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## **Audit and Scrutiny Committee**

**Wednesday, 30 March 2022**

**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, 30 March 2022** at **09:30**.

### **BUSINESS**

1. **Sederunt**
2. **Declaration of Group Decisions and Members Interests \***
3. **Minute of Meeting of 16 February 2022** 5 - 6
4. **Written Questions \*\***
5. **Report on the Work of the Internal Audit Section in the Period from 17 February 2022 to 30 March 2022** 7 - 22  
Report by Depute Chief Executive (Education, Communities and Organisational Development)
6. **Work of the Internal Audit Section Update** 23 - 30  
Report by Depute Chief Executive (Education, Communities and Organisational Development)
7. **Internal Audit Plan - Year Ending 31 March 2023** 31 - 42  
Report by Depute Chief Executive (Education, Communities and Organisational Development)

## 8. 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](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.

# **THE MORAY COUNCIL**

## **Audit and Scrutiny Committee**

### **SEDERUNT**

Councillor Donald Gatt (Chair)  
Councillor Frank Brown (Depute Chair)

Councillor George Alexander (Member)  
Councillor John Cowe (Member)  
Councillor John Divers (Member)  
Councillor Tim Eagle (Member)  
Councillor Ryan Edwards (Member)  
Councillor Graham Leadbitter (Member)  
Councillor Marc Macrae (Member)  
Councillor Aaron McLean (Member)  
Councillor Maria McLean (Member)  
Councillor Shona Morrison (Member)  
Councillor Sonya Warren (Member)  
Councillor Walter Wilson (Member)

Clerk Name:	Lindsey Robinson
Clerk Telephone:	07966 120593
Clerk Email:	committee.services@moray.gov.uk

**Minute of Meeting of the Audit and Scrutiny Committee**

**Wednesday, 16 February 2022**

**Remote Locations via Video Conference,**

**PRESENT**

Councillor George Alexander, Councillor Frank Brown, Councillor John Cowe, Councillor John Divers, Councillor Donald Gatt, Councillor Graham Leadbitter, Councillor Marc Macrae, Councillor Aaron McLean, Councillor Shona Morrison, Councillor Sonya Warren

**APOLOGIES**

Councillor Tim Eagle, Councillor Ryan Edwards, Councillor Maria McLean, Councillor Walter Wilson

**IN ATTENDANCE**

Also in attendance at the above meeting were the Chief Executive, Head of Governance, Strategy and Performance, Internal Audit Manager and Tracey Sutherland, Committee Services Officer.

**1. Chair**

The meeting was chaired by Councillor Donald 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 declarations of Member's interests in respect of any item on the agenda.

**3. Minute of Meeting 15 December 2021**

The minute of the meeting of the Audit and Scrutiny Committee dated 15 December 2021 was submitted and approved.

**4. Written Questions \*\***

The Committee noted that no written questions had been submitted.

**5. National Fraud Initiative 2020-21**

A report by the Depute Chief Executive (Education, Communities and Organisational Development) advised the Committee of the outcomes from the Council's participation in the National Fraud Initiative for 2020/21.

Following consideration the Committee agreed to note the contents of the report.

## **6. Work of the Internal Audit Section 16 December 21 to 16 February 22**

A report by the Depute Chief Executive (Education, Communities and Organisational Development) advised the Committee on the work of the Internal Audit Section for period from 16 December 2021 to 16 February 2022.

Following consideration in which Officers answered questions on a full review of Self Directed Support and unspent monies the Committee agreed to note the contents of the report.

## **7. Question Time \*\*\***

Councillor Macrae sought clarification on whether there were any plans to audit the financial side of Care Homes when a client dies.

In response, the Internal Audit Managers confirmed that this has been looked at in the past but he would discuss the issue further with the Chief Officer, Health and Social Care for possible inclusion in future audit plans.

Councillor Alexander sought an update on the re-settlement of Afghan families. He further sought clarification on whether the Council Leader had written to the Scottish Government regarding the Early Learning and Childcare funding.

In response the Chief Executive confirmed that an update on the re-settlement of the families will be presented to Group Leaders in the next couple of weeks.

The Council Leader responded with regards to the letter to the Scottish Government by confirming that a draft letter had been written. He further added that the issue had been progressing in other ways but confirmed he would circulate the draft to Members following the meeting. The Chief Executive confirmed that he was also tasked with writing to the Scottish Government and that his letter would complement that of the Council Leader's.



