	Update	Responsible Officer	Date to be Completed	Completed
June 2019	**Update on Progress: Customer Focus Strategy and Charter**	Annual update on progress was due in June 2020. The Strategy and Charter review is overdue and has been de-prioritised due to the Covid-19 response. The review would be within the remit of the P&R Committee with monitoring of performance reported to A&S Committee.	Head of Governance Strategy and Performance	tbc	
March 2019	**Corporate Integrity Group Update** Annual update	Annual update on progress: the group was due to meet at the beginning of the Covid-19 crisis but this meeting was cancelled.	Head of Governance Strategy and Performance	tbc	
October 2019	**Local Government Benchmarking Framework**	Annual update on 2018/19 data	Head of Governance Strategy and Performance	Dec 2020	

REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: INTERNAL AUDIT PLANNING FOR THE PERIOD TO 31 MARCH 2021

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1.   REASON FOR REPORT

1.1   This report considers the effect of the pandemic on internal audit coverage, and how this has impacted on audit coverage for the past few months and on plans for the remainder of the financial year 2020/21.

1.2   This report is submitted to Committee in terms of the Council's Administrative Scheme, paragraph III (I) (6) relating to reporting on Internal Audit's programme of work.

2.   RECOMMENDATIONS

2.1   It is recommended that the Committee consider and note the work already completed in the first six months of the year 2020/21 and the flexibility being applied to the selection of audit projects for the reminder of the financial year given the constraints occasioned by the pandemic.

3.   BACKGROUND

3.1   The Public Sector Internal Audit Standards (PSIAS) applicable to Local Government in Scotland ordinarily require Internal Audit Manager to bring forward a plan of work to inform the annual opinion on the adequacy and effectiveness of the council's system of internal control.

3.2   Recognising the challenges of doing so as a consequence of the pandemic, the Chartered Institute of Public Finance and Accountancy and the Internal Audit Standards Advisory Board have acknowledged that while it cannot be 'business as usual', audit teams should endeavour to comply with the Standards by providing real time advice and assurances and perform real time risk based work where it is feasible to do so.

3.3 The mission of Internal Audit as contained within the Internal Audit Charter (Terms of Reference) approved by this committee at its meeting on 4th December 2018 is 'to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.'

3.4 Ways that this can be done are considered below, and this work may provide sufficient assurance to inform the internal audit opinion that will support the annual governance statement for 2020/21, or may not, in which case a more limited opinion may be given based on work carried out. The key challenge as the pandemic continues is to consider how to optimise the contribution internal audit can make to the organisation.

3.5 In current circumstances, it is considered that the audit plan has to be flexible and responsive to change, and this position is likely to remain for the remainder of the 2020/21 financial year. All audit staff are working from home which brings some limitations to the audit process and in the immediate past few months some team members were redeployed into non-audit duties – still in roles that contributed to good governance practice but not operating as independent auditors. The team has been fortunate to be classed as mobile workers each with a dedicated work laptop and mobile phone but lack of face to face contact has slowed the pace of audits and many of the employees internal audit would ordinarily work with have had a focus elsewhere to ensure continuity of service in front facing services.

3.6 **Appendix 1** provides a summary of work undertaken thus far and outlines a range of projects that are in scope to be taken forward as resources and circumstances permit. These seek to strike a balance between providing assurances on additional expenditures incurred during the pandemic while continuing to monitor and assess the effectiveness of key controls within the council's main financial systems.

Internal Audit Resourcing

3.7 The staff complement of the team is currently 3.8 FTE including the Internal Audit Manager. The Public Sector Internal Audit Standards require the Internal Audit Manager to consider whether or not the audit staffing resources are sufficient to meet the audit needs of the organisation, and where it is believed that the level of resources may impact adversely on the provision of the annual internal audit opinion, to draw that to the attention of the Committee. At this point in time, no changes in the staffing complement of the team are proposed.

3.8 In considering the resourcing of the audit team, Committee is reminded that the responsibility for developing and maintaining a sound control environment rests with management and not with Internal Audit, and the pandemic will have impacted on controls across many services where alternative ways of working have been introduced. It should also be noted that Internal Audit is not the only scrutiny activity within the Council, with services challenged through other mechanisms including external inspection and performance reporting.

4. SUMMARY OF IMPLICATIONS

(a)   Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
No direct implications.

(b)   Policy and Legal
The activities of Internal Audit assist the organisation to demonstrate the control environment and risk management arrangements are consistent with good practice.

(c)   Financial Implications
No direct implications.

(d)   Risk Implications
The work of internal audit mitigates the risk of dilution of controls established within systems to ensure best value is secured in the use of public resources.

(e)   Staffing Implications
Staff working from home creates additional challenges for service delivery; these have been considered when developing this plan.

(f)   Property
No implications.

(g)   Equalities/ Socio Economic Impact
No impacts to report.

(h)   Consultations
Planned audit work is informed each year from various sources, the reactive nature of the plan this year reflecting the challenges arising from the pandemic. The Corporate Management Team has been consulted on the proposals

5. CONCLUSION

5.1   The audit plan for 2020/21 departs from normal practice to the extent that there are limitations on the work that can be performed and the need for flexibility to ensure the available audit staff resource can be deployed to best effect.

Author of Report: Atholl Scott
Background Papers: Internal audit files
Ref: AS/asc/141020

MORAY COUNCIL

INTERNAL AUDIT SERVICE

INTERNAL AUDIT ACTIVITY COMPLETED AND PROPOSED FOR FINANCIALYEAR ENDING 31 MARCH 2021

WORK PROGRESSED	
Area	**Type of coverage**
Grampian Valuation Joint Board	Audit work completed sufficient to provide an assurance opinion on the adequacy and effectiveness of systems operated by the Assessor's Services
Moray Integration Joint Board	Report provided on audit work undertaken and contributed to the annual governance statement included within the Joint Board's annual accounts
Annual Governance Statement	Reviewed and updated the annual governance statement published with the council's annual accounts
Payroll	Testing of sample transactions to ensure integrity of this main payment system.
Housing Benefits - Rent Rebates and Rent Allowances	Substantive testing of selected benefit claims to confirm the accuracy of the Council's benefit subsidy claim for 2019/2020 year.
Procurement and Creditor Payments	Continuous auditing of samples of non pay expenditure to test on going compliance with procurement and payment processing regulations.
Main financial ledger	Overview exercise to assess impact on budgets of the pandemic either through increased expenditure or reduction in income.
Stocks and stores - year end valuations	Attendance at stocktaking and reconciliation of stocks held to ledger balances
Covid 19 –business support grants - applications	Assisting with the initial processing of grant applications from businesses
Covid 19 –business support grants -	Consideration and determination of

appeals	appeals lodged by unsuccessful applicants.
Environmental Services: EU Unit /business development budget	Regularity audit of the use of funding assigned to this service area carried forward from 2019/20 audit plan
Environmental Services – Grant Claims	Certification of grant claim for bus service operators' grant for six month period to 31 March 2020
PLANNED WORK PAUSED	
Environmental Services - Public Transport Unit	Audit which focused on procurement /selection of contractors was well advanced on lockdown; subsequent changes in transport requirements will have had an impact on work already done and timing of completion will need to have regard to workload pressures experienced in order to meet changes in service demand
Cyber Security	This topic was included in the 2019/20 plan and preparation work had been done to develop a programme to guide the audit. This review remains a priority subject to recognising workloads in ICT. A more focused audit on issues arising from increased homeworking is being considered
Corporate Services - ICT - Hardware Asset Management	Linked to above this review will have added significance given the volumes of new hardware being acquired but should require less staff ICT staff time to progress.
Education and Social Care - Pupil Equity Fund in Schools	This area had been subject to prior audit and this was scheduled to see how additional funding was being utilised as the Pupil Equity Fund scheme bedded in. It is envisaged that this will need to be taken forward as a desk top exercise if it is progressed in year
PROJECTS SCHEDULED	
National Fraud Initiative	This exercise that the council participates in every two years had added significance with fraud risk elevated and additional data sets (including those for COVID grants) being subject to data matching. Early engagement with services has been made to ensure required council data is available for submission in

	accordance with the established timetable.
Contractor Sustainability payments	Review to ensure compliance with regulations for funding awarded to council suppliers and contractors whose business model was severely impacted by lockdown
Personal Protective Equipment	A review of procurement /sourcing and costs of PPE, stock control and contingency planning looking forward. .
Risk Management	Development of responses to report received from insurers to enhance risk management recording and reporting (to include assessment of business continuity practices)
Payroll and Creditor Payments	Ongoing monitoring of system control processes to provide ongoing assurances relating to validity of expenditure
Scottish Welfare Funds	An audit of expenditure paid out as crisis grants and community care grants.
Integration Joint Board	Programme of work to provide controls assurances on activities under direction of the IJB.
CONTINGENCY	
Further revisions/additions to plan	It is considered prudent to monitor progress and to report on planned activity to future meetings of the Committee on variations to the plan that may arise as emerging issues. An update will be provided to the meeting of this Committee in January 2021.

REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: WORK OF THE INTERNAL AUDIT SECTION – UPDATE

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1. REASON FOR REPORT

1.1 The report provides Committee with an update on the work of the Internal Audit Section.

1.2 This report is submitted to Committee in terms of Section III I (2) and (7) of the Council's Scheme of Administration relating to consideration of reports from the council's Internal Auditor and monitoring delivery of the audit service carried out by internal audit.

2. RECOMMENDATION

2.1 It is recommended that Committee consider and note the contents of this report and seek clarification on any points noted.

3. BACKGROUND

3.1 Public Sector Internal Audit Standards require the internal audit manager to prepare and present reports to committee on internal audit's activity, performance relative to its audit plan and on any other relevant matters.

3.2 Ordinarily such an update is provided on a quarterly basis; however suspension of the Committee timetable has resulted in reporting being deferred since March 2020. This report provides an update on projects completed in the interim, and copies of Executive Summaries and 'where applicable', the action plans containing audit recommendations made.

Departmental Systems – Creditor Payments

3.3 Part of the audit plan annually is devoted to main financial systems including creditor payments that cover non-payroll expenditure i.e. payment for works, goods and services to suppliers or contractors.

3.4   Aside from any work carried out on selected audit projects e.g. expenditure at a specific establishment or on a particular contract or service area, internal audit also uses audit software to extract a random sample of expenditure incurred across the council. It then looks at this sample to identify high value payments, credit notes, duplicate payment amounts, and any 'unusual' invoices to test and understand what these are for and ensure they are proper payments due by the council.

3.5   In the most recent audit testing of payments, specific reference was made to a recent Audit Scotland publication which describes 'red flags' in procurement and this guidance was used to consider whether any of the selected items warranted additional scrutiny. Examples related to 'off-contract' spend where a budget manager may have selected a local supplier based on expediency, market conditions, or immediate availability. The audit assessed these carefully looking at the decision making processes of managers involved and considering if, in the round, this achieved best value for the council.

3.6   The Audit Scotland publication pre-dated the pandemic but was timely in so far as subsequently, additional focus has been given to the increased likelihood of fraud and irregularity as unscrupulous parties look to exploit any system weaknesses at a time of crisis.

Departmental Systems – Schools – Operational Phase

3.7   This audit looked at the operational stages of the contracts in schools funded through the Public Private Partnership – Elgin Academy and Keith Primary and the Design, Build, Finance and Maintain contract at Elgin High School. The report is with the service for consideration and a response to the recommendations raised is awaited. Outcomes will be reported to the meeting of this committee in January 2021.

Capital Works – Street Lighting

3.8   A major capital investment was undertaken involving the replacement of more than 17,000 traditional sodium lanterns with more energy efficient LED street lighting. The programme of works undertaken over five years is nearing completion. The audit findings for this project have been issued and a management response received on recommendations made. These are provided in the Executive Summary and audit Action Plan provided as **Appendix 1**.

