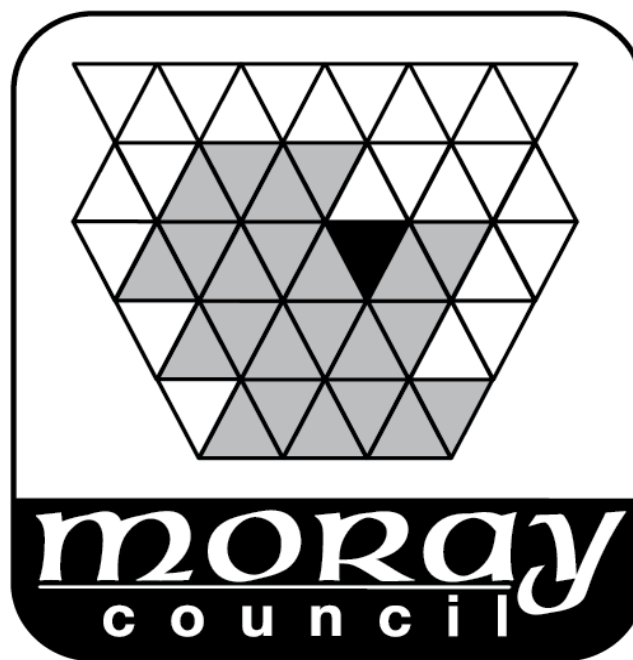


Moray Council
Internal Audit Section

Aberlour Early Years Learning &
Childcare Scheme
Final Report



Moray Council

Internal Audit Section

DEPARTMENT: Education, Communities & Organisational Development

SUBJECT: Aberlour Early Years Learning & Childcare Scheme

REPORT REF: 23'014

Table of Contents

Section No	Section Title
1	Executive Summary
2	Introduction
3	Audit Scope
4	Summary Assessment
5	Findings
6	Recommendations

Moray Council

Internal Audit Section

1. Executive Summary

An audit has been undertaken into the operational management arrangements for the refurbishment of Aberlour early years learning and childcare premises. The review was requested by the Depute Chief Executive (Education, Communities & Organisational Development) after concerns were raised by elected members regarding the scheme. In Aberlour, the early years and childcare service is delivered by private and council nurseries; both operate from the same premises.

The Children and Young People (Scotland) Act 2014 introduced a statutory duty for Local Authorities to provide funded places for all eligible children. In order to achieve this requirement, a contract was awarded in 2018 for the construction and refurbishment of various premises to meet this expansion programme. The refurbishment of Aberlour early years learning and childcare premises is part of this larger contract and was managed by a Senior Projects Officer and thereafter by the Early Years' Service Manager in consultation with Property Services. In addition, progress was regularly reviewed by the Early Years Learning Expansion Programme Board, which included representation of senior officers across various services. However, since May 2022, the responsibilities of the Early Learning Expansion Programme Board have been transferred to the Transforming Education Project Board, with additional reporting to the Transform Learning Board. This is consistent with established project management arrangements detailed within the Council's Project Management Governance Policy.

The scope of the audit was to undertake an overview of the reporting arrangements and compliance with Financial Regulations, Procurement Guidelines and the Conditions of the Contract for the refurbishment of the Aberlour early years learning and childcare premises. However, it should be noted the refurbishment works are yet to start. The audit findings should be viewed with consideration of the extraordinary challenges faced by officers during the pandemic. In addition, it was also found that key officers involved in the management of the scheme have moved to other posts or are no longer employed by the Council.

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

The review has highlighted the following areas for consideration:

Moray Council

Internal Audit Section

- The refurbishment of Aberlour early years learning childcare premises was initially intended to be undertaken in August 2020. However, due to issues concerning the pandemic the date for the planned refurbishment works was deferred from 2020 to 2021. In early 2021 a decision was made to purchase temporary cabins as the preferred option for providing temporary accommodation to the children and staff of both nurseries. A temporary cabin was to be located at Speyside High School and another at Aberlour Primary School. These proposals were reported to the Education, Communities and Organisational Development Committee on 11 August 2021. The cost of purchasing the temporary cabins was £234,860. However, after discussions with officers and a review of supporting documentation, the audit found that later in 2021 and early 2022, concerns were raised regarding increases in construction costs and the location of a temporary cabin. This provided an opportunity to review alternative temporary accommodation provision to ensure moving forward that consideration was given to the most cost effective option. A report to the Education, Children's and Leisure Services Committee on 24 August 2022 noted a revised proposal to locate one temporary cabin at the Aberlour Primary School and outdoor units near the park at Aberlour. Concerns were raised regarding this option, as detailed in a report to the Education, Children's and Leisure Services Committee on 2 November 2022. A further review was then undertaken with a report to the Education, Children's and Leisure Services Committee on 14 December 2022 that agreed for the Depute Chief Executive (Education, Communities & Organisational Development) to investigate other temporary accommodation options. The audit considers that appropriate reporting has been undertaken to update elected members on progress regarding the refurbishment of the Aberlour early years learning and childcare premises. Required changes to the delivery of temporary accommodation to allow works to progress have not only been due to concerns raised by stakeholders but significantly because of increases in construction costs and the requirement for the Council to achieve best value.
- Council Procurement and Financial Regulations are intended to ensure best practices are followed and assist officers to operate within delegated authority. The temporary cabins were procured by issuing an Architect Instruction to the Contractor for the purchase from a single supplier. The Architect Instruction was issued in accordance with a direction received from the Senior Project