**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 30 MARCH 2022**

**SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD FROM 17 FEBRUARY 2022 TO 30 MARCH 2022**

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

## **1. REASON FOR REPORT**

- 1.1 The report advises Committee on the work of the Internal Audit Section for the period from 17 February 2022 to 30 March 2022.
- 1.2 This report is submitted to Committee in terms of Section III (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 **That Committee considers and notes the contents of this report.**

## **3. BACKGROUND**

- 3.1 This report provides details of the internal audit work concluded during the period 17 February 2022 to 30 March 2022.

### **Core Financial Systems – Council Tax**

- 3.2 A review of the Council Tax System has been undertaken. The audit has reviewed the arrangements for billing, collections and refunds. The Council Tax Service administers and collects Council Tax for residential properties in Moray. The Service also administers and collects charges for domestic water and sewerage on behalf of Scottish Water. The Council maintains a database of residential properties and updates it for changes of owners and residents, and also processes applications for exemptions and discounts. The executive summary and recommendations for this project are given in **Appendix 1**.

### **Core Financial Systems- Creditor Payments**

- 3.3 A review has been undertaken of creditor payments made within 2021/22. The use of an audit software interrogation system called IDEA was used to randomly select a sample of payments to check. The purpose of the audit was to confirm ongoing compliance with procurement and payment

processing regulations. The audit had regard to the Audit Scotland publication 'Public Sector Counter-Fraud' issued in July 2020. The publication detailed a number of good practice recommendations, including Internal Audit undertaking a review to ensure proper controls are operating regarding segregation of duties, tendering arrangements, authorisation of expenditure, etc. The audit has included these elements within this review. A check was also made for duplicate payments by extracting listings where more than one invoice from a single supplier has been paid for the same amount.

- 3.4 Findings from the testing found no issues of concern regarding the suppliers used, sums paid, authorisations and accounting treatment. It is also considered from the checks undertaken that appropriate controls are operating effectively and the integrity of systems has been maintained.

#### **Departmental Systems – Early Learning and Childcare**

- 3.5 An audit of systems and controls into the financial management of the Early Learning and Childcare Service (ELC) has been undertaken. The Education, Children's and Leisure Services Committee of the 26th of January 2022 requested that Internal Audit provide greater clarity on the final financial position of the Early Learning and Childcare Service for 2022/23.
- 3.6 However, after discussions with Senior Officers, the scope was expanded to include a review of the 2021/22 financial year to determine the reasons for the variance reported between budgeted and actual expenditure. In addition, the reasons for a change in the financial position reported in previous years were also investigated. The executive summary and recommendations for this project are given in **Appendix 2**.

## **4. SUMMARY OF IMPLICATIONS**

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

Internal audit work supports good governance and the delivery of efficient services.

### **(b) Policy and Legal**

No implications.

### **(c) Financial Implications**

No implications directly arising from this report.

### **(d) Risk Implications**

The independent review of selected systems and procedures mitigates the risks associated with inadequate or ineffective control procedures.

### **(e) Staffing Implications**

No implications.

### **(f) Property**

No implications.

### **(g) Equalities/ Socio Economic Impacts**

No implications.



**(h) Climate Change and Biodiversity Impacts**

No implications.

**(i) Consultations**

There have been no direct consultations during the preparation of this report.

**5. CONCLUSION**

**5.1 This report provides Committee with a summary of findings arising from an audit project completed during the review period.**

Author of Report:	Dafydd Lewis, Audit and Risk Manager
Background Papers:	Internal audit files
Ref:	SPMAN-1042990102-92



**AUDIT REPORT 22'009**

**COUNCIL TAX SYSTEM**

**Executive Summary**

The annual audit plan for 2021/22 provides for an audit review to be undertaken of the systems and controls in place to ensure the accuracy and completeness of Council Tax data. The review forms part of the yearly audit coverage of core Council systems.

The Council Tax Service administers and collects Council Tax for approximately 46000 residential properties in Moray. The Service also administers and collects charges for domestic water and sewerage on behalf of Scottish Water. The Council maintains a database of residential properties and updates it for changes of owners and residents, and also processes applications for exemptions and discounts.

The audit scope reviewed key controls in operation within the Council Tax System with regard to billing, collection and refund processes. This involved looking at the controls and procedures in the administration of Council Tax accounts concerning the billing of accurate and timely demand notices to all relevant ratepayers, accounting fully and promptly for monies collected by various means from a large number of ratepayers, and escalating appropriate recovery practices when debts remain unpaid.

The review has covered the systems in place within the current 2021/22 financial year. The systems and processes are complex however extensive audit testing has confirmed the application of sound controls. These provide assurances on the accounting arrangements for this major income stream to the council with audit observations confined to:

- No documented procedures have been developed to record key systems and processes. It is appreciated that current officers have extensive experience, but the development of a systems procedures manual would be useful as a point of reference and for business continuity purposes.
- It was noted that no regular reviews are undertaken for credit balances remaining on a ratepayers account. It appreciated the Section had considerable workload demands, especially during the pandemic and the administration of Covid related grants. However, consideration should be given to regularly reviewing the Council Tax Database and to undertake the appropriate action regarding a credit balance noted on a ratepayers account, e.g., refund.