Departmental Systems – Absence Management

3.9   The management of staff absence is an area coordinated across the Council by the Human Resources (HR) service. HR supports departments with policies for managing long term and short term sickness absence and provides direct assistance to managers with more complex aspects of cases as required. This audit looked at a sample of absence cases and how they had been managed. A copy of the Executive Summary for this audit is provided as **Appendix 2.**

Departmental Systems – Foster Care and Kinship Care Payments

3.10 The council makes payments to foster parents and for kinship care in line with an approved schedule of rates. An audit was carried out to assess how the annual budget of some £1.8 million is used, looking at calculation, authorisation and payment of applicable fees and allowances. The Executive Summary for this project, which concluded that sound control systems are in operation, is provided as **Appendix 3.**

Integration Joint Board: Aids and Adaptations

3.11 Two complementary areas for audit have been taken forward that fall within the remit of the Integration Joint Board. One has looked at housing adaptations designed to enable individuals with an assessed need to stay independently in their own homes for longer. The other considered the operation of the occupational therapy (OT) store, which provides a range of aids to assist service users with disabilities, and operates an equipment decontamination service for items returned and suitable for reuse.

3.12 The report for the OT stores is complete and agreed with the audit Executive Summary and Action Plan given as **Appendix 4**, and for the housing adaptations work is with management for consideration of the audit findings and recommendations.

Financial Management System – IT Management and Access Controls

3.13 The review considered data security and arrangements for controlling access to the council's main financial management system.

3.14 Good practice was evident with established procedures in place relative to system access and back-up arrangements in place for securing data. A number of recommendations have been made to further strengthen existing processes with the Executive Summary and Action Plan for this project provided as **Appendix 5**.

Other Projects

3.15 Work was also progressed on audit projects looking at school fund returns for the academic year to summer 2019; grant funding claims for monies expended on rural public roads used for timber extraction, (part funded by the Scottish Government's Strategic Timber Transport Fund), and verification of amounts payable to the council from Transport Scotland grant funding payable to bus operators. Matters arising from the school fund review have still to be cleared with Educational Services; the grant claims have been submitted and paid for 2019/20.

Follow-up of Audit Recommendations

3.16 It should be noted that the dates for implementation of the audit recommendations disclosed in the audit action plans forming a number of the

appendices in this report may have been delayed as a consequence of service disruption caused by the pandemic and internal audit likewise has been unable to conduct follow up work to measure progress achieved. The situation remains under review.

4.   **SUMMARY OF IMPLICATIONS**

    (a)   Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
        Internal audit work supports good governance and the delivery of efficient services.

    (b)   Policy and Legal
        No implications directly arising from this report.

    (c)   Financial Implications
        No implications directly arising from this report.

    (d)   Risk Implications
        The independent review of selected systems and procedures mitigates the risk associated with inadequate or ineffective control procedures.

    (e)   Staffing Implications
        No implications directly arising from this report.

    (f)   Property
        No implications directly arising from this report.

    (g)   Equalities/Socio Economic Impact
        No implications directly arising from this report

    (h)   Consultations
        There have been no direct consultations during the preparation of this report.

5.   **CONCLUSION**

5.1   **This report provides committee with an update on internal audit work completed.**

Author of Report: Atholl Scott
Background Papers: Internal Audit files
Ref: AS /asc/141020

AUDIT REPORT 20'013

STREET LIGHTING REPLACEMENT PROGRAMME

EXECUTIVE SUMMARY

In 2015, a business case was developed recommending the replacement of existing street lighting with modern, energy efficient LEDs. The programme involved the replacement of some 17,500 lanterns, mainly by the council's in-house lighting team. The approved estimated cost was £5 million, with works scheduled to be delivered over a five year period. With the programme now well advanced, the 2019/20 audit plan included an audit of progress in terms of resourcing, planning, scheduling, and delivering of the works.

The main focus of the programme was to secure efficiencies through the installation of LED street lighting, thereby reducing energy costs including the linked carbon reduction commitment payments and climate change levy.

The capital costs of purchasing and installing new lanterns to date are substantially below budget, with the expected outturn for the project forecast at £4.067 million. The cost reduction is due principally to optimisation of lantern procurement costs achieved through a retendering process undertaken in year 2 of the works. This streamlined the range of lanterns required, and by selecting a preferred single supplier, unit costs of lanterns were significantly reduced.

Associated revenue costs in respect of electricity charges were also found to be reducing year on year as more lamps are replaced. The number of Kilowatt Hours of energy used on street lighting has approximately halved since the programme commenced, and as lantern renewals have progressed, there has been a reduction in staff time spent on reactive maintenance works.

With the programme of work close to completion, and with capital costs coming in below budget and energy savings increasing annually as works progress, the project payback period (originally estimated at 10 years) remains likely, although ultimately this will be influenced both by energy costs and reactive maintenance costs in future years.

An added saving disclosed during the audit was the recovery of a volume discount from the lantern supplier, with detailed audit testing noting that a clause in the contract offering an additional 2% volume discount on certain lanterns had not been applied. This was pursued by the service. A sum of £13,500 was credited to the council by the lantern supplier.

Moray Council

Internal Audit Section

Recommendations: Street Lighting Replacement Programme

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
Key Control: The Street Lighting LED upgrade was managed appropriately with regards to planning, monitoring and evaluation.						
5.1	For future multi-year projects care should be taken to ensure source documentation outlining the basis for the business case is retained and available for audit purposes	Medium	YES	Sharepoint being used to control/manage any future document management relating to projects.	Roads Maintenance Manager/Network Asset Engineer	On going
5.2	Confirmation is sought that the volume discount offered by the lighting supplier has been taken, and that staff have been reminded of the need to ensure any similar discounts negotiated in future contracts are received.	Low	YES	Invoice has been raised to LED supplier	Network Asset Engineer	End March 2020

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Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low		Lower level controls absent, not being operated as designed or could be improved.
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
5.3	Assurances are required that on costs applied accurately reflect the actual costs of overheads incurred.	Medium	YES	On cost figures historically recovered are currently being investigated by Management and Accountancy	Roads Maintenance Manager/ Accountancy	June 2020
5.4	As the project is brought to a conclusion, management should provide committee with a report outlining the benefits derived as a consequence of the capital investment in the LED street lighting	Medium	YES	Future report to be taken through relevant service committee, following completion of project	Roads Maintenance Manager	Aug/Sept 2020

AUDIT REPORT 20'015

ABSENCE MANAGEMENT

EXECUTIVE SUMMARY

The annual Internal Audit plan for 2019/20 provides for a review to be undertaken of the arrangements for monitoring and managing staff absence within the Authority. The Council has an absence management policy in place, known as the Health and Work Policy, which applies to all employees, SJC workforce and teachers, in promoting a pro-active approach to attendance.

The audit review has involved a study of the roles of the Human Resources (HR) section, service management and employees in effectively applying the Health and Work Policy. This has involved reviewing how absence is initially recorded and reported and subsequently how continued absence is monitored and managed. The review has covered both long-term absences, defined as any absence from work due to ill health that lasts four weeks or longer, and short-term absences which fall within the Health and Work Policy when an employee has been absent on four separate occasions or for ten cumulative days, within a twelve month rolling period.

In terms of scale, for the most recent quarterly period to December 2019, the cost of sickness absence stands at £1.1 million representing 9,890 lost days. These costs are significant, but unexceptional when compared with those of other Scottish councils. Absence levels across all employee groups are currently 5% of available working days which exceeds the council's target figure of 4%. HR is of the view that there remains scope for improving overall attendance levels as reported in the 2019 Workforce Strategy Plan, although based on audit testing this would be likely to require additional resource inputs e.g. an increase in the level of HR support to managers or determination of the reasons for lower absence levels reported in benchmarking data by other Scottish councils. A business case for this is being considered by the Head of HR.

The highest noted levels of absence occur within Social Care where on average 8% of available working days are typically being lost. This has been reported recently in a performance paper to the Audit, Performance and Risk Committee of the Moray Integration Joint Board, and includes a number of measures being considered to support staff working in this area.

In conducting the audit there has been an examination of performance information collated and utilised regarding absence. Extensive testing of a sample of individual absence cases across services has been completed to ensure actions taken have been aligned to the stages of formal absence management and the timescales contained within the Health and Work Policy. The relationship with the contracted Occupational Health Service provider has also been covered in the review, ensuring payments made and performance levels are in accordance with the contract conditions.

From audit testing, it can be reported that for long term absences, active monitoring and management has been evidenced, with actions taken commensurate with the Health at Work Policy. In some cases, deviation from policy timescales for specific stages of the formal absence management process has been seen, but evidence of reasoned judgement being applied by management, supported by HR, in determining the most appropriate course of action in the best interests of the employee and the employer, has largely been available.

For shorter term absences the position was less clear cut; some of these had not been progressed to any formal absence management despite being flagged on the monthly absence reports issued by HR to service management. As HR, in providing specialist support to managers, prioritises long-term absence cases and the later more complex stages of absence management, the expectation is that short-term absences, and indeed the early stages of any absence, will be formally managed by services. Therefore actions taken on shorter term absences are more at the discretion of individual managers. HR has arranged and delivered training including tailored workshops to support managers in this endeavour.

The overall conclusion from the audit, which was conducted in line with Public Sector Internal Audit Standards, is that both HR and management have recognised the importance of actively managing sickness absence as a contribution to supporting wellbeing in the workplace and to limit sickness absence costs and impacts so far as is practicable. Suitable policies have been developed and these are being applied across the organisation in support of this objective, as such securing further reductions in absence from current levels is considered unlikely without further interventions.

AUDIT REPORT 20'016

FOSTERING AND KINSHIP PAYMENTS

EXECUTIVE SUMMARY

The 2019/20 audit plan provides for an assessment of the systems and controls in place to ensure the accuracy and authorisation of payments made in relation to foster care placements. The audit covered payments made for both foster and kinship care. The annual budget for payments is £1.79m (£1.86m 18/19) and is managed by the Children and Families Placements Service. The service currently makes weekly payments in the region of £34,000 to approximately 80 carers.

The service was revised in early 2019 introducing a new payment scheme which is designed to attract and retain foster carers. Changes to the scheme included a revised fee structure based on skills level and the retention of certain allowances during short breaks of up to 35 days.

The audit looked at controls relating to the calculation, authorisation and payment of fostering fees and allowances. Whilst the service had introduced a new scheme the mechanism for calculating and authorising payment was unchanged. Testing included establishing agreed payment rates, re-calculating a sample of payments, verifying changes to payments and evidencing the audit trail for authorisation.

Systems and controls related to payment for fostering and kinship placement were found to be well established and audit testing has shown a robust audit trail in terms of calculating, processing, and authorising payments.

The audit was carried out in accordance with Public Sector Internal Audit Standards (PSIAS).

AUDIT REPORT 20'018

OCCUPATIONAL THERAPY - STORES

EXECUTIVE SUMMARY

The annual Internal Audit plan for 2019/20 provided for a review to be undertaken of the Occupational Therapy (OT) Store.

Occupational Therapy stocks comprise aids and equipment issued to service users to help with various daily tasks including cooking, dressing and bathing. The individual items of equipment held can vary in value from a few pounds to upwards of £1,000 for certain type of hoists, specialised seating etc. The total stock turnover for 2018/19 amounted to just over £500,000. A particular feature of this store is that it also deals with returns of equipment that is no longer required and, where possible, this equipment is decontaminated and made available for reuse.

The audit used the Chartered Institute of Public Finance (CIPFA) System Based Control Matrices as the basis for developing the audit programme. This included looking at overall management arrangements for the store covering purchases, issues and security access arrangements. It also considered the controls around use of the stores management software system (the Equipment Loans Management System known as ELMS).

