



Audit and Scrutiny Committee

Wednesday, 19 June 2019

NOTICE IS HEREBY GIVEN that a Meeting of the **Audit and Scrutiny Committee** is to be held at **Council Chambers, Council Office, High Street, Elgin, IV30 1BX** on **Wednesday, 19 June 2019** at **09:30**.

BUSINESS

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Report by the Corporate Director (Corporate Services)

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Report by the Chief Executive

12 Question Time ***

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

Summary of Audit and Scrutiny Committee functions:

Audit Functions - Consider reports from the Council's internal auditor & Audit Scotland concerning Council Functions.

Scrutiny Functions - Scrutinising the policies of the Council and their effectiveness in meeting the action plans of the Council as set out in the Corporate Development Plan and evaluating the actions of Committees in implementing the action plans set out in the Corporate Development Plan.

Performance Monitoring - To receive reports on the performance of and trends within all of the Council's services in terms of service standards and performance information.

Standards - To ensure that the highest standards of probity and public accountability are demonstrated.

Any person attending the meeting who requires access assistance should contact customer services on 01343 563217 in advance of the meeting.

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

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

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

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

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

Clerk Name: Caroline Howie

Clerk Telephone: 01343 563302

Clerk Email: caroline.howie@moray.gov.uk

THE MORAY COUNCIL

Audit and Scrutiny Committee

SEDERUNT

Councillor Donald Gatt (Chair)
Councillor Claire Feaver (Depute Chair)
Councillor James Allan (Member)
Councillor Frank Brown (Member)
Councillor Theresa Coull (Member)
Councillor John Cowe (Member)
Councillor Lorna Creswell (Member)
Councillor Tim Eagle (Member)
Councillor Ryan Edwards (Member)
Councillor Marc Macrae (Member)
Councillor Aaron McLean (Member)
Councillor Derek Ross (Member)
Councillor Amy Taylor (Member)

Clerk Name: Caroline Howie
Clerk Telephone: 01343 563302
Clerk Email: caroline.howie@moray.gov.uk

Minute of Meeting of the Audit and Scrutiny Committee

Wednesday, 24 April 2019

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

PRESENT

Councillor James Allan, Councillor Theresa Coull, Councillor Lorna Creswell, Councillor Tim Eagle, Councillor Ryan Edwards, Councillor Claire Feaver, Councillor Donald Gatt, Councillor Aaron McLean, Councillor Derek Ross, Councillor Amy Taylor

APOLOGIES

Councillor Frank Brown, Councillor John Cowe, Councillor Marc Macrae

IN ATTENDANCE

The Corporate Director (Corporate Services), the Audit Manager, the Transportation Manager and Mrs C Howie, Committee Services Officer as Clerk to the Meeting.

ALSO PRESENT

Councillor Morrison (ex-Officio), Councillor Warren (Chair of Children and Young People's Committee) and Councillor Coy

1 Chair of Meeting

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 Resolution

The meeting resolved that in terms of Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting during consideration of the items of business appearing at the relevant paragraphs of this minute as specified below, so as to avoid disclosure of exempt information of the class described in the appropriate paragraphs of Part 1 of Schedule 7A of the Act.

Paragraph of Minute	Number	Paragraph Number of Schedule 7A and Reason
	13	8 Information on the amount of any expenditure proposed to be incurred by the Authority
	13	9 Information on terms proposed or to be proposed by or to the Authority

4 Minute of Meeting of 27 February 2019

The Minute of the meeting of the Audit and Scrutiny Committee dated 27 February 2019 was submitted and approved.

Councillor Edwards entered the meeting during discussion of this item.

5 Written Questions **

The Committee noted that no written questions had been submitted.

6 Internal Audit Plan - Year Ending 31 March 2020

A report by the Corporate Director (Corporate Services) provided the Committee with details of the planned internal audit coverage for the year ending 31 March 2020.

Councillor Feaver sought clarification on the possibility of including commissioning and tendering of services for Integrated Children's Services and the construction programme for affordable housing in the Audit Plan.

In response the Audit Manager advised the Plan contained some contingency time and these areas could potentially be covered within the Plan, however if Councillor Feaver had particular areas of concern he would be happy to discuss these with her outwith the meeting.