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

## Recommendations

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	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
<b>Key Control:</b> Billing is carried out in accordance with regulations and on an accurate and prompt basis.						
<b>5.01</b>	Systems and procedures followed in administering the Council Tax system should be formally documented to provide a comprehensive reference point for staff.	Medium	Yes	The lack of detailed written procedures is accepted as a weakness. Work will be started on a project plan to document systems and processes. Delivery of the outcomes from this project will be dependent on competing service demands and staffing resources.	Taxation Manager	Ongoing

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	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
<b>Key Control:</b> Collection of Council Tax is carried out in accordance with Statutory and Authority regulations, is fully evidenced in terms of documentation of all payment sources and transactions and refunds are appropriately controlled.						
5.02	Consideration should be given to regularly reviewing the Council Tax Database and action undertaken regarding a credit balance noted on a ratepayers account e.g. refund.	Low	Yes	Taxation services already follow procedures which seek to ensure that overpayments are refunded promptly to taxpayers. This may involve contacting taxpayers to obtain information. If no response is received, this is not always followed up due to competing service demands and limited staff resources. It is intended that a more rigorous procedures will be developed, and these should be in place by 31 December 2022.	Taxation Manager	31/12/2022



**AUDIT REPORT 22'201****EARLY LEARNING AND CHILDCARE SERVICE****Executive Summary**

An audit has been undertaken of the systems and controls in the financial management of the Early Learning and Childcare Service (ELC). The Education, Children's and Leisure Services Committee of the 26th of January 2022 requested that Internal Audit provide greater clarity on the final financial position of the Early Learning and Childcare Service for 2022/23.

The Early Learning and Childcare Service covers childcare and education of children from birth to starting school. The Children and Young People (Scotland) Act 2014 introduced a statutory duty for Local Authorities to provide funded places for all eligible children in their area. This was part of a Scottish Government commitment to providing free funded places for a minimum of 600 hours per annum. Subsequently, an expansion programme was initiated with the requirement to deliver 1140 hours from August 2020, subsequently delayed to August 2021. To meet this requirement, the Scottish Government provided funding to Local Authorities. Moray Council submitted a funding bid in 2017, and decided that the delivery of the service was to be provided by a combination of Council owned nurseries, independent (private and third sector) early learning and childcare providers, and childminders. Details of the funding awarded by the Scottish Government, allocated Council budgets and yearly expenditure allocations from 2017 to date was as follows:-

	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>2021/22 Forecast as at 10/2/22 -£</b>
<b>Grant Award</b>	405,000	1,109,181	5,847,000	9,675,000	10,792,000
<b>Council Funding</b>	3,402,000	3,402,000	3,402,000	3,402,000	3,572,000
<b>Underspend from prior year</b>	0	195,598	50,414	413,791	573,038
<b>Total Funding</b>	3,807,000	4,706,779	9,299,414	13,490,791	14,937,038
<b>Budget Allocation Used</b>	3,611,402	4,656,365	7,885,623	12,082,753	14,937,038
<b>Capital Funded from Current Revenue</b>	0	0	1,000,000	165,000	670,000

<b>Covid Spend</b>	0	0	0	670,000	-670,000
<b>Underspend Carried Forward</b>	195,598	50,414	413,791	573,038	0

The scope for the audit, as detailed by the Education, Children's and Leisure Services Committee Report, was a requirement to provide greater clarity on the final financial position of the Early Learning and Childcare Service for 2022/23. However, discussions have subsequently been held with Senior Officers, and the scope for the audit has been expanded to include a review of the 2021/22 financial year to determine the reasons for the variance reported between budgeted and actual expenditure. In addition, the reasons for a change in the financial position reported in previous years were also to be investigated.