The audit noted the challenges facing the service in terms of providing timely support to individuals with a diverse range of needs, but concluded that there is further work to be done to improve the operation of the store and the stores system to ensure optimal performance is achieved.

Areas highlighted as requiring particular attention were as follows:

- details of orders processed and invoices paid are not recorded through ELMS but through another software application within the Council. For completeness it would be preferable for ELMS to be used for all stock related processes; this has not been achieved and thus management information and reporting from the system is only partial.

- from audit sample testing, there was a higher than expected number of variances between the stocks identified as held in the stores system and the actual physical stock held in the store, an illustration of the effects of operating with a less than fully functioning stores system

- while stock other than consumable items had been bar-coded, the stores layout was in need of improvement as it was difficult to locate some of the

items selected; also 'additional' items were noted that were not part of stock and for these there needs to be a determination as to future use or disposal.

More widely, it is considered that there are opportunities to evaluate how the store functions, for example by exploring just in time deliveries for 'routine' lower value items, limiting stock held to specialist items, and developing systems and procedures to aid staff who deliver the service. In this regard, it is considered there is good practice within other stores operated within the council and there is potential for this to be exploited as a means of securing the improvements required.

Moray Council

Internal Audit Section

Recommendations: Occupational Therapy Stores

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Effective systems and procedures operating to ensure accurate records are maintained to account for all Occupational Therapy Equipment held within Stores and issued to Service Users.						
5.1	A full stock check should be undertaken to ensure records correspond to the actual number of items held within Stores.	High	Yes	This will be completed as a trial in February and implemented on year end.	Assistant Manager (Comm. Services)	31/03/20
5.2	The Occupational Therapy Team Manager should authorise any items to be written off.	Medium	Yes	This has been organised and will take place	Assistant Manager (Comm. Services)/ OT Team Manager	05/02/20
5.3	Items of equipment should be kept wherever possible in Asset Number order within the Stores	Medium	Yes	Where possible this will be implemented	Assistant Manager (Comm.	29/02/20

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Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
	Building. Asset Numbers should be clearly recorded where possible on shelving.				Services)	
5.4	Consideration should be given to restricting access to the stores area within the building to authorised designated officers.	Medium	Yes	Segregation is now in place	Assistant Manager (Comm. Services)	Completed
5.5	Further development of ELMS is required to distinguish unit price valuation of new and re-used equipment.	High	Yes	Ethetec are struggling slightly with the development of this. However this is a Commissioning Function	Information Systems Officer	29/02/20

Moray Council

Internal Audit Section

High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.6	A review should be undertaken of the current policy of revaluing re-used items of equipment at 50% of the original unit purchase price.	Medium	Yes	Currently working with Ethetec regarding a solution – again this is a Commissioning led outcome	Information Systems Officer	29/02/20
5.7	Consideration should be given for service users to sign a declaration confirming responsibility for the equipment received.	Low	Yes	The Health and Social Care Partnership will review through the System Leadership Group and propose a course of action.	Service Manager (Provider Serv.)	31/08/20
5.8	Items classified as 'failed equipment scans' should be investigated and their location resolved and recorded correctly within ELMS.	High	Yes	All outstanding issues have been investigated and process in place to control daily	Assistant Manager (Comm. Services)	Completed

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Moray Council

Internal Audit Section

High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.9	Occupational Therapy equipment noted to have been stored separately should be included within ELMS or written off if no longer serviceable.	Medium	Yes	This has been resolved by OT Manager	OT Team Manager	Completed
5.10	A review of Departmental procedures should be undertaken to ensure Stores are informed of a change in circumstance in a service users' condition where an item of equipment may no longer be required.	Medium	Yes	The Health and Social Care Partnership will review through the System Leadership Group and propose a course of action.	Service Manager (Provider Serv.)	31/08/20
5.11	Consideration should be given to invoicing service users if equipment is not returned when requested.	Low	Yes	The Health and Social Care Partnership will review through the System Leadership Group and propose a course of action.	Service Manager (Provider Serv.)	31/08/20

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High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.12	A review should be undertaken of the current ordering system for occupational therapy equipment. Authorisation of orders should be undertaken by the Occupational Therapy Team Manager.	High	Yes	This is now in place with the budget manager (OT) and Assistant Manager having reviewed the ordering system and all orders having the correct authorisation	Assistant Manager (Comm. Services)/ OT Team Manager	Completed
5.13	In accordance with previously agreed procedures all equipment with a unit value greater than £20 should be individually bar coded.	Medium	Yes	This is currently being processed	Assistant Manager (Comm. Services)	14/02/20

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High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.14	A review should be undertaken of the Stores building to check it is secure from unauthorised access.	Medium	Yes	Currently under review. This will be further explored with estates however there will be a resource issue.	Assistant Manager (Comm. Services)	24/01/20
5.15	Further development should be undertaken of ELMS to enable the Occupational Therapy Team Manager to receive greater management analysis of the equipment held.

A valuation report of the equipment held within stores should be available when requested from ELMS. | Medium | Yes | This is the responsibility of Commissioning as they are responsible for the ELMS System through the Systems Admin Team.

Advised that the report can now be run | Information Systems Officer | Completed |
| 5.16 | Service Users should be advised that any equipment received | Low | Yes | The Health and Social Care Partnership will | Service Manager (Provider Serv.) | 31/08/20 |

High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
	should be included within their personal property content insurance.			review through the System Leadership Group and propose a course of action.		
5.17	A review should be undertaken of the ELMS software application to ensure access levels are restricted to the requirements of the individual post. All access should be directly linked to the individual rather than a generic log in.	Medium	Yes	This is currently in place	Information Systems Officer	Completed
5.18	Current operating practices should be recorded within a Service Operating Manual.	Medium	Yes	This is under development in partnership with OT and Systems Admin and Ethetec.	Assistant Manager (Comm. Services)	01/06/20

Moray Council

Internal Audit Section

High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.19	In terms of value for money, consideration should be given to the range of occupational therapy equipment currently supplied to service users and whether ready available items can in the future be purchased directly by the individual.	Medium	Yes	The Health and Social Care Partnership will review through the System Leadership Group and propose a course of action.	Service Manager (Provider Serv.)	31/08/20
5.20	Further consideration should be given to developing closer working relationships with other Stores Services operating within the Council.	Low	Yes	The Health and Social Care Partnership will review through the System Leadership Group and propose a course of action.	Service Manager (Provider Serv.)	31/08/20

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AUDIT REPORT 20'024

FINANCIAL MANAGEMENT SYSTEM – ACCESS CONTROLS

EXECUTIVE SUMMARY

The annual audit plan for 2019/20 provided for a review to be undertaken of access controls to the Council's Financial Management System. The audit reviewed the controls governing user access rights and the procedures for administration and monitoring of user activity. The Chartered Institute of Public Finance and Accountancy (CIPFA) Information Technology Control Matrices and the International Standards Organisation (ISO) Information Security Standards were used in the development of an audit programme for this review.

The Council's Financial Management System (FMS) is supplied by a company called Advanced. The system went live in 1994 and provides software applications for General Ledger, Accounts Payable etc. Users are allocated to a specific user group with the level of access determined by the duties of the post. The Payments Manager has overall management responsibility for FMS. However, a Finance Development Working Group, including the Chief Financial Officer, Payments Manager and other officers from Payments, Accountancy and ICT meet once a month to discuss any issues or future development requirements.

The audit found that officers within the Payments Section had a clear understanding of the systems architecture. Documented procedural guidance was available for officers covering a range of service requirements. This provides a point of reference for officers and promotes greater consistency in operating practices. FMS is hosted on a Council server supported by the Council's ICT Service. Enquiries noted that the system is regularly updated and established back up arrangements exist in the event of any data loss incident. The following areas were identified where further development of controls and governance arrangements should be considered:-

- System Administration or Super User access level allows a user to process all actions within FMS. It is therefore difficult to enforce segregation of duties control for a user with this level of access. Enquiries noted that 25 users within FMS have system administration level access. CIPFA recommends that system administration access should be restricted to the least number of users as possible.

- An authorised new user Request/ Application Form is required before an officer can access FMS. The audit checked a random sample of users to ensure that an authorised form had been received prior to allowing access to FMS. Examples were found where Application Forms could not be found or been authorised. All new users must submit an authorised new user Application Form before access to FMS is allowed.

- A check was made to compare users recorded within FMS as still requiring access, to their current employment position within the Payroll System. Examples were noted where officers no longer employed by the Council but still had recorded access entitlement to FMS.

Moray Council

Internal Audit Section

Recommendations: FMS - IT Management and Access Controls

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	**Medium**	Less critically important controls absent, not being operated as designed or could be improved.	**Low**	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
Key Control: Appropriate controls exist in the management and administration of the user access within the Financial Management System.						
5.1	All services should be reminded that the Payments Section should be informed of any officer changing duties or moving to a new post within the Council, where different access requirements to FMS may be required.	Medium	Yes	Reliance is on departmental action when internal moves take place. However the report taken from the payroll system now documents transfers. An email is issued to the user for an update and chased 14 days later

New user form to be amended to include reference to previous incumbent for role | Senior Payments Officer | Completed |

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	**Medium**	Less critically important controls absent, not being operated as designed or could be improved.	**Low**	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
5.2	A review should be undertaken of the access "map" for each User Group Category. This should ensure access privileges still remain appropriate to the requirements of each post.	Medium	Yes	To be included in the project plan for version migrations. This will incorporate any system changes as well as general review of each user category.	Senior Payments Officer	Procedures to be amended for version migration project plan June 2020. To take effect at next migration
5.3	A review should be undertaken of FMS user records to ensure they are accurate and up to date.	Medium	Yes	A one-off review will be carried out by the Finance Development Group to ensure current position is correct.	Senior Payments Officer/Finance Development Group	30th September 2020

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	**Medium**	Less critically important controls absent, not being operated as designed or could be improved.	**Low**	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
5.4	FMS should not allow a user to change their password to the same combination of characters and numbers that had previously been used.	Medium	Yes	Unfortunately, system functionality does not allow full implementation of this recommendation. However, the system has been changed to insist on a maximum of 20 different/new passwords before you can reuse	Senior Payments Officer	Completed
5.5	Consideration should be given to changing the current password format and introduce a requirement for not only letters and numbers but also symbols.	Low	No	System functionality does not allow symbols.		.

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Moray Council

Internal Audit Section

Risk Ratings for Recommendations					
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	**Medium**	Less critically important controls absent, not being operated as designed or could be improved.	**Low**	Lower level controls absent, not being operated as designed or could be improved.
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
5.6	A review should be undertaken of users with system administration (super user) level access with the purpose of limiting access to the least number of officers as possible.	High	No	A review has been undertaken but only a small % of users were amended from Super User Access. Given the volume of users and wide spread use of the system we need a similar spread of Super Users to allow for cover in a number of different areas.