In response to a query from Councillor Creswell in respect of the Moray Leisure Centre the Audit Manager advised that work had been undertaken by the service management in respect of Arms Length External Organisations. He is monitoring how these processes are being taken forward and is not proposing to undertake any further audit work on this at this time.

Councillor McLean sought clarification on the plan to review Licensing and if this would cover both the Licencing Board remit and the Licensing Committee remit.

In response the Audit Manager advised this was an area that had not been audited for a period of time and he would be undertaking an overview of both areas with the intention to focus audit work where he thought this would be of most benefit.

The Chair sought clarification on the billing process for recharging the costs of audit work undertaken for the Moray Integration Joint Board (MIJB) and the Grampian Valuation Joint Board (GVJB).

In response the Audit Manager advised the MIJB was funded on a shared basis by Moray Council and NHS Grampian and that the costs of audit work carried out on behalf of the MIJB was covered by the Council. In respect of the GVJB the three North East Councils (Aberdeenshire, Aberdeen City and Moray) jointly fund the audit work undertaken.

Thereafter following clarification of matters arising from the report and appendices to the report the Committee agreed to note the proposed internal audit coverage for the 2019/20 financial year.

7 Public Sector Internal Audit Standards - External Quality Assessment of Internal Audit

A report by the Corporate Director (Corporate Services) provided the Committee with details of a recent external quality assessment undertaken on the Council's internal audit service.

Councillor Eagle sought clarification on the recommendation at 3.3 of the appendix to the report and queried if it would be difficult to amend the Scheme of Delegation.

In response the Audit Manager advised there had been much discussion around this, and given that the internal audit reports presented to this Committee had been drafted and presented by the Audit Manager it was felt this did not raise any immediate issues and could be left for consideration until the annual review of the Scheme of Delegation.

The Chair sought clarification on the information in the appendix to the report in respect of training records for audit staff.

In response the Audit Manager advised that as the individual officers have a professional qualification and are required to keep their own records for continuous professional development purposes this would be an exercise in collating the information into a central place that could be easily accessed.

In response to a query from Councillor Creswell, the Audit Manager advised that the Scottish Local Authorities Chief Internal Auditors' Group had decided who would perform the various External Quality Assessment audits around Scotland to ensure conflicts of interest were avoided.

Thereafter the Committee agreed to note the report and the action plan prepared to address the issues raised in the external quality assessment of internal audit.

8 Accounts Commission Report - Local Government in Scotland - Challenges and Performance 2019

A report by the Corporate Director (Corporate Services) provided Committee with a recently published Accounts Commission report and checklist that considers challenges facing local government at the present time.

Lengthy discussion took place on the scrutiny tool in appendix 1 of the report and how this could be used to help with training for Councillors and also how it can inform scrutiny around the Council.

The Corporate Director (Corporate Services) advised this was similar to a checklist included in the Members induction pack. She advised an annual review is due to be undertaken and the completion of the checklist could help in the review of training required.

Prior to agreement of the recommendations the Chair sought agreement to add the word Members to the recommendation at 2.1 ii).

Thereafter the Committee agreed:

- i. to note the key messages from the Accounts Commission around challenges facing all councils; and
- ii. that the scrutiny tool provided as a supplement to the report be circulated to all Members.

9 Audit Scotland Paper - Withdrawal from the European Union

A report by the Chief Executive provided Committee with information following consideration of a recent Audit Scotland paper on the implications for the public sector of the UK's withdrawal from the European Union (EU).

Councillor McLean sought clarification on workforce planning and the numbers involved in health and social care. He was of the opinion the numbers of staff involved in Moray is as high as 15% and not the six to eight percent noted in the report.

The Audit Manager advised that health and social care is overseen by the Moray Integration Joint Board (IJB) and he did not have details of the actual numbers involved. He advised he was aware this was highlighted in the register of risks for the IJB.

In response to a query from Councillor Creswell the Corporate Director (Corporate Services) advised the Chief Executive is the Lead Officer for Brexit planning and has established a group of officers across the Council to take the lead on a range of risks and possible actions required. She further advised this did not presently involve a large number of staff and has limited impact at the moment.

Discussion took place on the funding streams that may or may not be available post Brexit and possible impacts this may have on council budgets.