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

The audit has reviewed systems and procedures for the delivery of the ELC Service. This has included reference to financial information, discussions with officers and reviewing supporting documentation. The following points were noted from the audit undertaken:-

- Yearly funding available for ELC had been determined from the Scottish Government funding award and the existing Council budget prior to expansion. The ELC Service has successfully expanded the delivery of childcare hours in accordance with Scottish Government requirements. This has been undertaken at a cost significantly below the total yearly funding that allowed the transfer of funds to meet capital expenditure pressures. For 2021/22 an underlying overspend which has emerged can be met from reserves carried forward due to previous year ELC underspend, and a further transfer of funds into the Council Budget regarding pay awards for pre-expansion staffing.
- It is appreciated the difficulty in determining the 2022/23 ELC budget due to the uncertainty regarding future funding from the Scottish Government. However, a "zero-based" budgeting exercise should now be undertaken as a matter of urgency to accurately forecast the financial needs of providing the fully expanded ELC service. This exercise should be done in consultation with the Accountancy Section. Determination of demand for places should be undertaken based on predicted numbers of children and the number of hours requested. Other chargeable costs should also be reviewed to ensure that the correct balance between cost and quality is achieved. With increasing staffing costs, partnership provider payments, Additional Support Needs and meal costs currently indicate a £1.9m shortfall for 2022/23 separate from any Scottish Government funding reduction. These cost areas need to be fully analysed, reviewed, and forecast based on reliable demand indicators. However, the Scottish Government has recently indicated a



reduction in the grant award. If Council funding remains the same, this will result in a projected overspend of £3.3m in 2022/23.

- The current Early Learning Childcare (ELC) Manager has been in post for just over a year. It is appreciated that the pandemic has changed working practices and has made the delivery of training and support more difficult. However, it was found that no face to face training had been provided to assist the ELC Manager in the effective financial management of budgets. In addition, elements of the ELC budgets are also administered by other officers within the Council. As the Service has now fully expanded, the financial management arrangements of the ELC Budget should be reviewed to ensure future variances can be easily highlighted.

## Recommendations

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	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
<b>Key Control:</b> Appropriate controls operating to ensure effective budgetary arrangements.						
<b>6.1</b>	Anticipated demand should be the cost driver in deciding budgets for Partner Provider Payments and Council Owned Nurseries. Registration forms and other available databases should be used for this purpose.	High	Yes	Analysis ongoing with the development of cost analysis spreadsheets for improved future budget forecasting	Early Years Officer	31/01/2023
<b>6.2</b>	The current catering arrangements need to be assessed to ensure the correct balance is achieved between costs and quality both within and outwith term time.	High	Yes	ELC catering costs and future service delivery are being reviewed	Catering Manager	31/08/2022

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	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
<b>Key Control:</b> Appropriate controls operating to ensure effective budgetary arrangements.						
<b>6.3</b>	Benchmarking of costs in the delivery of an ELC Service with other Local Authorities should be undertaken to highlight any significant variances for further investigation,	Medium	Yes		Early Years Service Manager	31/12/2022
<b>6.4</b>	The ongoing ASN service review should inform the appropriate support cost to be met by the ELC sector, in line with support for other educational sectors.	High	Yes		Project Officer	31/12/2022
<b>6.5</b>	A review of current staffing and recruitment arrangements of Council owned nurseries should be undertaken to ensure the appropriate balance between costs and quality of service is achieved.	High	Yes	Review of current recruitment arrangements underway- per Committee paper to ECLS 9/3/22	Early Years Service Manager	31/08/2022

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	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
<b>Key Control:</b> Appropriate controls operating to ensure effective budgetary arrangements.						
<b>6.6</b>	Further financial management training should be provided to the Early Learning and Childcare Manager.	High	Yes	Further financial training also to be provided to the Head of Education (Chief Education Officer)	Head of Education (Chief Education Officer)/ Head of Financial Services	31/07/2022
<b>6.7</b>	Financial management arrangements of the ELC Budget should be reviewed to ensure future variances can be easily highlighted.	High	Yes	I agree that the ELC budget should be reviewed to ensure it is appropriately constructed and reported on following the expansion phase and as we enter business as usual, to ensure that the components of the budget are appropriately allocated and assist the budget manager to manage their budget, with clear	Head of Financial Services	30/09/2022

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
<b>No.</b>	<b>Audit Recommendation</b>	<b>Priority</b>	<b>Accepted (Yes/ No)</b>	<b>Comments</b>	<b>Responsible Officer</b>	<b>Timescale for Implementation</b>
				and appropriate lines of responsibility.		





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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 30 MARCH 2022**

**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 **Committee is asked to consider and note the contents of this report.**

**3. BACKGROUND**

- 3.1 Public Sector Internal Audit Standards requires the Audit and Risk Manager to prepare and present reports to committee on internal audit's activity, performance relative to its Audit Plan, and any other relevant matters.
- 3.2 This report provides an update on audit activity and projects progressed since the last meeting.