However a review of Super Users will be included in the review mentioned in 5.2 above. | | |

Moray Council

Internal Audit Section

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	**Medium**	Less critically important controls absent, not being operated as designed or could be improved.	**Low**	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
5.7	All new users must submit an authorised new user Application Form before access to FMS is allowed. These forms should be held centrally for all users	High	Yes	This is the current process. Finance Development Group will check to see why it is not being followed. It may be due to the historical nature of the system, some users have existed for more than 20 years and were created prior to the current process being developed	Finance Development Group	30th June 2020
5.8	A review of all non-council employees using FMS should be undertaken on a yearly basis to determine whether access to FMS is still required.	Medium	Yes	To be incorporated into the starters and leavers process undertaken by Payments monthly.	Senior Payments Officer	30th September 2020

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Moray Council

Internal Audit Section

Risk Ratings for Recommendations							
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	**Medium**	Less critically important controls absent, not being operated as designed or could be improved.		**Low**	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**	
				Separate register to be kept of non-council employee access granted.			
5.9	Audit Log records should be maintained and if required archived irrespective of any system updates or upgrades.	Medium	Yes	The ability to maintain defined audit logs was introduced in version 5.4. It was only when we migrated to 5.5 that we realised there was an issue with over writing. Solution currently being investigated with the assistance of the ICT Service.		30th September 2020	

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	**Medium**	Less critically important controls absent, not being operated as designed or could be improved.	**Low**		Lower level controls absent, not being operated as designed or could be improved.
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
5.10	Further investigation should be undertaken to whether FMS could provide an automated alert/ flag if a change is made to the Audit Log settings.	Medium	Yes	Finance Development Group will investigate Business Event Manager to see if this is possible, however, resourcing subsequent actions may be an issue.	Finance Development Group	30th September 2020

REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: ACCOUNTS COMMISSION PAPER – SAFEGUARDING PUBLIC MONEY: ARE YOU GETTING IT RIGHT?

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1. REASON FOR REPORT

1.1 To provide Committee with the last in a series of four reports considering the issues raised in a recent Accounts Commission publication relating to 'safeguarding public money' covering the consequences of weak internal controls and the internal audit function.

1.2 This report is submitted to Committee in terms of Section III (I) (3) of the Council's Scheme of Administration relating to consideration of reports prepared by the Accounts Commission/Audit Scotland.

2. RECOMMENDATIONS

2.1 It is recommended that Committee:

i) consider and note the final two of eight aspects of the Accounts Commission report on 'How councils work' entitled 'Safeguarding public money: are you getting it right?';

ii) review and consider Council responses to the questions in the two checklists covering 'Consequences of weak controls' and 'the internal audit function'; and

iii) comment on any matters arising.

3. BACKGROUND

3.1 In April 2019, the Accounts Commission published its latest report in its series of How Councils Work entitled: Safeguarding public money: are you getting it right?

3.2 The paper was and remains of particular interest to Officers and Councillors involved with the Audit and Scrutiny Committee given its focus on areas falling within the remit of the committee. These relate to good governance, the

management of risk and the importance of maintaining sound systems of internal control. A copy of the full report is available at: https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_190411_hcw_safeguarding.pdf

3.3 The report notes the challenging and changing circumstances that councils are currently facing and the importance, more than ever, of having effective risk management and strong internal controls.

3.4 Key messages from the report are:

- An effective system of internal controls and risk management help councils to safeguard their finances, ensures they implement their policies and helps them to deliver high quality services;

- There are signs from councils' internal auditors and the work of Councils' external auditors that standards of internal controls may be strained. Consequences could be serious, the report suggests, including the loss of significant amounts of public money, impacts on services and reputational damage;

- Ultimately councillors are accountable for scrutinising a council's use of public money. Senior officers have the primary responsibility of ensuring internal controls and risk management operate effectively and that a council's internal auditing function provides a valuable and objective view; and

- Councillors should seek assurances from Officers that a rigorous system of internal control is in place. Scrutiny and audit committees have leading roles but every committee and councillor has a scrutiny role too.

3.5 The report explores these general issues under eight themes. The theme and the date of its consideration at this committee is summarised as follows:

Theme	Date
Internal controls and risk management	19 June 2019
Fraud and Corruption	13 November 2019
Consequences of weak controls	**14 October 2020**
Audit committee	19 June 2019
Partnership working	13 November 2019
Councillors' Continuing Professional Development (CPD)	29 January 2020
Roles of Statutory Officers and the Chief Education Officer	29 January 2020
Internal Audit function	**14 October 2020**

The checklists are provided in summary form as **Appendix 1.**

Consequences of Weak Internal Controls

3.6   The paper devotes considerable coverage to the consequences of weak internal controls, given that the absence of effective systems of control can seriously impact on an organisation's ability to achieve its objectives. This can be for a multitude of reasons including financial loss through fraud or irregularities, poor practice, waste or inefficiency, failure to effectively consider and manage risk, or lack of scrutiny and accountability.

3.7   The paper also notes that developing and maintaining internal control systems is not cost free and the adoption of a myriad of controls for the sake of it is neither helpful nor sustainable in the current economic climate. By way of example, Committee will recall its recent consideration of the internal audit of garden waste permits, where controls were kept at a high level to minimise costs of administration while maintaining an audit trail in support of income collected.

3.8   What is important is to ensure that established controls are applied consistently, responsively and sustainably. It is a function of management to do this and also to ensure that where changes are proposed or applied to operating systems or structures, the control framework is maintained or adapted as appropriate.

3.9   The paper notes a number of factors that limit the effectiveness of control systems as follows:

- Controls cease to be relevant due to system changes or practices;
- The cost of implementing controls is disproportionate to the benefits;
- Two or more staff collude to bypass established processes;
- Human error leading to genuine mistakes perhaps through lack of motivation, inadequate training, time pressure or excessive workloads;
- Management override – where senior officers have access to system controls and these can be bypassed

3.10   It also provides examples of controls and their application in different circumstances. These examples illustrate the consequences of controls working well, less well, or not at all and causing problems. The matters highlighted (in pages 16 and 17 of the main report) will fall to be considered by the council's integrity group in conjunction with Internal Audit when it next meets. This will consider whether further work is required relative to any of the issues highlighted and may inform future internal audit plans.

3.11   The External Auditor also takes an interest in internal controls operating within the council's main financial systems and reviews and reports on these on annually in line with international auditing standards.

Internal Audit Function

3.12   The paper notes the function of internal audit as 'an independent objective assurance and consulting activity' and affirms its particular features as being to:

- Operate independently of the day to day running of the council;
- Provide a service to all levels of the council;
- Objectively assess effectiveness, efficiency and value for money;
- Form an integral part of the framework of business controls.

3.13 Having unrestricted access to senior officers, including the Chief Executive is also highlighted as being important as is the requirement to comply with Public Sector Internal Audit Standards (the subject of the separate report on the agenda of this meeting).

3.14 The paper references the role of the audit committee and its range of responsibilities in overseeing the work of internal audit including:

- *Take responsibility for the provision of internal audit*;
- Assessing and approving the internal audit charter (terms of reference);
- Ensuring a close working relationship with the internal audit manager;
- Assessing the resourcing of the internal audit function;
- Monitoring the quality of the internal audit work;
- Evaluating and approving the internal audit plan;
- *Overseeing the relationship between internal audit and centralised, corporate risk monitoring;*
- Ensuring the collective assurance roles of internal audit, other internal assurance providers and external audit are coordinated and optimised;
- Assessing internal audit findings and the breadth and depth of internal audit reports;
- Monitoring management implementation of internal audit recommendations.(in this council by exception only)

Note: Those functions printed in italics traditionally have fallen within the remit of the Council or Policy and Resources Committee.

3.15 The paper also points out that internal audit can find itself operating in a challenging operational environment should it lack the staffing capacity it needs, which in turn could result in it not having a credible voice or lack impact should it require to escalate any matters arising from audit work.

3.16 In this council, the internal audit manager considers resourcing of his team annually and reported in the audit plan submitted to the meeting of this committee on 19 April 2019 that *'at this point in time all posts are filled and the team is suitably experienced, however, with the role extending to supporting good governance, risk management and controls assurances across all services the service is operating at capacity, albeit for now it is assessed as being sufficient to meet the needs of the council, the Moray IJB and the Grampian Valuation Joint Board.'*

3.17 The situation of resourcing the internal audit function will continue to be assessed on an annual basis having regard to needs of the internal audit service whilst at the same time being mindful of the wider financial challenges facing the Authority.

3.18 The completed checklists covering consequences of weak internal controls and the internal audit function are provided as **Appendix 2.**

4. **SUMMARY OF IMPLICATIONS**

   (a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**
   Safeguarding public money supports the ability of the council and its partners to deliver agreed outcomes contained within strategic plans.

   (b) **Policy and Legal**
   Internal audit operates in terms of national Public Sector Internal Audit Standards

   (c) **Financial implications**
   The report focuses on good governance practices which underpin sound financial management and the use of resources.

   (d) **Risk Implications**
   The principal risk at the present time is to deliver an effective audit service within limitations imposed by the pandemic, recognising that the not all established systems, processes and controls will be able to function as intended.

   (e) **Staffing Implications**
   No implications directly arising from this report.

   (f) **Property**
   No implications directly arising from this report.

   (g) **Equalities/Socio Economic Impact**
   No implications directly arising from this report

   (h) **Consultations**
   The Chief Executive, Depute Chief Executive (Education, Communities and Organisational Development), Chief Financial Officer and the Monitoring Officer have been consulted and are in agreement with the report where it relates to their area of responsibility.

5. **CONCLUSIONS**

5.1 **The responsibility for good governance, risk management and the maintenance of effective internal controls is with management, with the involvement of other officers in support roles, internal audit in the provision of independent assurances on these topics, and oversight and reporting by the council's appointed External Auditor.**

5.2 **The Accounts Commission report provides useful information on governance, risk and internal control for all elected members and in particular for those who are members of the Audit and Scrutiny Committee.**

Author of Report: Atholl Scott
Background Papers: Accounts Commission paper
Ref: AS /asc/141020

Accounts Commission

Safeguarding Public Money: are you getting it right?

Summary of checklists for councillors.

The following questions may help you to think about internal controls and risk management in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

Checklist 1. Internal controls and risk management

- Do internal controls link with key corporate and service-level risks?
- Do internal controls apply to both financial and non-financial risks?
- Has the council identified the weakest internal controls?
- Are officers improving weak internal controls and minimising the risks they pose?
- Does internal auditing evaluate controls' effectiveness, and report to the audit committee?
- Does the audit committee take appropriate action?
- Does the council publicly review its system of internal controls annually?
- Is risk management actively led, supported and promoted by councillors and senior officers?
- Does the council have an up-to-date, corporate-level, risk management strategy?
- Does the corporate risk management strategy address the council's risk appetite?
- Does the council have up-to-date corporate-level and service-related risk registers?
- Is risk management embedded in business practices at both corporate and service levels?
- Does systematic evaluation and prioritisation of risks and opportunities lead to timely action?
- Are key risks and action to mitigate them monitored and reported on throughout the year?
- Do officers' reports to committees cover both financial and non-financial risks?
- Is there sufficient, timely training and ongoing support for you and relevant officers?

Checklist 2. Fraud and corruption

- Does the council have a fraud and corruption strategy for all its business, including its partnerships?
- Have cases of fraud and corruption been identified in each recent year?
- Have there been successful prosecutions for fraud or other criminal behaviour?
- Of the money lost to fraud/corruption, what percentage has been successfully recovered?
- Is the whistleblowing policy monitored for take-up; and are concerns acted upon?
- Are staff and other resources for fraud investigation proportionate to risks that the council faces?
- Are all allegations of fraud or corruption risk-assessed, and investigated accordingly?
- Are fraud alerts and good practice shared among council services in a timely way?
- Are there cost-effective measures for recovering money lost to fraud and corruption?

