

MORAY COUNCIL

Minute of Meeting of the Audit and Scrutiny Committee

Wednesday, 08 May 2024

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

PRESENT

Councillor Peter Bloomfield, Councillor Theresa Coull, Councillor John Cowe, Councillor John Divers, Councillor Amber Dunbar, Councillor Jérémie Fernandes, Councillor Donald Gatt, Councillor David Gordon, Councillor Sandy Keith, Councillor Graham Leadbitter, Councillor Marc Macrae, Councillor Neil McLennan, Councillor Shona Morrison, Councillor John Stuart, Ms Margaret Wilson

APOLOGIES

Mr Ivan Augustus

IN ATTENDANCE

The Chief Executive; Depute Chief Executive (Education, Communities and Organisational Development); Depute Chief Executive (Economy, Environment and Finance); Head of Governance, Strategy and Performance; Head of Financial Services; Audit and Risk Manager; Records and Heritage Manager; Caroline O'Connor, Committee Services Officer as Clerk to the meeting, all Moray Council and Angela Pieri, Grant Thornton - External Auditors.

1. Chair

Councillor Leadbitter, as Chair of the Audit and Scrutiny Committee, chaired the meeting.

2. Declaration of Group Decisions and Members Interests *

In terms of Standing Orders 21 and 23 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.

With regard to Item 7 "Annual Audit Plan for Year Ending 31 March 2024", Councillor Gatt stated, for transparency, that he is Convener of the Grampian Valuation Joint Board and would be taking part in the debate.

3. Minute of meeting of 14 February 2024

The minute of the Audit and Scrutiny Committee of 14 February 2024 was submitted and approved.

4. Written Questions **

The Committee noted that no written questions had been submitted.

5. Internal Audit Section Update Report

The meeting had before it a report by the Audit and Risk Manager providing Committee with an update on the work of the Internal Audit Section.

In response to a question from Councillor Stuart relating to the serious concerns around resources referred to by the Audit and Risk Manager and whether processes require to be streamlined or if the Committee required to keep the situation under close review, the Audit and Risk Manager advised that resources have reduced however demands have increased including measures including a requirement to support counter fraud and corruption arrangements. The main issue is coverage, meaning the service is struggling to meet the auditing requirements of the Council and partner organisations in accordance with the Public Sector Internal Standards. The Audit and Risk Manager advised that with the current resources of the Internal Audit Section, it is at a point where consideration is required to provide limited assurances on the adequacy and effectiveness of the Council's internal control systems.

In response to a question from Councillor Gatt also relating to the serious concerns around resources and whether there are enough staff to undertake the work and if Internal Audit staffing resources should be revisited when considering the next budget, the Chief Executive advised there is an increasing expectation of self-evaluation within local authorities combined with the reduction in corporate services as a result of frontline services which are protected in terms of budget setting. He further advised a national report regarding workforce issues within the public sector and local authorities has been published and considered by the Convention of Scottish Local Authorities (COSLA). The Chief Executive suggested the immediate solution lies with the cross-party working group recently commissioned by Corporate Committee to review workforce issues.

In response to a follow-up question from Councillor Stuart regarding whether the impacts were known when the decisions were made to cut resources as part of the budget, the Chief Executive explained the fundamental change is the changing nature of audit and scrutiny noting it is now clear that self-evaluation requires more effort and resources than previously considered and therefore consideration by the cross-party working group would be the most appropriate way forward to provide assurance to Committee there are sufficient resources to undertake the level of audit inspection members would wish as a local authority.

Councillor McLennan echoed the concerns raised by Councillor Stuart noting there requires to be effective regulation. He welcomed the scrutiny by the Audit and Risk Manager raising his concerns which now require to be addressed.

Given the concerns raised by members of Committee together with the advice provided by the Chief Executive, the Chair moved to add an additional recommendation that the concerns about staff resources will be taken forward through discussion at the Strategic Leadership Forum and cross-party working group.

In response to a query from the Chair regarding the Data Protection audit review and whether it requires more discussion at Corporate Committee given the links to cyber security, the Audit and Risk Manager stated that implementing some of the recommendations with current resources of the service would require a multi-year timescale. He further proposed a full audit of the areas for improvement would be undertaken and included in a future audit plan. The Head of Governance, Strategy

and Performance further advised it would be reported as part of the Annual Information Governance report to Corporate Committee to keep focus on this area.

In response to a question from Councillor Gordon regarding whether there was any benchmarking in relation to the Roads maintenance performance indicators comparing in-house contractor pricing, the Audit and Risk Manager advised some work has done with a local comparator however it needs to be more comprehensive across the range of services.

Thereafter the Committee unanimously agreed:-

- i. to note the contents of the report; and
- ii. to invite the Council's Strategic Leadership Forum and the cross-party Workforce Working Group to consider the Council's Internal Auditor's serious concerns about whether the existing resources of the Internal Audit Section are sufficient to meet the Council and partner organisation's audit requirements and to support effective counter fraud and corruptions.