Thereafter the Committee agreed:

- i. to note that the Council has been monitoring the potential impacts of 'Brexit' having regard to information contained in the Audit Scotland paper, and in line with additional guidance circulated by Scottish Government;
- ii. to acknowledge that uncertainty will remain while negotiations between the EU and the UK Government are progressed and potentially for an indeterminate period thereafter; and
- iii. that the Council should continue to monitor national developments and take a proportionate risk based approach to mitigate any issues presenting that fall within the remit of the Council to be managed.

10 Statement of Outstanding Business at April 2019

A report by the Chief Executive asking Committee to consider progress and times in relation to follow-up reports and actions requested by the Committee at previous meetings was noted.

11 Council Dredger - MV Selkie

Under reference to paragraph 17 of the draft Minute of the meeting of the Economic Development & Infrastructure Services Committee (ED&I) dated 19 February 2019 and paragraph 20 of the Minute of the meeting of the ED&I dated 28 August 2012 a report by the Corporate Director (Economic Development, Planning and Infrastructure) informed the Committee of the business case and operation of the Council owned dredger MV Selkie.

Discussion took place on the report and Committee were of the opinion that MV Selkie is value for money for the public. It is seen as the most cost effective way to keep harbours clear.

Thereafter the Committee agreed to note the update on the dredger's operation.

12 Question Time ***

Under reference to the employee survey undertaken in 2014 Councillor A McLean sought clarification on the possibility of a report on the Workforce Culture Group that had been set up to look into allegations of bullying.

In response the Corporate Director (Corporate Services) advised the next employee survey was due to commence and it would likely be September/October before the results were known. She further advised updated reports had been provided on the work of the culture project and surveys since 2014 had shown ongoing improvement.

In response to a query from Councillor Feaver the Corporate Director (Corporate Services) confirmed a report in respect of staff hospitality records would be provided in June.

Councillors Coy and Morrison left the meeting at this juncture.

13 Council Dredger - MV Selkie [Paras 8 and 9]

Under reference to paragraph 26 of the Minute of the meeting of Moray Council dated 25 May 2016 and paragraph 11 of the draft Minute of the meeting of this Committee dated 24 April 2019 a report by the Corporate Director (Economic Development, Planning and Infrastructure) informed the Committee of the business case and operation of the Council owned dredger MV Selkie.

Following consideration the Committee agreed to note the update on the dredger's commercial operation.



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 19 JUNE 2019

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

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide Committee with details of a recent Accounts Commission publication relating to the roles of councillors and officers in safeguarding public money.
- 1.2 This report is submitted to Committee in terms of Section III (I) (3) of the Council's Scheme of Administration relating to consideration of reports prepared by Audit Scotland.

2. RECOMMENDATIONS

2.1 Committee is asked to:

- i) consider the latest in the Accounts Commission series of reports on 'How councils work' entitled 'Safeguarding public money: are you getting it right?';
- ii) note there are checklists on eight separate subject areas that are within the scope of the report and agree that these will be considered in detail across this and the next three meetings of this Committee;
- iii) note the council has taken a proportionate approach to achieving good governance by seeking to secure appropriate arrangements at optimal cost; and
- iv) review and consider council responses to the questions in the two checklists covering Internal Control and Risk Management, and Audit Committees, and comment on any matters arising.

3. **BACKGROUND**

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

3.2 The paper will be of interest to all officers and councillors but particularly so to those involved with the Audit and Scrutiny Committee given its focus on areas falling within the remit of the committee. These relate to good governance, the management of risk and the importance of maintaining sound systems of internal control. A copy of the full report is available at: https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_190411_hcw_safeguarding.pdf

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

3.4 Key messages from the report are:

- An effective system of internal controls and risk management help councils to safeguard their finances, ensures they implement their policies and helps them to deliver high quality services;
- There are signs from councils' internal auditors and the work of councils' external auditors that standards of internal controls may be strained. Consequences could be serious, the report suggests, including the loss of significant amounts of public money, impacts on services and reputational damage;
- Ultimately councillors are accountable for scrutinising a council's use of public money. Senior officers have the primary responsibility of ensuring internal controls and risk management operate effectively and that a council's internal auditing function provides a valuable and objective view; and
- Councillors should seek assurances from officers that a rigorous system of internal control is in place. Scrutiny and audit committees have leading roles but every committee and councillor has a scrutiny role too.