**4. UPDATE OF PROGRESS AGAINST THE 2021/22 AUDIT PLAN**

**Audit Plan Update**

- 4.1 The Internal Audit Plan is a means of determining the priorities of the internal audit activity and how these fit with the wider goals of the Council. Enclosed as **Appendix 1** is an update of the progress undertaken by the Internal Audit Service with regard to the completion of audit review projects against the Annual Audit Plan.
- 4.2 It is pleasing to report that the majority of the projects detailed within the 2021/22 Audit Plan have; either been completed or the reviews have been undertaken and the reports issued to the Services for responding to the

recommendations. The Internal Audit Section has been through a period of change with a recruitment process undertaken for the Audit and Risk Manager, Senior Auditor and an Auditor. All positions have now been filled, and it is hoped the Internal Audit Service will have a period of stability in moving forward.

- 4.3 An additional review to the Audit Plan has also been undertaken. An audit of systems and controls into the financial management of the Early Learning and Childcare Service (ELC) has been undertaken. This audit was requested by the Education, Children's and Leisure Services Committee of the 26th of January 2022 to provide greater clarity on the current and future financial position of the Early Learning and Childcare Service.

#### **Core Financial Systems-Cyber Security**

- 4.4 Cyber security is the practice of protecting critical systems and sensitive information from digital attacks. Cyber security measures are designed to combat threats against networked systems and applications, whether those threats originate from inside or outside of an organisation. The impact of a successful cyber attack would immediately impact how the Council would be able to continue providing day to day services.
- 4.5 A review of cyber security arrangements has been started with work underway to develop an audit programme developed from the Scottish Government Cyber Resilience Framework and other good practice guidelines. It was hoped this audit review would have been completed as part of the 2021/22 Audit Plan, however the review has been carried forward into the 2022/23 Audit Plan.

#### **Health & Social Care Moray- Client Monies**

- 4.6 An audit review has been undertaken into the management and accounting systems of social care clients monies held under corporate appointeeship arrangements. Individuals assessed as requiring assistance in the financial management of welfare benefits received, the Department for Work and Pensions (DWP) can appoint a Social Work Officer to become the 'Corporate Appointee' and have legal authority for fund administration. The scope of the audit was to ensure funds were appropriately handled, stored, recorded and administered on behalf of clients, in line with agreed policy and procedures. The review has now been completed and is awaiting a response from the Service to the recommendations. It is hoped the Executive Summary and audit action plan showing recommendations will be reported to the next Audit and Scrutiny Committee.

### **5. 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) Climate Change and Biodiversity Impacts**

No implications.

**(i) Consultations**

There have been no direct consultations during the preparation of this report.

**6. CONCLUSION**

**6.1 This report provides Committee with an update on internal audit work progressed in the latest review period.**

Author of Report:	Dafydd Lewis	Audit and Risk Manager
Background Papers:	Internal Audit files	
Ref:	SPMAN-	
	1042990102-90	



**MORAY COUNCIL****INTERNAL AUDIT SERVICE****ANNUAL AUDIT PLAN 2021/22**

<b>CORE FINANCIAL SYSTEMS</b>		
<b>Area</b>	<b>Type of coverage</b>	<b>Status/ Comments</b>
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 2020/21 year	Final report issued
Procurement and Creditor Payments	Continuous auditing of samples of non-pay expenditure to test compliance with procurement and payment processing regulations	Work Completed- No Findings Noted
Purchasing Cards	Review the systems and controls for the management of purchasing cards	Review to be considered for a future Audit Plan
Council Tax	Review the arrangements for collection and accounting of council tax income.	Final report issued
Capital Plan	Audit testing of contract management arrangements for selected projects within the capital plan	Fieldwork in progress
Stocks and stores - year end valuations	Attendance at stocktaking and reconciliation of stocks held to ledger balances	Work Completed
Cyber security	Identification and assessment of the potential threats to the council's ICT systems and how these are being managed	Audit programmed to start in the next quarter

<b>OTHER SYSTEMS</b>		
<b>Area</b>	<b>Type of coverage</b>	
Environmental Services- Collection and accounting of planning fees	Review the accounting arrangements for the collection, recording etc. of planning fees	Fieldwork in progress—Review to be carried forward to the 2022/23 Audit Plan
Environmental Services - Roads Maintenance (Planned)	Audit of roads maintenance planned repairs	Fieldwork in progress (Testing has included planned capital projects within this audit review)
Environmental Services - Business Continuity	A review of the Council Business Continuity arrangements	Final report issued
Environmental Services - Housing and Property - Stores	A review of the effectiveness of current arrangements for accounting for materials used in the repair and maintenance of council housing	Fieldwork completed and draft report issued to Service
Corporate Services- Social Media Accounts	Review of the management and control of Council social media accounts	Final report issued
Corporate Services- Petty Cash	Review of the administration of petty cash expenditure and reimbursements	Final report issued
Education- Primary and Early Years Security	Review the controls in place to mitigate the risk of unauthorised access to primary schools and early years establishments.	Final report issued