- Does the council actively take part in the National Fraud Initiative and act on its findings?
- Is comprehensive information on fraud and corruption reported to a relevant committee?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 3. Consequences of weak controls

- Which services have been most affected by weak controls, and why?
- Has internal auditing tracked, assessed and reported to a committee on weak controls' impacts?
- Have consequences of weak controls for ongoing service delivery been assessed?
- Could the council do more to anticipate longer-term risk trends, such as cyber-crime?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 4. Audit committee

- Do audit committee councillors have a clear remit that addresses the latest guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA)?
- Does the chair of the committee manage committee meetings effectively?
- Does the chair routinely liaise with the head of internal audit before committee meetings?
- Do the committee's councillors attend routinely, prepare well and challenge officers appropriately?
- Does the committee approve internal audit's annual workplan and reports?
- Can internal audit report to senior officers and the audit committee without fear or favour?
- Do officers provide committee members with timely, well-written and useful reports?
- Do internal audit reports set out comprehensively and clearly what needs to improve, and how?
- Does the committee endorse and track improvements proposed by internal auditing?
- Has the committee identified the top five risks to the council?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 5. Partnership working

- Do the council's governance and internal controls mitigate partnerships' risks to the council?
- Does the council have risk registers concerning its various partnerships?
- What resources (such as staff, buildings and money) does the council contribute to partnerships?
- Does each partnership have a clear purpose and explicit, outcome-based objectives?
- Are governance arrangements for each partnership clear, documented and fit for purpose?
- Does the council apply the code of practice on 'Following the Public Pound' to each arm's-length external organisation?
- Does the council have sound reasons for having a representative on a partnership's board?
- If you sit on a partnership's board, do you appreciate what is required of you and the linked risks?
- Is there good-quality, transparent and publicly accessible performance information?

- Are concerns about risks posed by partnerships escalated suitably within the council?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 6. Councillors' continuing personal development
- After the last election, was the general induction programme for councillors successful?
- Do officers give you good support on knowledge topics (such as internal controls)?
- Do officers give you good support on personal skills (such as chairing meetings)?
- Do you fully understand your roles and duties at council, cabinet, committee and ward levels?
- Have you made good use of the Improvement Service's support and publications?
- Do you have a personalised CPD programme?
- Do you actively participate in, and benefit from, the support made available to you?
- Do officers monitor and understand councillors' take-up of training and development?
- Where you do not engage fully in training and development, how could officers help more?
- Does CPD for councillors help you to be effective in your governance and scrutiny roles?

Checklist 7. Statutory officers and chief education officer
- Are the roles of these officers clearly set out in the council's governance documents?
- Do these officers sit on the corporate management team, or have ready access to it?
- Are these officers sufficiently resourced to discharge their roles and responsibilities?
- Do these officers have the influence needed for ensuring the council operates effectively?
- Do councillors and committees understand how and when to consult these officers?
- Do these officers give helpful, timely, impartial support to councillors and other officers?
- Do these officers have a constructive relationship with the senior management team?
- Do you have confidence in your council's key officers?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 8. Internal auditing function
- Does internal auditing (IA) follow Public Sector Internal Audit Standards and other reputable guidance?
- Is IA objective; free from undue influence; and independent in its thinking, work and reports?
- Is IA suitably located in the council's structure?
- Is IA sufficiently resourced to recruit, retain and develop the staff it requires?
- Is IA free of operational responsibilities that could risk compromising its independence?
- Is IA's work aligned with the council's strategies, objectives and risks?
- Does IA give senior officers and councillors clear, timely, objective, risk-based assurance?
- Does the head of IA have unrestricted access to the chief executive?
- Does the head of IA give committees the information they need to make informed decisions?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Appendix 2

Accounts Commission Report
Safeguarding public money: are you getting it right?
Extracts from Checklists with council responses

(a)   Consequences of weak controls

QUESTION	YES/NO/ PARTLY	RESPONSE
Which services have been most affected by weak controls and why?	N/A	The question does not lend itself to a yes/ no response. The answer is around audit planning where we conduct audits in areas with assessed higher risk either because of scale or change in systems/ processes/personnel or based on knowledge gleaned from audits in other councils. Control weaknesses lead to recommendations in individual selected audits these are not aggregated to rank individual services and there are no plans to do so.
Has internal audit tracked, accessed and reported to a committee on weak controls' impacts.	Yes	The impact of weak controls is covered in the audit summaries presented to the committee with management agreeing to corrective measures within action plans completed. These are followed up but not routinely reported back to Committee unless upon follow up no action has been taken to address the weakness highlighted.
Have consequences of weak controls for ongoing service delivery been assessed.	Yes	The council is committed to good governance, evidenced by various means, as reported in its annual governance statement. The audit process, internal and external, highlights weak controls and recommends

		corrective measures as appropriate.
Could the council do more to anticipate longer term risk trends such as cyber-crime?	Yes	The council has to adapt to the environment in which it operates and endeavours to keep up to date with emerging risks and their potential impact. Cyber security is one such area; work on this topic area was scheduled in the 2019/20 audit plan and is currently in progress. Due to the dynamic nature of this risk more can always be done, however, there are currently no outstanding actions identified and the planned audit will provide an opportunity to identify any improvements required for further assurance
Is there sufficient timely training and support for councillors including you?	Yes	Briefing sessions by senior managers on service developments give consideration to internal controls required to ensure desired outcomes are achieved. Briefing sessions have also been provided for committee members on the work of internal audit and its focus on validating the adequacy of established controls.

Accounts Commission Report
Safeguarding public money: are you getting it right?
Extracts from Checklists with council responses

(b) Internal auditing function

QUESTION	YES/NO/ PARTLY	RESPONSE
Does internal auditing (IA) follow Public Sector Internal Audit Standards and other reputable guidance?	Yes	Adoption of the standards is mandatory and the work of internal audit has been externally assessed in terms of how it complies with these standards.
Is IA objective free from undue influence and independent in its thinking, work and reports?	Yes	The Internal audit manager is content with current arrangements, there being sufficient routes available to him to raise any matters of concern in this regard, should any arise.
Is IA suitably located in the council's structure?	Yes	This is not as clear-cut as it was prior to the management restructuring when the Internal Audit Manager reported to director level; none the less access to the Chief Executive, external audit and a reporting line to the audit committee are compensating controls.
Is IA sufficiently resourced to recruit, retain and develop the staff it requires?	Yes	The principal requirement is to be able to complete sufficient audit work to enable provision of an annual opinion on the systems of internal control, and for now this can be achieved within the resources available.
Is IA free from operational responsibilities that could risk compromising its independence?	Yes	Internal audit has no responsibilities for day to day tasks.
Is IA's work aligned with the council's strategies, objectives and risks?	Yes	Audit planning has regard to these issues, with timing of audits being important where services or systems are subject to change.
Does IA give senior officers and	Yes	Reports provide management

councillors clear, timely, objective, risk based assurance?		with details of the scope of audit work and findings and recommendations that are agreed in the course of each audit.
Does the Head of IA have unrestricted access to the Chief Executive?	Yes	The Chief Executive meets informally with the Internal Audit Manager as required and takes advice on audit matters as appropriate e.g. where the council is invited to respond to consultations form national audit bodies
Does the Head of IA give the Committee information that they need to make informed decisions?	Yes	Indications are that members of the Audit & Scrutiny Committee are content with the audit remit of the committee.
Is there sufficient timely training and ongoing support for officers and councillors, including you?	Partly	Occasional briefing sessions have been provided for committee members on the work of internal audit.

REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2020

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVLOPMENT)

1.   REASON FOR REPORT

1.1   To provide Committee with a copy of the External Auditor's annual plan for 2019/20.

1.2   This report is submitted to Committee in terms of Section III (I) (8) of the Council's scheme of administration relating to consideration of reports prepared by the Council's External Auditor.

2.   RECOMMENDATION

2.1   It is recommended that the Committee consider and note the contents of the External Auditor's annual audit plan for 2019/20, noting that, as a consequence of the pandemic and in line with a revised timetable agreed for all Scottish local authorities, the date for reporting on the audit of the annual financial statements has been extended by two months to the end of November 2020.

3.   BACKGROUND

3.1   An annual audit plan has been received from Audit Scotland and is attached as **Appendix 1** to this report. The plan identifies a number of specific audit risks and explains the audit approach in regard to these matters.

3.2   The plan was prepared prior to the pandemic and whilst it remains accurate in all other respects, the timetable for preparation of the accounts and for audit reporting has been amended such that the management report scheduled for reporting in May 2020 will not now be provided and the report on the audit of the annual financial statements for 2019/20 has been delayed for a period of two months and will now be considered at a meeting of the Council on 25 November 2020.

4.   SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcome Improvement Plan (LOIP))

Although not specifically linked to these plans, the work of external audit provides assurances to the Council on the financial statements and on wider aspects of the council's governance arrangements.

(b) Policy and Legal

The audit is conducted in terms of statutory powers afforded to the appointed external auditor and in accordance with Audit Scotland's Code of Practice.

(c) Financial Implications

No additional costs arise directly from this report.

(d) Risk Implications

The audit plan identifies a number of risk areas that have been given due consideration in the determination of the planned audit coverage.

(e) Staffing Implications

Staff time is spent in dealing with audit queries and other matters arising, in particular the accountancy team work closely with the auditors during the audit of the annual financial statements; beyond this there are no specific staffing implications.

(f) Property

No implications.

(g) Equalities/ Socio Economic Impacts

No implications.

(h) Consultations

The content of the plan has been prepared in consultation with the Chief Financial Officer and other relevant officers within the council.

5.   CONCLUSION

5.1   The External audit plan provides members and officers of the council with details of the planned work of external audit (Audit Scotland) in respect of the 2019/20 financial year.

Author of Report: Atholl Scott
Background Papers: External Audit Plan
Ref: AS/asc/141020

Moray Council

Annual Audit Plan 2019/20

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.
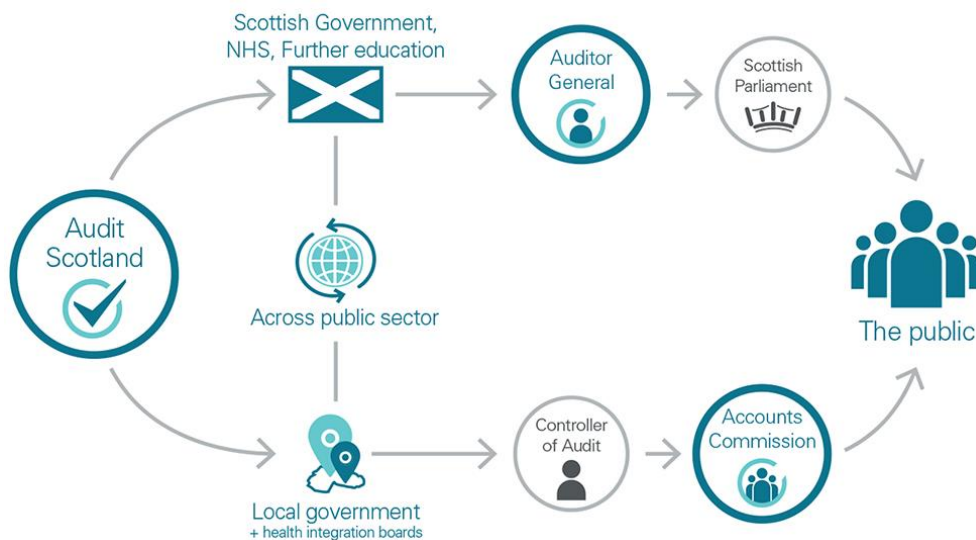
About us

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.

Contents

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency, and value for money.

Adding value

3. We aim to add value to Moray Council (the council) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the council promote improved standards of governance, better management and decision-making and more effective use of resources.

Audit risks

4. Based on our discussions with staff, attendance at committee meetings and review of supporting information we have identified the following significant audit risks for Moray Council. We have categorised these risks into financial statements risks and wider dimension risks as detailed in Exhibit 1.

Exhibit 1
2019/20 Significant audit risks

⚠ Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
1 **Risk of management override of controls** Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements for Moray Council and the connected charitable trusts.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Identification and evaluation of significant transactions that are outside the normal course of business.