3.5 The report explores these general issues under eight themes and for each theme a checklist has been prepared for councillors' consideration as follows:

- **Internal controls and risk management**
- Fraud and corruption
- Consequences of weak controls
- **Audit committee**
- Partnership working
- Councillors' continuous professional development
- Statutory officers and of the Chief Education Officer
- Internal audit function

The checklists are provided in summary form as **Appendix 1**, those in bold are considered in more detail below.

- 3.6 Much of what is contained in the report will be familiar to councillors and particularly to those who are members of the Policy and Resources Committee which oversees risk management and the Audit and Scrutiny Committee which covers audit and control issues. It is proposed that the questions raised in the checklists be considered over this and the next three meetings of the Audit and Scrutiny Committee.
- 3.7 This report considers the checklists for **Internal Controls and Risk Management** and **Audit Committee**.

Internal Controls

- 3.7.1 Internal controls are key elements of council systems. The all-pervading nature of controls can be usefully remembered using the mnemonic ACRES, with internal controls being designed to ensure:
- **A**ccomplishment of goals
 - **C**ompliance with laws, regulations and policies
 - **R**eliability and integrity of information
 - **E**conomic, efficient and effective use of resources
 - **S**afeguarding of assets.
- 3.7.2 The nature of established controls varies depending on the circumstances applying. SOAPMAPS is a useful if dated mnemonic here with examples of typical internal controls being:
- **S**upervision
 - **O**rganisational e.g. Standing Orders/ Committee Structures
 - **A**rithmetic and Accounting
 - **P**ersonnel
 - **M**anagerial
 - **A**uthorisation and approval
 - **P**hysical; and
 - **S**egregation of duties
- 3.7.3 The issue the council has to be alert to in relation to the effective application of all or any of these controls is the impact of change. For example supervision may be reduced if workloads are spread across fewer officers, authorisation controls may be bypassed due to new or inexperienced staff not being aware of policy, physical controls may be ineffective e.g. if CCTV or access barriers are not maintained and taken out of service. Use of digital and technology also requires consideration of how controls are applied, for example, around data access and security.
- 3.7.4 As reported to committee at the time when the annual internal audit plan is presented, the responsibility for design and application of controls is with management supported where applicable by internal checking mechanisms within services including performance monitoring and budget monitoring. Internal audit independently assesses the effectiveness of control systems in areas covered by the agreed audit plan and reports accordingly to the Audit

and Scrutiny Committee. This management, internal review, and independent audit process is sometimes referred to as the 'three lines of defence' in a control framework.

Risk management

- 3.8 The report notes that risk management is about identifying risks, assessing the impact they will have if they come to pass, the likelihood of that happening and making plans to mitigate or 'treat' those risks.
The council does this at a strategic level using a corporate risk register which is considered by Policy and Resources Committee every six months.
- 3.8.1 The report notes that a council is responsible for having an effective and appropriate risk management function. In this council, there are no dedicated risk management staffing resources, a decision having been taken after establishing a risk management policy, strategy and risk guidance that corporate and service managers should take ownership of risks impacting on their respective services areas, and that internal audit should provide some oversight of the process.
- 3.8.2 This decision, for cost and operational reasons, has worked reasonably well albeit there is limited capacity for service support and development. The council's insurers, however, offer consultancy on risk management as part of the services provided through the insurance tender and are scheduled to undertake a review of current practice and provide advice relative to the risks associated with the commercialisation of services. This will include consideration of the concept of risk appetite which is important when assessing options for change in the delivery of services.

Audit Committee

- 3.9 The report affirms that the audit committee has an important role in providing the council with independent assurance on the adequacy of the council's governance arrangements, risk management framework internal control systems and the integrity of financial and non financial reporting. It suggests the core functions of the committee should include:
- Being satisfied that the council's annual governance statement properly reflects the risk environment and any actions required to improve it, and demonstrates how governance helps achieve the council's objectives;
 - Considering the effectiveness of the council's risk management arrangements and the control environment;
 - Considering the reports and recommendations of external audit and inspection agencies along with the implications for governance risk management or control;
 - Reviewing the council's financial statements, the external auditor's opinions and reports to councillors;

- Oversight of the work of internal audit, including its independence and objectivity, supporting the effectiveness of auditing processes and promoting internal audit in its role as part of the council's assurance framework.

3.9.1 In practice and aligned to the council's current approved scheme of administration, reviewing the council's financial statements has been reserved by the council. The financial statements include the annual governance statement and there is a requirement for the external auditor's report on the annual accounts to be considered by council. All other external audit reporting is to the Audit and Scrutiny Committee.