<b>Moray Integration Joint Board</b>		
Client Monies	An audit of the management and accounting of social care clients monies	Fieldwork completed and draft report issued to Service
Self Directed Support	Review of Self Directed Support financial monitoring arrangements	Final report issued





**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 30 MARCH 2022**

**SUBJECT: INTERNAL AUDIT PLAN – YEAR ENDING 31 MARCH 2023**

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

## **1. REASON FOR REPORT**

- 1.1 This report provides the Committee with details of the planned internal audit coverage for the year ending 31 March 2023.
- 1.2 This report is submitted to Committee in terms of Section III (I) (6) of the Council's Scheme of Administration relating to reporting on Internal Audit's programme of work.

## **2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to consider and note:**
  - i) **the proposed internal audit coverage for the 2022/23 financial year; and**
  - ii) **the possible disruption in the service provided by the Internal Audit Section due to the limitations placed on current and potential future working practices from the impact of the pandemic.**

## **3. BACKGROUND**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) applicable to Local Government in Scotland requires the Audit and Risk Manager to report functionally to the Audit and Scrutiny Committee on various issues relative to audit planning. This requirement includes preparing a risk based internal audit plan for submission to Committee, and providing the Committee with details of internal audit resourcing or other issues that may impact on the scope of audit work.

### **Definition of Internal Audit**

- 3.2 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk

management, control and governance processes.

### **Public Sector Internal Audit Standards (PSIAS) Requirements**

3.3 PSIAS sets out the requirement for the:

- Audit and Risk Manager to prepare a risk-based audit plan which takes into account the Council's strategic objectives, associated risks and the views of senior management and the Committee.
- Audit and Risk Manager to review and adjust the plan as necessary in response to changes in the Council's business, risks, operations and priorities.
- Audit plan to incorporate or be linked to a strategic or high-level statement of how internal audit will be delivered and developed in accordance with the Internal Audit Charter approved by this committee at its meeting on 24 February 2021 (para. 8 of the minute refers) and how it links to the organisational objectives and priorities.

### **Internal Audit Plan**

3.4 The internal audit plan is a means of determining the priorities of the internal audit activity and how these fit with the wider goals of the Council. Internal audit's approach to annual audit planning is risk-based with all areas which may be subject to audit review contained within an 'audit universe'. The audit universe is reviewed and updated on an ongoing basis to include all significant activities and systems that contribute to the achievement of the Council's priorities and objectives.

3.5 The audit universe is risk assessed each year to help determine the annual audit plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Note however, that the audit universe, whilst a key factor, is not the only consideration when determining the audit plan. Senior management have been consulted on priority areas for review, and cognisance is taken of the plans of external audit and other statutory agencies, in order to avoid duplication and increase potential for cross reliance.

3.6 The audit universe risk assessment is based upon a number of factors including:

- materiality (based on expenditure or income)
- sensitivity (based on whether a service is a statutory duty, statutory power or non-statutory, is customer facing and whether it features as a specific challenge in the Council's Service Plans)
- time elapsed since an area was last subject to review
- Corporate Risk Register- Assessment of any movement in the assessment of principal risks facing the Council
- overall audit assessment of the control environment

3.7 These various sources are designed to enable the Audit and Risk Manager to meet a requirement to provide an annual internal audit opinion on the adequacy and effectiveness of the systems of internal control, for inclusion in the annual governance statement published with the Council's annual financial statements.

3.8 The plan also takes in specific projects on which the External Auditor will seek to place reliance on by reviewing the audit files and re-performing certain audit



tests to validate the work completed. In line with the external audit plan this will take in:

- Housing benefits payments subsidy claim (substantive testing)
  - National Fraud Initiative (testing of data matches)
  - Governance and corporate initiatives (collation of management assurances for the annual governance statement)
- 3.9 While the roles of internal audit and external audit are separate and distinct, internal audit maintains a close working relationship with the external auditor as required in order to secure an optimum combined benefit from the audit resource and avoid duplication. Public Sector Internal Audit Standards encourages internal audit to consider if there are other bodies whose work internal audit could place reliance on for assurance purposes.
- 3.10 An additional element of the planning process takes place for the Moray Integration Joint Board (MIJB), the Council's Audit and Risk Manager having been appointed as the Board's Chief Internal Auditor for the period to 31 March 2024. A Moray IJB Audit, Performance and Risk Committee has been established and a separate internal audit plan is prepared for the Board which has its own governance and accounting arrangements.
- 3.11 The audit role for the MIJB involves providing assurances that governance and financial arrangements have been developed and are operating in line with policy and that selected systems and processes are suitably controlled. Planned audit inputs operationally to date have focused on social care services the council delivers under direction from the IJB. Links have been established with internal audit providers and finance managers in NHS Grampian, Aberdeen City and Aberdeenshire Councils IJBs, and the practice of ensuring appropriate assurances are available continues to be refined with audit processes being developed as the IJBs mature.
- 3.12 The Council's Internal Audit Service also undertakes internal audit work for Grampian Valuation Joint Board, and this requires the provision of annual assurances on the main financial systems operated for payroll, payments and income from funding requisitions from the constituent authorities and other sources. The Joint Board's systems align with those of the Council but requires annual review and testing in order to provide assurances for the separate annual financial statements the Board is required to prepare and publish.
- 3.13 While the prevention of fraud and error rests with management through the design and operation of suitable systems of control, the audit plan continues to provide time for Internal Audit to co-ordinate the Council's participation in the National Fraud Initiative, a data matching exercise involving a range of public sector bodies. This activity is viewed as complementary to other audit activities, and participation assists Internal Audit in assessing potential for the occurrence of fraud and related fraud risk. It is planned that testing will initially be undertaken of NFI matches on a sample basis. Results of these checks will be used to determine if any additional testing is required.
- 3.14 The pandemic has resulted in significant changes within current working practices that make audit planning challenging, and uncertainty remains regarding these arrangements in the period ahead. In addition, all audit staff are

working from home, which brings some limitations to the audit. Team members have 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.

- 3.15 In normal times, there is often a need to accommodate additional audit work that may be required to address any emerging issues or specific matters of concern, and the plan provides a number of audit days for this purpose. These days can also be used where completion of a planned project takes longer than anticipated, either due to the complexity of the project or the identification of a need for additional testing. Recent experience has shown that audit planning needs more flexibility given the pace of change. Where at one time five year audit plans were commonplace, the PSIAS standards now advocate annual planning, noting that 'the plan should be sufficiently flexible and kept up to date with the organisation and it's changing risks and priorities'.
- 3.16 Sufficiently flexible is not defined; however, it suggests that 'contingency days' should be held to deal with emerging issues. Thus a proportion of the available audit days are being retained as contingency days which if not used can accommodate additional audit projects that may be brought into the audit plan later in the year. These projects may be identified by the Audit and Risk Manager as an emerging issue or come from a recommendation from this Committee. Details of the available audit days are provided in **Appendix 1**.

#### **Internal Audit Resourcing**

- 3.17 The staff complement of the team is currently 3.8 FTE, including the Internal Audit and Risk Manager who has a range of responsibilities including the management and supervision of the team, planning work, development of the service, servicing Committees, overseeing risk management, overseeing the work of a Corporate Investigations Officer and participating in the preparation of the annual governance statement. On the basis that all posts are filled and allowing for overheads for holidays, training, administration and the like, some 793 working days are available to be allocated for the 2022/23 year. This time is spread over a number of headings, principally audit projects but also work related to governance and risk management. However, recently the Internal Audit Service has been asked to also provide Business Continuity Support to the Council. It is anticipated that some additional staff resources will be provided, however this will require additional time for management and supervision.
- 3.18 Priority areas have been determined by internal audit and are listed in **Appendices 2 and 3**.
- 3.19 The Public Sector Internal Audit Standards requires the Audit and Risk 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. Demands on the Internal Audit Service have increased over a number of years, and it is expected this will continue. A review of the staffing establishment for the Internal Audit Service has recently been completed, and additional staff resources in the form of an Assistant Auditor have been agreed. It is hoped that this additional resource will

be sufficient to meet the needs of the Council, Moray IJB and the Grampian Valuation Joint Board.

- 3.20 In considering the sufficiency of the audit coverage, Committee is reminded that the responsibility for developing and maintaining a sound control environment rests with management and not with Internal Audit. 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 management 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**

No direct implications.

**(f) Property**

No implications.

**(g) Equalities/ Socio Economic Impacts**

No implications.

**(h) Climate Change and Biodiversity Impacts**

No implications.

**(i) Consultations**

Planned audit work is informed throughout the year from various sources including service managers and the external auditor.