⚠ **Audit Risk**	**Source of assurance**	**Planned audit work**
2 Risk of fraud in income recognition As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. Moray Council receives a significant amount of income from several sources including income from fees and charges. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.	Procedures are designed to ensure that income due to the council is properly recorded and collected. Comparison of income against budget. Annual internal audit plans include an assessment of the controls over selected income categories.	Detailed testing of revenue transactions focusing on the areas of greatest risk. Walkthrough of key controls over council tax, NDR and housing rent income.
3 Risk of fraud in expenditure As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. Moray Council incurs significant expenditure in areas such as welfare benefits and social care payments where there is an inherent risk of fraud. The majority of expenditure incurred by the connected charitable trusts relates to grant payments where there is also an inherent risk of fraud.	Procedures designed to ensure that payments are only made where they are appropriate and have been properly authorised. Annual internal audit plans include an assessment of the controls over selected expenditure categories.	Walkthrough of key controls over social care payments. Detailed testing of expenditure including social care payments, housing benefit transactions, and grant payments made by the charitable trusts.
4 Risk of error in areas of estimation and judgement There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and pensions. The extent of judgement involved increases the risk of material misstatement and requires a specific audit focus.	Use of professional actuaries appointed by the Pension Fund to value pension adjustments required by IAS19. Professionally qualified internal valuers prepare non-current asset valuations.	Assessment of the scope, independence and competence of the professionals engaged in providing estimates for non-current assets and pensions. Review of the appropriateness of actuarial results including comparison with other councils. Review of officers' arrangements for ensuring the completeness and accuracy of professional estimations for non-current assets and pensions. Walkthrough of the processes for determining valuations. Review of actual experience of significant estimates made in the prior year.

The Moray Council - Connected Charity Trust Funds

5 Compliance with the charity test 20 of the council's 31 charitable trusts have not disbursed any funds in the last five years and so it is unclear how they meet the public benefit requirement set out in guidance issued by the Officer of Scottish Charity Regulator (OSCR).	The need to reorganise these charities has been recognised and a single trust 'The Moray Council Charitable Trust' was set up and registered with OSCR in August 2016. The plan is to transfer the	Review of progress made with reorganising existing trust funds, identify those that do not meet the public benefit requirement and report through the Annual Audit Report and to OSCR as appropriate.

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⚠ Audit Risk	Source of assurance	Planned audit work
	remaining trusts into this single trust.	
Wider dimension risks		
6 Risk to financial sustainability The current level of service provision is not financially sustainable, and the council has relied on reserves to bridge its annual funding gap for the last 4 years. This cannot continue as unearmarked general fund reserves are projected to be reduced to below the minimum level considered prudent by the Head of Financial Services by 31 March 2022. Reserves of £2.3 million will be required to balance the 2020/21 budget in addition to savings of £3.1 million. Further substantial savings will be required for 2021/22 (£4.2 million) and 2022/23 (£7.4 million). A significant number of the council's properties (mainly schools) are in poor condition and the council cannot afford the £142 million investment required to bring schools up to a satisfactory standard. There is a risk that the council is unable to agree and implement a sustainable financial model for service delivery.	A medium to long term financial strategy is being developed to support the delivery of the priorities set out in the revised Corporate Plan. An Improvement and Modernisation Programme is being developed to transform the delivery of council services.	Review the 2020/21 revenue budget, required savings and use of reserves. Review progress made in developing the council's Improvement and Modernisation Programme for the redesign and transformation of council services particularly in relation to transformation of Education and Children's Services. Once approved, review the council's medium and long term financial strategy.
7 Weaknesses in control environment In previous years we have reported control weaknesses across a few systems. The lack of payroll validation is a concern given the extent of expenditure incurred on staff costs. There is a risk that payroll information is inaccurate and is not identified by service departments resulting in incorrect payments.	Higher level budget management reports are issued monthly which detail variances in payroll spend.	Review and testing of key controls within payroll and HR associated with the recruitment of employees and the maintenance of the council's establishment. Detailed testing of changes in staff costs (new starts, leavers, promotions, etc) to ensure these are accurately processed.

Source: Audit Scotland

Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans, the outputs as detailed in Exhibit 2, and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the Council and the Accounts Commission setting out our opinions on the annual accounts. We will also provide an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2
2019/20 Audit outputs

Audit Output	Target date	Committee Date
Management Report	06 May 2020	20 May 2020 (Audit & Scrutiny Committee)
Annual Audit Report and proposed Independent Auditor's Report	15 September 2020	30 September 2020 (Council)
Independent Auditor's Report signed	30 September 2020	N/A

Source: Audit Scotland

The audit of trusts registered as Scottish charities

8. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

9. The 2006 Regulations require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees.

10. Section 7 (1) of the regulations allows for a single set of accounts to be prepared incorporating all of the registered charities and this approach has been applied to the Moray Council charities. We will perform the audit of the council's charitable trusts in parallel with the audit of Moray Council's financial statements.

11. Based on our discussions with staff and initial planning work we have identified the following risks for the audit of the connected charitable trusts: management override of controls, fraud over expenditure, and inactive trusts. These risks have been included in Exhibit 1.

Audit fee

12. The agreed audit fee for the 2019/20 audit of Moray Council is £239,950 (2018/19: £235,400). In determining the audit fee, we have taken account of the audit risk exposure of Moray Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 30 June 2020.

13. We have also agreed an audit fee of £5,200 (2018/19: £5,100) for the charitable trusts.

14. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Elected members and Chief Financial Officer

15. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

16. The audit of the annual accounts does not relieve management or elected members, as those charged with governance, of their responsibilities.

Appointed auditor

17. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

18. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

19. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Moray Council and the associated risks which could impact on the financial statements

- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements

- identifying major transaction streams, balances and areas of estimation and understanding how the Council will include these in the financial statements

- assessing the risks of material misstatement in the financial statements

- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

20. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Council and its group as at 31 March 2020 and of the income and expenditure of the Council and its group for the year then ended

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

characteristics

responsibilities

principal activities

risks

governance arrangements

Other information in the annual accounts

21. We also review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

22. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in other information.

Materiality

23. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

24. We calculate materiality at different levels as described below. The calculated materiality values for Moray Council are set out in Exhibit 3.

Exhibit 3
Council materiality values

Materiality	Amount
Planning materiality – this is the figure we calculate to assess 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 for the year ended 31 March 2019.	£3.8 million
Performance materiality – this acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£2.3 million
Reporting threshold (i.e. clearly trivial) – we are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 4% of planning materiality.	£150,000

Source: Audit Scotland

25. We also set separate materiality levels for the charitable trusts as set out in Exhibit 4.

Exhibit 4
Connected charitable trusts materiality values

Materiality	Amount
Planning materiality – set at 2% of gross assets based on the latest on the latest audited accounts for the year ended 31 March 2019.	£19,000
Performance materiality – using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£11,000
Reporting threshold (i.e. clearly trivial) – calculated at 5% of planning materiality.	£1,000

Source: Audit

Timetable

26. To support the efficient use of resources it is critical that a timetable is agreed with us for the audit of the annual accounts. Exhibit 5 sets out the agreed timetable which takes account of submission requirements and planned Council meeting dates.

Exhibit 5
Annual accounts timetable

⊘ Key stage	📅 Date
Consideration of unaudited annual accounts by those charged with governance	30 June 2020
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2020
Latest date for final clearance meeting with Chief Financial Officer	09 September 2020
Agreement of audited unsigned annual accounts Issue of Annual Audit Report to those charged with governance	15 September 2020
Council meeting to consider the Annual Audit Report and approve the audited annual accounts for signature	30 September 2020
Independent auditor's report signed	30 September 2020

Source: Audit Scotland

Internal audit

27. Internal audit is provided by Moray Council's internal audit section. As part of our planning process we carried out an early assessment of the internal audit function and concluded that, overall, it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). During 2019/20 we will continue to monitor progress made in implementing the action plan resulting from the external quality assessment completed in April 2019.

Using the work of internal audit

28. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources, and so we seek to rely on the work of internal audit, wherever possible, to avoid duplication. From our initial review of internal audit plans we plan to place formal reliance on internal audit work in the following area:

- housing benefits payments (substantive testing).

29. In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- risk management

- governance and corporate initiatives

- cyber security.

Audit dimensions

30. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in Exhibit 6.

Exhibit 6
Audit dimensions

Source: Code of Audit Practice

31. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability
32. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the council's financial sustainability in the medium (two to five years) and longer term (longer than five years). We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term

- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

- whether Moray Council can demonstrate the affordability and effectiveness of its funding and investment decisions.

Financial management
33. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the council has arrangements in place to ensure systems of internal control are operating effectively

- whether the council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance information

- how the council has assured itself that its financial capacity and skills are appropriate

- whether the council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

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Governance and transparency

34. 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. We will review, conclude and report on:

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs)

- whether there is effective scrutiny, challenge and transparency of decision-making

- the quality and timeliness of financial and performance reporting.

Value for money

35. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the council can:

- provide evidence that it is demonstrating value for money in the use of its resources

- demonstrate that there is a clear link between money spent, output and outcomes delivered

- show that outcomes are improving.

Best Value

36. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.

37. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council that will provide a rounded picture of the council overall

- an annual assurance and risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council annual audit reports

- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five-year period.

38. The seven councils on which a BVAR will be published during the fourth year of the new approach are listed in Exhibit 7. Reports will be considered by the Accounts Commission in the period between March and November 2020.

Exhibit 7
2019/20 Best Value Assurance Reports
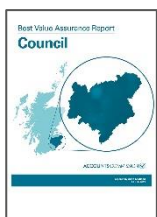
Aberdeenshire Council	Dundee Council
Argyle and Bute Council	Falkirk Council
City of Edinburgh Council	Moray Council
North Ayrshire Council	

Source: Audit Scotland

Strategic plan for the five-year appointment

39. As part of our responsibility to report on the audit dimensions over the current audit appointment, the areas of proposed audit work we have identified are outlined in Exhibit 8. The work scheduled to be undertaken during the 2019/20 audit year will be reported in the Best Value Assurance Report to be published in May 2020. Work scheduled for future years will be subject to annual review.

Exhibit 8
Strategic plan

Dimension	2016/17 & 2017/18	2018/19	2019/20	2020/21
Financial sustainability	Financial planning	Financial planning	Financial planning	Financial planning
Financial management	Financial governance and resource management Financial reporting	Financial governance and resource management	Financial governance and resource management	
Governance and transparency	Governance		Vision and leadership Digitalisation of services Community engagement / empowerment	Equalities
Value for money		Transformation	Performance outcomes Transformational change Partnership working	Best Value Audit Report follow-up

Source: Audit Scotland

Independence and objectivity

40. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

41. The engagement lead (i.e. appointed auditor) for Moray Council is Brian Howarth, Audit Director and for the charitable trusts is Maggie Bruce, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Moray Council or the charitable trusts.

Quality control

42. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

43. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

44. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Moray Council
Annual Audit Plan 2019/20

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REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: PUBLIC SECTOR INTERNAL AUDIT STANDARDS – EXTERNAL QUALITY ASSESSMENT UPDATE

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1.   REASON FOR REPORT

1.1   To provide Committee with an update relative to implementing recommendations arising from the external quality assessment of Internal audit.

1.2   This report is submitted to Committee in terms of Section III (I) (2) and (7) of the Council's Scheme of Administration relating to consideration of reports from the Internal Auditor and monitoring the delivery of the audit service carried out by internal audit

2.   RECOMMENDATION

2.1   It is recommended that the Committee consider and note progress towards addressing the recommendations arising from the external quality assessment of the internal audit service.

3.   BACKGROUND

3.1   A meeting of this Committee on 24 April 2019 (para 7 of the minute refers) considered a report detailing the results of an external quality assessment (EQA) of the Internal Audit service. This had been carried out by auditors from Fife Council to meet a requirement of the public sector internal audit standards that calls for an EQA to be carried out at least once every five years.