3.9.2 Also, the corporate risk register as a document which identifies key risks to the achievement of policy objectives has been delegated to Policy and Resources Committee.

3.9.3 There is currently some thought being given to what the council's scrutiny function should look like going forward. This may take into consideration issues such as the council's constitutional arrangements (committees as opposed to cabinet/scrutiny), the relatively small number of councillors, and their scrutiny roles on service committees. Elected member and officer capacity, and the need to avoid duplication will also need to be taken into consideration, as will the rationale for current reporting arrangements as outlined in paragraphs 3.9.1 and 3.9.2 above.

3.9.4 These issues will be subject to further consideration ahead of the next review of the council's constitutional documents.

Checklists

3.10 The two checklists referred to above have been completed with reference to the council's current policy and practice and are attached for consideration as **Appendix 2**.

4. SUMMARY OF IMPLICATIONS

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

Use of public money to optimum effect supports the ability of the council and its partners to deliver agreed outcomes contained within strategic plans.

(b) Policy and Legal

No direct implications.

(c) Financial implications

The report recognises the financial challenges that the public sector continues to face and asks the council to consider the governance arrangements it has in place to safeguard public funds.

(d) Risk Implications

A focus of the report is on the contribution risk management makes to the arrangements for securing the effective use of public funds.

(e) Staffing Implications

No direct implications.

(f) Property

No implications directly arising from this report.

(g) Equalities/Socio Economic Impact

An Equality Impact Assessment is not needed because the report involves consideration of a report provided by the Accounts Commission.

(h) Consultations

The Chief Executive, Corporate Director (Corporate Services), the Head of Financial Services and the Monitoring Officer have been consulted, any comments received have been considered in writing the report.

5. CONCLUSIONS

- 5.1 The responsibility for good governance, risk management and the maintenance of effective internal controls is with management, with the involvement of other officers in support roles; internal audit in the provision of independent assurances on these topics, and oversight and reporting by the council's appointed External Auditor.**
- 5.2 The Accounts Commission report provides useful information on governance, risk and internal control for all elected members and in particular for those who are members of the Audit and Scrutiny Committee.**

Author of Report: Atholl Scott
Background Papers: Accounts Commission paper
Ref: AS /asc/190619

Accounts Commission

Safeguarding Public Money: are you getting it right?

Summary of checklists for councillors

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

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

Checklist 1. Internal controls and risk management

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

Checklist 2. Fraud and corruption

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

- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 3. Consequences of weak controls

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

Checklist 4. Audit committee

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

Checklist 5. Partnership working

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

Checklist 6. Councillors' continuing personal development

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

Checklist 7. Statutory officers and chief education officer

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

Checklist 8. Internal auditing function

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

Appendix 2

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

(a) Internal Control and Risk Management

QUESTION	YES/NO/ PARTLY	RESPONSE
Do internal controls link with key corporate and service risks?	Yes	Where a risk is identified, appropriate mitigation factors are also identified to reduce/eliminate any potential adverse impacts.
Do internal controls apply to both financial and non financial risks?	Yes	Risks are considered under eight categories; political, financial, HR and staffing, regulatory, reputational, environmental, operational continuity and performance, and ICT risks.
Has the council identified the weakest internal controls?	No /???	Council governance arrangements in the round are designed to secure best value which by implication requires sound systems of internal control. There is no list of weakest internal controls that may exist at any point in time; where weak controls are identified, these are addressed.
Are officers improving weak internal controls and minimising the risks they pose?	Yes	The review of risk registers and audit processes complement the work officers do to monitor controls as part of their day to day responsibilities.
Does internal audit evaluate controls' effectiveness and report to the audit committee?	Yes	Ineffective controls result in audit recommendations and information on both is included in reports to committee.