#### **5 CONCLUSION**

**5.1 This report invites the Committee to consider and note the planned internal audit coverage for the 2022/23.**

Authors of Report: Dafydd Lewis, Audit and Risk Manager  
Background Papers: Internal audit files  
Ref: SPMAN-1042990102-98



**APPENDIX 1**

**MORAY COUNCIL**  
**INTERNAL AUDIT**  
**ANNUAL AUDIT PLAN – 2022/23**

<b>Staff Resources</b>		<b>Available Days</b>
3.8 FTE staff x 52 weeks x 5 days		988
Less:		
<b>Overheads:</b>		
Annual Leave (including public holidays)	147	
Training	19	
Sick Leave (Estimate)	19	
Administration	<u>10</u>	<u>195</u>
Available Days		<u>793</u>
<b>Allocation of Days</b>		
Core Financial Systems (Appendices 2 & 3)		155
Departmental Audit Projects (Appendices 2 & 3)		235
Moray Integration Joint Board		80
Management, Supervision and Service Development		50
Risk Management & Business Continuity		35
Governance Statement / Corporate Initiatives		40
PSIAS- External Review & Self Assessment		40
National Fraud Initiative (oversight and reporting)		25
Grampian Valuation Joint Board		10
Follow-up Work		35
Contingency		<u>88</u>
		<u>793</u>



## APPENDIX 2

**MORAY COUNCIL – INTERNAL AUDIT SERVICE****ANNUAL AUDIT PLAN 2022/23  
LIST OF PROPOSED PROJECTS****CORE FINANCIAL SYSTEMS**

Audit Area	Total Days
Housing Benefits Subsidy Claim and Testing	30
Procurement and Creditor Payments	30
Payroll	25
Capital Plan	25
Year-end Stock Taking	10
Cyber Security	<u>35</u>
<b>TOTAL - CORE SYSTEMS</b>	<u><b>155</b></u>

**OTHER SYSTEMS**

Departmental Projects per Appendix 3	235
Risk Management & Business Continuity	35
Governance and Corporate Initiatives	40
PSIAS- External Review and Self-Assessment	40
Management and Supervision	50
Moray Integration Joint Board	80
Grampian Valuation Joint Board	10
National Fraud Initiative	25
Follow up work	35
Contingency/ Consultancy	<u>88</u>
<b>TOTAL – OTHER SYSTEMS</b>	<u><b>638</b></u>
<b>GRAND TOTAL</b>	<u><b>793</b></u>





**MORAY COUNCIL**  
**INTERNAL AUDIT SERVICE**  
**ANNUAL AUDIT PLAN 2022/23**

<b>CORE FINANCIAL SYSTEMS</b>	
<b>Area</b>	<b>Type of coverage</b>
Housing Benefits - Rent Rebates and Rent Allowances	Substantive testing of selected benefit claims to confirm the accuracy of the Council's benefit subsidy claim
Procurement and Creditor Payments	Continuous auditing of samples of non-pay expenditure to test compliance with procurement and payment processing regulations
Payroll	Regularity testing to confirm the adequacy of the systems and procedures for the payment of salaries to selected staff groups
Capital Plan	Audit testing of contract management arrangements for selected projects within the capital plan
Stocks and stores - year end valuations	Attendance at stocktaking and reconciliation of stocks held to ledger balances
Cyber security	Identification and assessment of the potential threats to the council's ICT systems and how these are being managed
<b>OTHER SYSTEMS</b>	
<b>Area</b>	<b>Type of coverage</b>
Collection and accounting of planning fees	Review the accounting arrangements for the collection, recording etc of planning fees (10)
Housing and Property- Planned Maintenance Works	Audit of works allocation, completion and inspection across planned programme repairs (Council Housing) (25)
Environmental Services – Grant Claims	Certification of grant claims as required: strategic timber; bus operators, regeneration schemes as appropriate (10)
General Data Protection Regulation	A review of the Council systems to ensure compliance with General Data Protection Regulation (20)
Environmental Services – Stores	A review of the Environmental Services Stores Systems to ensure appropriate accounting systems are followed (20)

Refuse Collection (Domestic)	A review of the current arrangement for the collection of refuse materials for domestic properties. The audit will also cover arrangements for collection, disposal of recyclable materials (25)
Moray Growth Deal	An overview of the governance and administrative arrangements within the Council for the management of the Moray Growth Deal (35)
Education – Secondary School	Establishment visits as part of cyclical review (25)
Emergency Planning	A review of the Council's Emergency Planning arrangements (20)
European Social Fund	Review of the European Social funding arrangements in subsidising the cost for delivery of the Moray Council Money Advice Service (20)
Corporate Services - ICT Hardware Asset Management	Review of systems and practices to record / monitor the location and use of ICT hardware (25)
<b>Moray Integration Joint Board</b>	
Care First System	An exercise to assess system management, security and resilience of the Care First System used for the recording and management of service users data (30)
Self Directed Support	Review of Self Directed Support financial monitoring arrangements regarding Option 2/3 where care support packages to service users are managed by the Moray Council or an Individual Service Fund (ISF) Provider (30)
Information Management	Ensure appropriate systems exist in the management and security of data including the transfer of data between Local Authorities and the NHS (20)