3.2   The report noted that the assessment involved the review of a portfolio of evidence and interviews with the Chair of the Audit and Scrutiny Committee, the Chief Executive, the then Corporate Director (Corporate Services) responsible for internal audit, as well as discussions and file reviews involving all staff in the audit team. A copy of the report together with an action plan containing recommendation for improvement was provided to the committee.

3.3   The action plan been updated to reflect progress made towards completion of the recommendations and this is now provided in **Appendix 1**. A number of

the actions have been completed, others are being picked up as time permits and this will continue until all agreed actions are completed.

4. **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
No implications directly arising from this report.

(b) Policy and Legal
The Public Sector Internal Audit Standards provide a policy framework for the delivery of an internal audit service.

(c) Financial implications
No implications.

(d) Risk Implications
The External Quality Assessment provides an independent overview of internal audit's application of the standards and mitigates the risk of non-compliance.

(e) Staffing Implications
No implications arising from this report.

(f) Property
No implications arising from this report.

(g) Equalities/Socio Economic Impact
No implications arising from this report

(h) Consultations
There have been no consultations in respect of this report.

5. **CONCLUSION**

5.1 The report provides committee with an update on progress towards addressing the recommendations made following an external quality assessment of the internal audit service.

Author of Report: Atholl Scott
Background Papers: Public Sector Internal Audit Standards; External Quality
Assessment report by Fife Council
Ref: AS /asc/141020

EXTERNAL QUALITY ASSESSMENT - ACTION PLAN

Ref. No.	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed	Update
3.1	The CAE should discuss any future updates of the internal audit charter with all members of CMT prior to submission to ASC for approval.	2	Agreed; in the past the charter has been discussed with the Corporate Director (Corporate Services) and in future will be taken through CMT	CAE	Dec 2019	The Charter has still to be updated post the management review and consideration of audit responsibilities. To be completed by December 2020.
3.2	The CAE should report on performance against the audit plan in the Annual Audit Report and provide ASC regularly with the results of key performance indicators.	2	Agreed, this can be incorporated into future reports to the Audit and Scrutiny Committee. Presently IA performance reporting is to Policy and Resources Committee along with other Corporate Services teams	CAE	Jun 2019	An update on progress against plan was provided to Audit and Scrutiny Committee at its meeting on 13 November and audit (service) planning and performance will now be reported to this committee. To be included in the Internal audit annual report in October 2020
3.3	Audit reports should be submitted to ASC directly by the CAE.	2	Not agreed, currently council Financial Regulations require the Corporate Director (Corporate	Corporate Director (Corporate	By March 2020	Following the management restructuring the Internal

1

		Services) to secure the provision of an internal audit service for the council. Also there are no provisions in the Scheme of Delegation to the Internal Audit Manager for a departure from current policy that requires committee reports to be issued in the name of a director or head of service. This will be reviewed again when the constitutional documents are next due for updating.	Services)/CAE			Audit Manager now reports to the Monitoring Officer. Following consideration, no change is proposed to the current practice of having reports published in the name of either a member of the CMT or SMT. The Internal Audit Manager shall continue to have responsibility for drafting his own reports. Completed
3.4	Consideration should be given to seeking feedback from the Chief Executive and the Chair of the ASC for future CAE appraisals	3	Agreed, this will be done when the next appraisal (as part of the Employee Review and Development Programme) of the CAE is undertaken	Corporate Director (Corporate Services)/CAE	Sep 2019	The Chief Executive has provided input into the appraisal of the Internal Audit Manager which took place in July 2019. Involvement of the Chair of the Committee will be considered when the next appraisal is undertaken. Partially Completed.
3.5	The processes for documenting potential conflicts of interest and for retaining evidence of auditor knowledge of, and compliance with, the Code of Ethics should be formalised.	2	Agreed, this will be straight forward to implement and provide evidence that staff acknowledge the need to adhere to the audit code of ethics alongside professional codes and the council's code of conduct for employees	CAE	Apr 2019 .	Discussed with team and all auditors signed a form confirming enhanced requirement for awareness of and application of high ethical standards.

2

						Completed.
3.6	Job descriptions for CAE and Senior Auditor posts should be up-dated.	3	Agreed, low priority but should be updated to reflect any changes in the roles	CAE	Nov 2019	The job description of the CAE (Internal Audit Manager) has been updated, that of the senior auditor remains under review. To be completed by December 2020
3.7	A formal approach to planning and recording training should be put in place, and Employee Development Review Forms updated.	2	Agreed, a central training record will be developed – staff hold their own CPD records and to date this has not been seen as a priority.	CAE	May 2019	ERDPs have been completed for all staff and training opportunities identified as appropriate. Completed.
3.8	An Audit Planning Checklist should be used to evidence the areas considered for inclusion in the Audit Plan.	2	Agreed, audit plans are derived from various sources as described in the audit plan report to committee presented to Committee annually. The checklist will detail the sources consulted when determining items for inclusion in the plan	CAE	For 2020/21 plan	This will take effect for audits undertaken in the new financial year. Effective April 2020
3.9	An Assurance Map should be developed to document the approach to using other sources of assurance.	2	Agreed, this would be a useful exercise to bring together the sources of assurance the internal audit team may be able to place reliance on and it is proposed this is developed over the next year	CAE	For 2020/21 plan	This is a substantial piece of work and following further discussions with our external reviewer is no longer an immediate priority.

3

						Not completed
3.10	The Fraud Policy and the Audit Manual should be updated, and thereafter regular reviews scheduled.	2	Agreed, the Fraud policy is being updated and the audit manual will be refreshed to reference changes to practice following purchase of new audit software	CAE	Jun 2019 Dec 2019	Both the policy and the manual have been updated. The fraud etc. policy has been approved by Policy and Resources Committee. The audit manual has also been updated. Completed
3.11	Work Programmes should be approved prior to commencement of the audit, and if any adjustments are made during the audit.	2	Agreed in part, for established and recurring audit areas e.g. schools where the parameters of the audit are known in advance. In other areas the audit scope may be developed as the audit progresses depending on initial findings There is currently a dialogue around this which will be recorded in our systems.	CAE	May 2019	This has been deferred to be taken forward in 21/22 for audits in that year's plan. Will involve adaptation of existing planning form. Effective April 2021
3.12	In the absence of a separate documented agreement, reference should be made to engagements for parties outside the organisation in the Moray Council Internal Audit Charter.	3	Agreed, this links to 3.1 above and reference to the MIJB and GVJB will be added into charter on its next update	CAE	Dec 2019	Links to 3.1 above with updated charter referring to work with the IJB and the Valuation Board and perhaps the ALEO when leisure arrangements confirmed. To be completed by December 2020
3.13	Audit reports should state that the engagement has been 'conducted in accordance with	2	Agreed, this will now be added, given the results of this EQA review.	CAE	Apr 2019	Completed

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	PSIAS'.					
3.14	The CAE should routinely attend the Senior Management Team meetings.	3	Agreed in part, this is an added demand on CAE time and having access to the meeting agendas and attending where appropriate is the preferred option.	Corporate Director (Corporate Services)/CAE	Apr 2019	The Internal Audit Manager since the management restructure now receives notice of agenda items for CMT/SMT meetings and can attend as required. Completed

Key to Grading of Recommendations
Priority: 1 – Critical, 2 – Requires addressing, 3 – Good Practice, 4 – Value for Money

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SUMMARY OF CONFORMANCE WITH THE PSIAS – Appendix A

Reference	Assessment Area	Fully Conforms ★	Generally Conforms ✅	Partially Conforms ⚠️	Does Not Conform ⬣
Section A	Definition of Internal Auditing		✅		
Section B	Code of Ethics	★			
Section C	Attribute Standards				
1000	Purpose, Authority and Responsibility	★			
1100	Independence and Objectivity		✅		
1200	Proficiency and Due Professional Care			⚠️	
1300	Quality Assurance and Improvement Programme			⚠️	
Section D	Performance Standards				
2000	Managing the internal Audit Activity		✅		
2100	Nature of Work	★			
2200	Engagement Planning		✅		
2300	Performing the Engagement	★			
2400	Communicating Results		✅		
2500	Monitoring Progress		✅		

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| 2600 | Communicating the Acceptance of Risks | | ✓ | | |

REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020

SUBJECT: SCOTTISH PUBLIC SERVICES OMBUDSMAN RECOMMENDATIONS REPORT

BY: CHIEF EXECUTIVE

1.   REASON FOR REPORT

1.1   The Audit & Scrutiny Committee is asked to consider the Scottish Public Services Ombudsman (SPSO) Recommendations Report to demonstrate that SPSO recommendations are considered at a senior level.

1.2   This report is submitted to Committee in terms of Section III (A) (51) of the Council's Scheme of Administration relating to developing and monitoring public relations, public reporting, publicity and corporate communications.

2.   RECOMMENDATION

2.1   The Council is invited to:

i)   consider the content of the SPSO Recommendations Report;

ii)   seek clarification on any points arising; and

iii)   approve the contents of the report.

3.   BACKGROUND

3.1   Complaints handling is part of the Council's Performance Management Framework. Members receive updates on complaints performance through routine reports to service committees.

3.2   All complaints operate through a two stage complaints process.

3.3   Once a complaint has passed through the complaints process, a complainant has the option of having their complaint considered by the SPSO. Following SPSO investigation, they can make recommendations to help councils learn from mistakes and implement service improvements.

3.4   The SPSO has asked authorities to confirm that SPSO complaint recommendations are reviewed at a senior level by returning an annual 'learning and improvement statement' confirming this. This builds on the model complaints handling procedures that set out the importance of Moray Council being able to demonstrate how they 'systematically review complaints performance reports to improve service delivery'. Our statement includes a commitment to report on SPSO recommendations annually to Audit and Scrutiny committee.

3.5   The SPSO introduced a 'learning and improvement unit' (LIU) to ensure public authorities take the necessary responsibility and actions to handle complaints well and reduce the occurrence of repeat mistakes. The aim of the LIU is to enhance the impact of their work by helping authorities improve public services through learning from complaints.

3.6   One of the main areas the LIU focus on is SPSO recommendations. A key part of this work includes providing authorities with additional support and advice on how to meet their recommendations with a view to preventing repeat service failings and complaints. In addition to this extra support they are looking to adopt a tighter escalation process for the very few cases where their recommendations are not being implemented, with the potential to lead to a Special Report.

4.   SPSO RECOMMENDATIONS FOR REPORTING PERIOD 2019/20

4.1   Table 1 **(APPENDIX A)** shows all Moray Council complaints in reporting period 2019/20 where we received notification of referral by complainants to the SPSO. Recommendations were made as detailed at cases 1 to 5.

4.2   Case 1, SPSO Reference 201804238 relates to a complaint that a staff member had exercised poor practice in the management of a child's case.

        Following SPSO investigation of this Social Work complaint, five recommendations were made.

        •   Moray Council sent evidence to the SPSO on 2 December 2019 confirming that all five issues had been addressed.

4.3   Case 2, SPSO Reference 201707281 relates to a complaint that Social Work staff failed to follow national guidance in a child protection case. It further relates to not following the complaint handling procedure.

        Following SPSO investigation of this Social Work complaint, fifteen recommendations were made – **see Appendix B**.

        •   Moray Council are actively working through a strategy to deal with these recommendations and have to provide evidence to SPSO, the first one by 16 September 2020 and the remaining fourteen by 9 December 2020, to show that all matters have been addressed.

4.4   Cases 3, SPSO Reference 201807504 relate to a complaint that Social Work staff poorly managed the kinship care process. It further relates to not following the complaint handling procedure.

- This is linked to case 2 and included within the fifteen recommendations made.

4.5   Cases 4, SPSO Reference 201807334 relate to a complaint that Social Work staff poorly managed the kinship care process and poorly communicated with the complainant. It further relates to not following the complaint handling procedure.