Does the audit committee take appropriate action?	Yes	The audit committee considers the audit reports and the management responses to any recommendations arising from the audit work and is generally supportive of the audit process.
Does the council publicly review its system of internal control annually?	Yes	This is considered in terms of drawing together information for inclusion in the council's governance statement.
Is risk management actively led, supported and promoted by councillors and senior officers	Yes	The council's risk management policy and strategy process has been approved
Does the council have a up to date, corporate level risk management strategy	Yes	Last reviewed in May 2015, this document remains fit for purpose but may merit updating in early course
Does the corporate risk management strategy address the council's risk appetite	No	Risk appetite is subjective but is gaining more prominence as financial constraints mean that securing agreed outcomes may require increased risk taking
Does the council have up to date corporate level and service related risk registers	Partly	Corporate risk register is regularly updated; services risk registers are only reviewed annually and their format varies from service to services
Is risk management embedded in business practices at both corporate and service levels?	Yes	It is one aspect of the council's governance arrangements and applies corporately and to services
Does systematic evaluation and prioritisation of risks and opportunities lead to timely action?	Yes	All risks have linked risk mitigation measures which are taken forward in a proportionate manner subject to priorities and capacity.
Are key risks and action to mitigate them monitored and reported throughout the year?	Yes	Monitoring of risk is an ongoing management function; reporting is six monthly
Do officers' reports to Committees cover both financial and non-financial risks?	Yes	The discipline of considering risk in all committee reports has given it a prominence throughout the organisation.
Is there sufficient timely training and on-going support for councillors and relevant officers?	Partly	Some training has been made available; more is planned through the council's insurers.

(b) Audit Committee

QUESTION	YES/NO/ PARTLY	RESPONSE
Do audit committee councillors have a clear remit that addresses the latest guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA)?	Yes	The roll of the committee is defined in the scheme of administration. A copy of the CIPFA guidance is available at https://moray.cmis.uk.com/moray/CouncilandGovernance/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/324/Committee/8/Default.aspx
Does the chair of the committee manage committee meetings effectively?	Yes	
Does the chair routinely liaise with the Head of internal audit before committee meetings	Yes	Pre-meetings held to discuss the agenda.
Do the committee's councillors attend routinely, prepare well and challenge officers appropriately	Yes	
Does the committee approve internal audit's annual work plan and reports?	Yes	
Can internal audit report to senior officers and the audit committee without fear or favour?	Yes	
Do officers provide committee members with timely well written and useful reports?	Yes	Adjudged to be so through the recent external inspection of internal audit
Do internal audit reports set out comprehensively and clearly what needs to improve and how?	Yes	Action plans committing services to improvements are prepared where appropriate
Does the committee endorse and track improvements proposed by internal auditing?	Partly	Committee endorse improvements internal audit tracks implementation of audit recommendations
Has the committee identified the top five risks to the council?	No	This is with Policy and Resources Committee currently but could be considered
Is there sufficient timely training and ongoing support for officer and councillors, including you?	Yes	Two briefings have been held one following the election, the other following the change of the council's administration.



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 19 JUNE 2019

SUBJECT: ANNUAL GOVERNANCE STATEMENT

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 The report provides Committee with a copy of the council's Annual Governance statement for 2018/19 for information/review.
- 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.

2. RECOMMENDATION

- 2.1 **That Committee considers this report and notes the contents of the Annual Governance Statement provided as Appendix 1.**

3. REPORT

- 3.1 The function of good governance in the public sector is to ensure entities act in the public interest at all times. Governance comprises the arrangements put in place to ensure intended outcomes are defined and achieved.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), building on work undertaken by the International Federation of Accountants, has published a guidance framework on good governance in local government.
- 3.3 The Local Authority Accounts (Scotland) Regulations 2014 require the council to publish an annual governance statement with its annual accounts. The statement is based around the guidance and summarises practice across the seven principles within the framework, considers the roles of those who oversee the development and effectiveness of such practice, summarises how challenges identified in the prior year have been taken forward, and identifies issues to be addressed in the current year.

- 3.4 There is combined ownership of the statement by the Leader of the Council and the Head of Paid Service, both of whom are required to sign the statement.
- 3.5 The Accounts Commission report considered earlier in this agenda advocates a role for the audit committee to be 'satisfied that the annual governance statement properly reflects the risk environment and any actions required to improve it, and demonstrates how governance helps achieve the council's objectives'.
- 3.6 Hitherto, this role has been with the Council when considering the draft annual accounts or with Policy and Resources Committee. The statement is subject to review by external audit, and the external auditor is required to report on anything believed to be inconsistent with any other findings disclosed from the audit work. This has not happened to date.
- 3.7 The management review and related review of governance structures being taken forward at the present time as part of the Modernisation and Improvement Programme will need to give consideration as to the appropriate committee or committees for the governance statement to be presented to in future years.

4. SUMMARY OF IMPLICATIONS

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

No direct implications.