Moray Council

Internal Audit Section

Manager (Early Learning & Childcare). It is appreciated the programmed timescale requirements for progressing this scheme; however, an advance payment of £117,430 was made for these temporary cabins without the prior approval of the Chief Financial Officer. The temporary cabins are currently stored at the haulage company's premises and at the time of the audit, have incurred additional storage costs of approximately £6,000. A decision should be undertaken as a matter of urgency regarding the future use of these temporary cabins.

- As detailed previously, the Education, Children's and Leisure Services Committee on 14 December 2022 agreed for the Depute Chief Executive (Education, Communities & Organisational Development) to investigate other options in providing temporary accommodation. At the time of this audit the intention was noted to purchase outdoor units (yurts) to be located at the Aberlour Primary School grounds as temporary accommodation to deliver the early years learning and childcare service for both nurseries during the period required for refurbishing the premises. As construction and material costs have increased over recent years, Property Services have requested an updated contract price from the Contractor to complete the works. A review should then be undertaken to ensure the adequacy of the current budget.

Moray Council

Internal Audit Section

2. Introduction

This audit has been undertaken from a request received from the Depute Chief Executive (Education, Communities & Organisational Development) after concerns were raised by elected members regarding the management of the contract for the refurbishment of Aberlour early years learning and childcare premises.

The refurbishment of Aberlour early years learning and childcare premises is part of a larger contract awarded in 2018 to expand the early years learning and childcare service. The Senior Responsible Officer for the contract is the Head of Education, but with the refurbishment scheme being operationally managed by the Senior Projects Officer and currently by the Early Years' Service Manager in consultation with Property Services. Progress was regularly reviewed by the Early Years Learning Expansion Programme Board and later by the Transforming Education Project Board, with additional reporting to the Transform Learning Board. In Aberlour, the early years and childcare service is delivered by private and council nurseries; both operate from the same premises. The contract required the consideration of options in providing temporary accommodation to allow both nurseries to maintain service delivery during the refurbishment of the premises.

3. Audit Scope

The scope of the audit was to undertake a review of the Aberlour Early Years Learning and Childcare Scheme regarding the reporting arrangements and compliance with Financial Regulations, Procurement Guidelines and the Conditions of the Contract. However, it was noted that the actual works for the refurbishment of the premises have not yet started.

4. Summary Assessment

The Internal Audit Section will provide Management with an opinion on the internal control environment based on four categories of classification:

Assurance Level	System and Testing Conclusion
Full	The controls tested are being consistently applied

Moray Council

Internal Audit Section

Substantial	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	The level of non-compliance puts the system objectives at risk.
None	Significant non-compliance with basic controls leaves the system open to error or abuse.

Our assessment in terms of the design of, and the compliance with the system of internal controls for Aberlour Early Years and Childcare Scheme as limited by the scope of audit is set out below:

System Assessment	Testing Assessment
Substantial	Limited

5. Findings

The main issues raised for management consideration are:

- 5.01 This audit review was requested by the Depute Chief Executive (Education, Communities & Organisational Development) after concerns were raised by elected members regarding the operational management for the refurbishment of the Aberlour early years learning childcare premises. Last year the Education, Children's and Leisure Services Committee of the 26th of January 2022 requested Internal Audit to report on concerns regarding the financial management in the expansion of the Early Years Learning and Childcare Service. Both audit reviews have resulted in findings and recommendations.

It is considered that the implementation to manage the expansion of the early years learning and childcare service was appropriately staffed by qualified officers. In addition, an Early Years Learning and Childcare Expansion Programme Board (Programme Board) included senior officers from across the Council was formed at the start of the expansion programme to support and provide an overview of both capital and revenue expenditure. The Council has a Project Management Governance Policy to aid officers in project management governance arrangements. The Project Management Governance Policy was agreed

Moray Council

Internal Audit Section

at Policy & Resources Committee on 7 June 2016, with additional project management assurances concerning governance and leadership noted at the Corporate Committee on 30 August 2022. It is appreciated that as detailed within report to the Corporate Committee, the Policy “still largely reflect sound project management governance and remain fit for purpose”. It was also noted the Policy is based on the Prince2 Project management methodology, aligned with the Scottish Government Construction Procurement Manual and the Office of Government Commerce (OGC) Gateway framework. However, a review of the Policy noted that minor updates are required regarding reference to previous post titles, financial regulations and the Audit and Performance Committee.