- This is linked to case 2 and included within the fifteen recommendations made.

4.6   Case 5, SPSO Reference 201811019 relates to a complaint that Social Work staff poorly managed transition to adult care and also poorly communicated with the complainant. It further relates to not following the complaint handling procedure.

Following SPSO investigation of this Social Work complaint, eight recommendations were made – **see Appendix B**.

- Moray Council are actively working through a strategy to deal with these recommendations and have to provide evidence to SPSO, by 22 October 2020, to show that all matters have been addressed.

5.   **SUMMARY OF IMPLICATIONS**

(a)   **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)**
Effective handling of complaints is used to ensure the efficient and sustainable delivery of services to meet the Council's priorities in 'Moray 2023: A Plan for the Future.' Within the Moray Council Corporate Plan, it has been identified that "we will talk to our customers and see how they would like services improved" that is a core part of the process of learning from complaints. SPSO recommendations often necessitate further communication with customers.

(b)   **Policy and Legal**
The SPSO requested a 'Learning and Improvement statement' in support of our statutory requirement to report to the SPSO annually on their performance indicators.

(c)   **Financial implications**
It is not anticipated that there will be any financial implications as the two complaint recommendations referred to in this report are not linked in any way to financial claims.

(d)   Risk Implications
Failure to report may result in SPSO making a declaration of non-compliance against the Council. Non-compliance with the statutory duty relating to national standards being adopted would present risk in terms of reputational damage and a loss of public confidence in our ability to deliver quality improvements based on complaints analysis, and ultimately to maintaining and improving service standards.

(e)   Staffing Implications
There are no staffing implications related to this report.

(f)   Property
There are no property implications related to this report.

(g)   Equalities/Socio Economic Impact
The Equal Opportunities Officer has been consulted in the preparation of this report and the equalities impact has been identified as uncertain.

(h)   Consultations
The Corporate Management Team has been consulted on the contents of SPSO Recommendations report.

5.   CONCLUSION

5.1   The SPSO Recommendations Report presents council action taken to address SPSO recommendations.

Author of Report: John Black, Complaints Officer
Background Papers: SPSO PIs
Ref: SPMAN-1108985784-270
                      SPMAN-1108985784-335 – Appendix A
                      SPMAN-1108985784-336 – Appendix B
                      SPMAN-1108985784-337 – Appendix C

Case Ref/No	LOG Ombudsman Referrals 01-04-2019 to 31-03-2020					Appendix A
	Submission Req'd/Sub	**Details**			Decision/Date	Action Plan Y/N
		Comp Ref No	Department			
1. SPSO 201804238	12/06/2018	101001854885	ICS - SW	Complaint that a staff member had exercised poor practice in the management of a child's case.	05/11/2019 – SPSO considered the complaint and made five key recommendations including that Moray Council: 1. Issue an apology for failing to appropriately assess the suitability of allowing a child to stay with extended family members. 2. Issue an apology for failing to investigate the complaint within a reasonable timescale. 3. Staff to be trained on; considering historic information, when to seek information and on how to respond to concerns raised. 4. Staff training to ensure that detailed and complete records are maintained. 5. Staff training to ensure that; complaints are logged properly;	Y Moray Council sent evidence to the SPSO on 2 December 2019 confirming that all five issues had been addressed.

					investigated fully with evidence retained; and responded to within timescales with evidence of any good reason for delay.	
2. SPSO 201707281	04/12/2017	101001679003	ICS - SW	Complaint that SW staff failed to follow national guidance in a child protection case. Complaint further related not following Complaint Handling Procedure.	Public Report published by SPSO on 19 August 2020. See **Appendix B** for the 15 SPSO recommendations made.	Moray Council are actively working through a strategy to deal with these recommendations and have to provide evidence to SPSO, the first one by 16 September 2020 and the remaining 14 by 9 December 2020, that all matters have been addressed.
3. SPSO 201807504	04/12/2017	101001679029	ICS - SW	Complaint that SW staff poorly managed the kinship care process Further complained about how we managed the complaint handling process	Linked to Case 2 SPSO issued a decision letter on 17 June 2019 advising that they would not be taking this case forward and instead would include their findings in case 2 – **see Appendix B**.	Y

4. SPSO 201807334	04/12/2017	101001679829	ICS - SW	Complaint that SW staff poorly managed the kinship care process and poorly communicated with the complainant. Further complained about how we managed the complaint handling process	Linked to Case 2 SPSO issued a decision letter on 17 June 2019 advising that they would not be taking this case forward and instead would include their findings in case 2 – **see Appendix B**.	Y
5. SPSO 201811019	16/01/2019	101002034963	Community Care, Education & Social Care	Complaint that SW poorly managed a transition to adult care and poorly communicated on this matter. Complaint further related not following Complaint Handling Procedure.	On 22 April 2020, SPSO published an investigation decision report with 8 SPSO recommendations made as detailed in **Appendix C** to this report.	Moray Council are actively working through a strategy to deal with these recommendations and have to provide evidence to SPSO, by 22 October 2020, that all matters have been addressed.
6. SPSO 201900343	11/03/2019	101002121140	Housing and Property	Complaint relating to rent arrears.	SPSO issued a decision letter on 17 April 2019 advising that they would not be taking this case forward	N
7. SPSO	26/03/2019	101002121368	Chief Executive	Complaint about a lack of response to letters sent to the Council.	SPSO issued a decision letter on 20 May 2019 advising that	N

201900805					they would not be taking this case forward	
8. SPSO 201901053	05/12/2018	101002002986	Development Services	Complaint about a planning matter and wrongly publishing personal data	SPSO issued a decision letter in July 2019, asking the council to provide a further response to the complainant. This was done in August 2019 and the complainant was sign-posted back to the SPSO. The complainant did not follow up their complaint with the SPSO who closed the case.	N
9. SPSO 201901310	11/04/2019	101002143697	Housing and Property	Complaint about housing repairs	SPSO issued a decision letter on 30 May 2020 advising that they would not be taking this case forward	N
10. SPSO 201901590	17/12/2019	101002357661 101002354976 101002307413	Education and Social Care	Complaint that a staff member didn't adhere to guidance in their dealings with a pupil school issue. Further complaint that investigation response was not sent within the required time scale of 20 working days	SPSO issued a decision letter on 11 September 2019 advising that they would not be taking this case forward In this case SPSO were satisfied that the council agreed a resolution with the complainant rather than have an SPSO enquiry done	N
11. SPSO 201903359	29/05/2019	101002185352	Development Services	Complaint about planning application	SPSO issued a decision letter on 18 December 2019 advising that they would not be taking this case forward	N

12. SPSO 201903418	24/05/2019	101002181034	ICS - SW	Complaint that staff member had breached confidentiality	SPSO issued a decision letter on 16 January 2020 advising that they would not be taking this case forward	N
13. SPSO 201903592	17/06/2019	101002201479	ICS – SW	Complaint of disability discrimination	SPSO issued a decision letter on 28 January 2020 advising that they would not be taking this case forward	N
14. SPSO 201904550	05/10/2018	101001949823	Housing and Property	Complaint that a contractor hadn't provided completion dates for a new build property	SPSO issued a decision letter on 20 September 2019 advising that they would not be taking this case forward	N
15. SPSO 201905103	24/07/2019	101002047909	ICS - SW	Complaint about grandchildren being removed under a Sheriff Court order that contained untruths	SPSO issued a decision letter on 20 December 2019 advising that they would not be taking this case forward as it was made out with time scales	N
16. SPSO 201905570	19/09/2019	101002284444	Housing and Property	Complaint about homeless application decision	SPSO issued a decision letter on 29 October 2019 advising that they would not be taking this case forward	N
17. SPSO 201909354	07/08/2019	101002247246	Chief Executive	Complaint about staff not conducting Community Council business within an agreed process	SPSO issued a decision letter on 21 January 2020 advising that they would not be taking this case forward	N
18. SPSO 201910479	16/01/2020	101002372176	Housing and Property	Complaint about housing points allocation	SPSO issued a decision letter on 2 March 2020 advising that they would not be taking this case forward	N

| 19. SPSO 201905727 | 02/04/2019 | 101002129708 | ICS - SW | Complaint against staff handling of Fostering and Adoption process | SPSO issued a decision letter on 16 June 2020 advising that they would not be taking this case forward. | N |

Case 3 – SPSO 201807504 and Case 4 – SPSO 201807334 were both linked to this SPSO enquiry.

1. Apologise to Mrs A, Children Y and Z for the failure to reasonably gather and take into account relevant information when making decisions regarding the children's care and education. Apologise to Mrs A and Ms C for the failure to reasonably and timeously respond to their complaints. The apologies must meet the SPSO apology standard.

2. The Council's child protection function should be delivered within the context of supporting families and meeting children's needs through the Getting It Right For Every Child practice model as stated in the National Guidance for Child Protection In Scotland and the Children and Young People (Scotland) Act 2014.

3. In line with the Children (Scotland) Act 1995, the Council should promote the upbringing of children by their families and the possibility of kinship care placements should be considered at the earliest opportunity and if this is not possible, the reasons should be recorded.

4. The views of children should be sought in line with the Getting It Right For Every Child Framework and as laid down in the Children (Scotland) Act 1995 and the Children and Young People (Scotland) Act 2014. The views of children should be listened to, considered and recorded; and independent advocacy should be considered for children in a timely manner.

5. If a child expresses a wish to attend their Children's Hearing, they should be facilitated to attend, regardless of whether they have previously been excused; in line with national guidance.

6. Timescales for kinship care assessments should be in line with the Looked After Children (Scotland) Regulations 2009 and the Adoption (Scotland) Act 2007 - Part 9 Kinship Care unless the reasons as to why this is not possible are specifically recorded.

7. Communication with extended family in relation to potential kinship care placements should be proactive, clear, and timely.

8. Prior to any decision that brings about a change to the child's plan, or before a decision to seek a Children's Hearing for a child whose supervision order they think should be varied or terminated, a Looked After Child review should be held.

9. When a child who has social work involvement moves school, the new school should be informed of this in a timely manner in line with the Getting It Right For Every Child national framework principles of working collaboratively with the child at the centre.

10. Social workers should avoid making statements based on assumptions and pejorative personal opinion.

11. Parents with parental rights and responsibilities should, as far as possible, be consulted prior to medical treatment or in cases of an emergency admission be notified as soon as possible, in line with the Children (Scotland) Act 1995.

12. The Council should adhere to the National Guidance for Child Protection in Scotland in relation to notifying the receiving local authority immediately when children and/or their family move.

13. The relevant Looked After Child forms, including general medical consent, should be completed at the point of a child being admitted to the care of the local authority, or in cases of emergency, as soon as is practicably possible after the child is placed; in line with The Looked After Children (Scotland) Regulations 2009.

14. When making decisions regarding the care and education of children, the Council should appropriately gather and take into account relevant information.

15. Complaints should be handled in line with the relevant complaint handling procedure.

Case 5 - SPSO 201811019 - Public Report Recommendations

1. Issue an apology for: Not commencing transition planning earlier; failing to carry out a pathway assessment before making decisions on continuing care; failing to communicate reasonably with the complainant about her child's care and support; failing to reasonably handle the complaint.

2. Consider funding the placement and engage with the complainant providing reasons for the decision made.

3. Feedback the SPSO findings to staff involved and consider training to address identified failings.

4. Review the Continuing Care Procedure including when pathway assessments should be carried out.

5. Timeously secure Looked after Children (LAC) independent advocacy when this has been recommended.

6. Meaningfully engage with parents/guardians out with a LAC Review in the planning of future care.

7. Timeously issue minutes of LAC Review meetings.

8. Handle complaints in line with the complaint handling procedure.