6. Internal Audit Section - Completed Projects Report

The meeting had before it a report by the Audit and Risk Manager advising Committee on the work of the Internal Audit Section for the period from 14 February 2024 to 8 May 2024.

In response to a question from Councillor Gatt relating to the Pool Cars review and the rechargeable rate not having being reviewed for a number years and why this is not reviewed annually in line with other council charges, the Audit and Risk Manager confirmed that this will be an annual review. The Head of Financial Services confirmed an efficiency exercise had been undertaken some years ago to minimise internal recharging to ensure only took place in areas where there was some financial benefit to focus attention on financial controls, with pool cars being one of the areas where there is recharging within general services to ensure the person using the car is the one who bears the costs and stated a review of the rechargeable rate would be helpful.

In response to a question from Ms Wilson relating to the Payroll Regularity Review and in particular whether the new policy/procedures should quantify the balances of Time Off in Lieu (TOIL) at year end where a restriction in staffing may mean it is not possible to recover the TOIL, the Chief Executive agreed it would be helpful to be quantify as there may be a connection to earlier discussions regarding lack of capacity which does create a hidden cost.

In response to a question from the Chair relating to whether the findings from the Early Learning and Childcare Premises Security review would be shared with partners given a large number are private providers, the Depute Chief Executive (Education, Communities and Organisational Development) confirmed the Early Years Service Manager has passed the information onto the providers who will be following through the risk assessment process which will be supported through the central management team.

In response to a question from Councillor Gordon regarding how much VAT had not been claimed in relation to the Purchasing Card review, the Head of Financial Services advised the inability to claim VAT was mainly due to those making purchases with cards not submitting receipts. The absolute highest estimate

would be £25K not backed by receipt, however not all purchases have reclaimable VAT and when the Payments Section sends out quarterly reminders, this typically results in receipts being sent for more than half of those purchases. Following consideration the Committee unanimously agreed to note the contents of the report.

7. Annual Audit Plan for Year Ending 31 March 2024

The meeting had before it a report by the Depute Chief Executive (Economy, Environment and Finance) informing the Committee of the Auditor's Annual Audit plan for 2023/24.

In response to a request for more information from Ms Wilson regarding the Audit Fees on page 86 where it is mention of increased fees due to high-risk control environment relating to journals, the External Auditor advised the fee is levied due to the way journals are authorised at the Council which results in more testing being required for high than low risk areas. Ms Wilson stated limited staff have access to process journals meaning access is restricted and security measures are in place so was unclear why it is noted as a high risk area. In response the External Auditor advised it had been assessed due to authorisation controls before journals are input which had put the council into the high risk category.

In response to a further question from Ms Wilson regarding whether that meant every single journal would require to be authorised by the Chief Financial Officer at year end to reduce the auditor's fee, the External Auditor advised that would be an internal matter for council officers. The Head of Financial Services noted there appeared to be differing interpretation of the word 'journals' where the Council's interpretation was that they were entries in the general ledger but the external auditor's use was that it includes all transactions. In response to a request from the Chair that it would be useful for a glossary explanation on how the term is used by both in terms of governance, the Head of Financial Services agreed to prepare such an explanation.

Following consideration the Committee unanimously agreed to note the contents of the External Auditor's Annual Plan for 2023/24.

8. National Fraud Initiative 2022-23

The meeting had before it a report by the Audit and Risk Manager advising the Committee of outcomes from the Council's participation in the National Fraud Initiative for 2022/23.

In response to a question from Ms Wilson on whether there was any avenue to ask whether the mandatory element could be reduced in line with the outcomes, the Audit and Risk Manager advised valid matches were producing little benefit given the reasons for the matches and suggested the best way was to test on a set sample based on the limited resources to provide evidence to Audit Scotland.

In response to a question from the Chair regarding whether it would be beneficial to have dialogue with the Cabinet Office or Audit Scotland about more flexibility around the Council's risk assessment process, the Audit and Risk Manager advised the level of testing undertaken needs to be risk-based and proportionate considering the resource levels and benefits being realised.

In response to a question from Councillor McLennan regarding whether if staffing levels were at pre 2023/24 budget level this would still be a concern, the Audit and Risk Manager advised a proportionate approach was required to make best use of resources across all services of the Council.

Councillor McLennan stated the report is for noting but queried whether an additional recommendation was required given a significant change was being proposed. In response the Chair moved to add an additional recommendation instructing the Internal Auditor to explore options around making sure the Council meet the national requirements of the National Fraud Initiative whilst also ensuring the work is proportionate. This was seconded by Councillor McLennan.

There being no one otherwise minded the Committee unanimously agreed:-

- i. to note the contents of the report; and
- ii. to instruct the Internal Auditor to explore options around making sure the Council meet the national requirements of the National Fraud Initiative whilst also ensuring the work is proportionate.