- 5.02 The refurbishment of Aberlour early years learning childcare premises was initially intended to be undertaken in August 2020. The contract detailed a requirement for a “major refurbishment” of the premises. However, due to the pandemic the refurbishment was delayed for a year with the intention for the works to be started by the end of 2021. In order to allow works to progress, the premises had to be vacated and the delivery of the early years learning and childcare service provided within alternative accommodation. In March 2021, Property Services in accordance with an instruction received from the Senior Project Manager (Early Learning & Childcare) issued an Architect Instruction for the design, manufacture and delivery of temporary cabins. The audit noted discussions by the Programme Board regarding this course of action. In addition this was also reported to the Education, Communities and Organisational Development Committee on 11 August 2021, which included the proposed location of a cabin at Speyside High School and another at Aberlour Primary School.

The Architect Instruction issued to the Contractor detailed the requirement to purchase two temporary cabins from a named supplier at the cost of £234, 860. The procurement of the temporary cabins by the Contractor from a single supplier was due to programmed timescale requirements and budgetary needs to complete the works per Scottish Government deadlines.

The urgency of timescales is appreciated; however, it is unclear why consideration was not given for the purchase of the temporary cabins directly by the Council. Compliance with Council Financial Regulations

Moray Council

Internal Audit Section

and Procurement Guidelines not only ensures officers operate within their delegated authority but also that best practices are followed in the purchasing of goods, services or works. If a single supplier was the preferred option due to required timescales, this could have been undertaken with the approval of the Chief Financial Officer.

- 5.03 The procurement of temporary cabins was undertaken by the issue of an Architect Instruction to the Contractor on 31 March 2021. However, it was found that discussions held by the Programme Board in May 2021 detailed concerns raised by the Head teacher of Speyside High School and an Elected Member regarding the proposed placement of a temporary cabin at the High School. The audit noted that site visits had been made to the High School by officers of the Programme Board to discuss these concerns with the Head teacher.

An indicative start date for the refurbishment works was detailed as November 2021. However, it is understood this did not proceed due to budgetary pressures, increases in the costs for the refurbishment works and the concerns raised regarding the intended placement of the temporary cabin. The Programme Board noted this requirement to delay the start date and the need for further investigation during the third quarter of 2021. The audit has experienced difficulties in sometimes evidencing an audit trail that clearly documents progress. This may be due to the exceptional circumstances surrounding the pandemic and that officers have moved to other posts or are no longer employed by the Council. It was noted that in March and April 2022, further discussions were held that included a report to the Programme Board where a revised plan was discussed for the placement of one temporary cabin at the Primary School and an outdoor facility near the park in Aberlour with the intention of both nurseries returning to existing premises after the refurbishment works. It was also noted that in May 2022 discussions were held by the Asset Management Working Group, regarding a need to increase the capital budget and the revised option for placement of one temporary cabin at the Primary School and an outdoor facility near the park in Aberlour.

These revised proposals were then reported to the Education, Children's and Leisure Services Committee on 24 August 2022. A report to the Education, Children's and Leisure Services Committee on 2 November

Moray Council

Internal Audit Section

2022 regarding these revised proposals noted concerns raised by elected members. A further report to the Education, Children's and Leisure Services Committee on 14 December 2022 agreed for the Depute Chief Executive (Education, Communities & Organisational Development) to investigate other options in providing temporary accommodation to allow the refurbishment works to be completed. It is understood at the time of this audit, the purchase of outdoor units (yurts) for placement within the Aberlour Primary School grounds is the preferred option for temporary accommodation.

The complexity of this Scheme is appreciated, especially due to the requirement for providing temporary accommodation to allow the refurbishment works to be completed. The audit noted that consultation had been undertaken with officers and parents concerning the needs of the Scheme. In addition, construction cost increases and the Council's requirement to achieve best value have also impacted the decision making process. However, temporary accommodation options were progressed incurring significant costs that were later deemed unsuitable. In addition, concerns were also raised by affected stakeholders. Consideration should be given to any improvements that may be required in the current arrangements for consultation and communication with stakeholders for future projects.

- 5.04 Further to a directive from the Senior Project Manager, an Architect Instruction was issued to the Contractor for purchasing two temporary cabins at £234,860, it was noted that £117,430 was paid in advance to the supplier for the design, manufacture and delivery. In addition, another Architect Instruction was also issued in December 2021 for the purchase of replacement doors to meet Scottish Building Regulations at the cost of approximately £14,000. This has also incurred additional costs of approximately £2000 to the Council for storing and delivering these doors to the Building Services Depot at Keith. Currently, the temporary cabins are stored with a haulage company that has incurred at the time of this audit a cost of approximately £6000. This review has already raised concerns regarding the procurement arrangements for purchasing the temporary cabins; however Financial Regulations detail the requirement for advance payments to be authorised by the Chief Financial Officer. No

Moray Council

Internal Audit Section

evidence could be found that the Chief Financial Officer had been consulted to authorise the advance payment for the purchase of the temporary cabins. A decision is also required as a matter of urgency regarding the future intention of the temporary cabins stored with a haulage company.

- 5.05 As the works for refurbishing the Aberlour early years learning and childcare premises have yet to start, undertaking a full contract audit has not been possible to ensure compliance with the Conditions of Contract. It is acknowledged that officers dealing with Scheme within Property Services have retired or are no longer employed by the Council. The assistance provided by the Principal Quantity Surveyor in the completion of this review is much appreciated. However, during the audit, supporting contract documentation requested could not be found or possibly needed to be completed. Moving forward, it would be beneficial if the refurbishment of the Aberlour early years learning and childcare premises contract is reviewed to ensure documents are easily retrievable that will evidence compliance with the Conditions of Contract and Council Policies and Regulations.
- 5.06 At the time of the audit, the current expenditure for this Scheme amounted to approximately £340,000. The Moray Council Committee on 29 June 2022 agreed on a budget of £900, 000 to complete the works. As detailed within this report, it has now been decided to investigate the purchasing of outdoor units (yurts) to be located at the Aberlour Primary School grounds as temporary accommodation for the nurseries during the period for the refurbishment of the premises. As construction and material costs have increased over recent years, an updated contract price should be obtained from the Contractor for the completion of the works. Thereafter, the adequacy of the current budget should be reviewed.

Moray Council

Internal Audit Section

6. Recommendations

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 management controls operate to ensure the delivery for the refurbishment Aberlour Early Learning and Childcare Premises in accordance with Council Regulations and Conditions of Contract						
5.01	Consideration should be given to updating job titles and other points of reference recorded within the Project Management Governance Policy.	Low	Yes	Council programme governance was reviewed by cmt/smt in 2022 with a number of actions identified and reported to committee in Aug 22. Further review is not currently merited given short passage of time and that council arrangements	Depute Chief Executive (Education, Communities & Organisational Development)	30/09/2023

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
				<p>reflect recognised standards. However, the Policy will be updated to reflect current Council post titles/ regulations/ comm.</p> <p>Project Management training has already been delivered to cmt/smt and is available for other officers via OD. Project checklist has also been established to support project management</p>		

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
5.02	All officers responsible for purchasing goods, services or works should be reminded of the Council's Financial Regulations and Procurement Guidelines.	High	Yes	Annual reminders will be given to officers re Financial Regs and where this has not happened, training will be undertaken	Head of Housing & Property/ Head of Education (Chief Education Officer)	30/06/2023
5.03	Consideration should be given to any improvements that may be required in the current arrangements for consultation and communication with	Medium	Yes	Improvement is to assure arrangements as each project develops. To support this, the project checklist contains	Depute Chief Executive (Education, Communities & Organisational Development)	Implemented- Checklist is already in place Ongoing action is as projects reach key stages

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
	stakeholders for future projects.			specific points on planning communication and engagement and roll out is being supported by the PM Network		

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
5.04	All officers involved in procuring goods, services and works should be reminded that in accordance with Financial Regulations, advance payments must be authorised by the Chief Financial Officer.	High	Yes	This should be written into documentation for key projects where processes aligned to Financial Regs are clear from offset	Head of Housing & Property/ Head of Education (Chief Education Officer)	30/06/2023
	As a matter of urgency, a decision is required regarding the future intention of the temporary cabins stored with the haulage company. Consideration should be given for the temporary cabins	High	Yes	Use of temporary units are being considered as a wider discussion and should be included at		30/06/2023

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
	to be used by another establishment or be sold.			DCEs recommendation in Learning Estate portfolio. Temporary units will be sold if no use identified.		
5.05	The refurbishment contract for the Aberlour early years learning and childcare premises should be reviewed to ensure documents are easily retrievable to evidence compliance with the Conditions of Contract and	Medium	Yes	Further to recruitment to vacant posts the service now has adequate capacity to resource ongoing projects to	Head of Housing & Property	30/06/2023

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
	Council Policies and Regulations.			requisite standards and immediate reconciliation of existing documentation will be undertaken.		
5.06	The contractor should be contacted for an updated cost estimate for the completion of the works and if required the budget should be reviewed and updated.	Medium	Yes	The process is for a tender from the contractor to be assessed by the QS. No tender was received by the deadline date and this has been reported	Head of Housing & Property	30/06/2023

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
				through the normal governance process and other procurement approaches to achieve best value are being put to the client.		