(b) Policy and Legal

The annual governance statement forms part of the annual financial statements the council is required to prepare under statute.

(c) Financial Implications

No direct implications.

(d) Risk Implications

The governance statement touches on the importance of risk management and the challenges 'looking forward' will require to be evaluated having regard to full consideration of likely risks arising and how these can be mitigated.

(e) Staffing Implications

Senior management and internal audit resources are used to inform and develop the governance statement which takes time but has the effect of producing a statement which it is considered fairly reflects where the council is in terms of its governance arrangements.

(f) Property

No implications.

(g) Equalities/ Socio Economic Impacts

An Equality Impact Assessment is not needed because the report refers to the regulatory framework of the Council.

(h) Consultations

The Chief Executive, the Corporate Director (Corporate Services), the Head of Financial Services and the Monitoring Officer were consulted and have contributed to the content of this report. In addition the Council Leader, as a signatory to the annual governance statement, has been consulted in regard to the content of the statement given as Appendix 1 and his comments incorporated therein.

5. CONCLUSION

5.1 This report provides Committee with a copy of the annual governance statement for its interests.

Author of Report:	Atholl Scott
Background Papers:	Committee papers/assurance statements
Ref:	AS/asc/190619

Appendix 1**The Moray Council****Annual Governance Statement - 2018/19****Scope of responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

An updated 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government' together with associated guidance for Scottish Local Authorities was published in 2016. The Framework's overall aim is 'to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of these resources in order to achieve the desired outcomes for service users and communities'. An update to the local code for the council based on the latest CIPFA/SOLACE guidance remains under consideration.

This annual governance statement explains how the Council has used the 2016 Code as a basis for considering the effectiveness of its own governance arrangements.

The governance framework

The key elements of the Council's governance arrangements are described in terms of the seven principles of good governance defined in the Framework, summarised as follows:

Governance Principle 1 – behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the council's business are defined in constitutional documents. These comprise standing orders, a scheme of administration, scheme of delegation, and financial regulations which are reviewed and updated annually.

Codes of Conduct are in place for elected members and senior officers, which require them to exercise leadership through exemplary standards of behaviour, and ensure established values are replicated effectively throughout

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

the organisation. Registers of Interests for elected members are prepared under statutory provision to disclose any potential areas where conflicts of interest might arise, and there is a similar council register for disclosures by senior managers.

The council's Monitoring Officer has a statutory responsibility to ensure established procedures are followed and that all legislative and other regulatory processes are complied with.

Workforce Culture continues to be a focus as a means of strengthening staff governance, supporting staff morale and taking forward issues including promoting positive behaviour in the workplace and ensuring employees are recognised and valued. A workforce culture toolkit has been developed for use by managers, which provides tools to develop a strategy on how to tackle and improve the culture in the workplace, including a methodology for workload management and ongoing delivery of staff engagement activities designed to promote positive working relationships.

Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.

The council's decision-making processes are well established with major decisions being taken by council or one of a number of service committees. The presumption is for openness or where this is not the case, a justification of the reasoning for keeping a decision confidential is provided.

Community consultation on a range of issues was carried out with citizens, service users and staff, covering topics in Housing, Planning, and Social Care, and work was progressed on community engagement through locality planning and participatory budgeting. Community Asset Transfers enabling council facilities to be managed by community groups have also been taken forward.

This period also saw increased use of the Moray Connected project, which is focused on the development of digital services and improving customer accessibility to an increasingly wide range of council services.

Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of those requests on the council website.

Governance Principle 3 – defining outcomes in terms of sustainable economic, social and environmental benefits.

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in the Local Outcomes Improvement Plan. The overarching aim and purpose of this 10 year plan is 'to raise aspirations by creating an enabling environment where our residents can achieve expanded choices, improved livelihoods and wellbeing'.

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

This plan developed in conjunction with Community Planning partners, identifies a number of key priorities covering the need for a growing diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities, and changing our relationship with alcohol. Each priority has been developed based on experiences and evidence drawn from the partner agencies.

The council's own corporate planning priorities, having been agreed for the period 2018-2023, identify service developments in Education, Health and Social Care and for the economy to be taken forward, recognising the need to ensure that services are sustainable and targeted to areas where they will have greatest impact. The plan recognises that transformation of services will be essential given the council's financial position and this manifests itself in an improvement and modernisation programme now underway.

Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.

The council recognises the financial challenges it faces and through its established committee structures and other briefings from CMT/SMT has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. The council successfully delivered a balanced budget for 2019/20 year albeit involving the use of further reserves which are now approaching the 'safe' minimum reserves limit as outlined in an updated reserves policy.

Clear information has been made available to the council around financial planning including asset management and for each priority identified in the Corporate Plan there are clear statements of intent in terms of how services need to evolve and a summary of outcomes the council wishes to secure. All reports placed before council committees contain a summary of implications section to link individual proposals to overarching strategic plans, and ensures matters relative to good governance including risks, legality and equalities are given due consideration as part of decision making processes.

A consistent theme around proposals for policy development is the recognition that the council and its partners will continue to promote preventative policies, leading to reduced interventions by partners, and enhanced community engagement and involvement.

Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.

This element of governance is designed to ensure that both elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively. This has particular significance given the combination of a minority council administration and dynamic national and international political issues. These together create an increased political tension which councillors and officers have to work hard to navigate.

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

An extensive programme of induction was provided to new and returning councillors to help them settle into the role and get a fuller understanding of the challenges facing the council. This was supplemented by specific training on various elements of council business, targeted briefing sessions on specific topics and development sessions with the corporate management team designed to help elected members develop and refine their judgement, prioritisation and decision making skills. Further training opportunities are being considered to support elected member development.

For employees, access to training is available in various forms, through professional bodies to which employees belong, and through specialist training teams located within services. Whilst budgetary constraints continue to limit external training opportunities, the Corporate Services Organisational Development Team provides a programme of training including online modular training which staff can access. The council also promotes an 'Employee Review and Development' process to ensure as far as practicable that development and support needs of individual staff members can be addressed.

Leadership capacity of senior officers is supported through promotion of a Leadership Forum which brings together senior managers from all council services to bring a wider perspective to the consideration of issues facing the council. Corporate Directors also undertake learning visits and hold listening meetings to maintain a perspective on developments within services.

Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.

The Council has arrangements in place covering risk, performance management, internal control and financial management. Aside from issues not delegated by the Council, including annual budget setting and consideration of the annual accounts, the oversight of risk and financial monitoring is primarily with Policy and Resources Committee, and performance management is scrutinised by service committees.

The council has a risk management policy and strategy designed to support the identification, evaluation and mitigation of risks which may impact on its ability to meet its objectives. A Corporate Risk Register provides summary information on what the Corporate Management Team and Senior Management Team considers are the principal risks facing the Council and how these are managed and controlled. Risk implications also feature in committee reports to inform decision making where required.

The council system of internal control is based on a framework of financial regulations, regular management information, administrative procedures, management supervision and a scheme of delegation that defines accountabilities of senior officers. Establishing and maintaining an effective system of internal control is a management function. An Audit and Scrutiny

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

Committee, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

The council participates in the National Fraud Initiative, a data matching programme involving other public bodies, to provide assurances on the robustness of information held by the council as well as highlighting data anomalies that require to be addressed. The security of personal data held for this and other purposes is recognised as of key importance and an Information Assurance Group has been established to promote best practice in this area. A policy to combat fraud, theft, bribery and corruption sets out the council's zero tolerance to such behaviours.

Strong financial management procedures are secured through the work of the Chief Financial Officer appointed in terms of s. 95 of the Local Government (Scotland) Act 1973. This officer provides advice to the council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

Governance Principle 7 – implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Council business is conducted through an established cycle of committee meetings held in public (unless exempt under statutory provision) and available on the internet by webcast. Meeting dates are published in advance and agenda papers are made available at least one week prior to meetings being held. Committee reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations proposed. Minutes of meetings are prepared and important decisions are publicised on the council website and through social media.

Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through newsletters which target specific groups of service users, to consultation documents which contain basic information designed to elicit initial interest in particular services. A style guide is used to provide consistency in the production of written materials. Guidance on customer focus sets standards to be followed when engaging with citizens.

Assurance and accountability oversight is a key role for the Audit and Scrutiny Committee which is chaired by a member of the political opposition. The committee receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by service management. The committee also has a scrutiny role, currently under review, and holds services to account for the topics selected for consideration.

Effectiveness of governance arrangements

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

In order to assess the effectiveness of the governance framework including the system of internal control it is necessary to consider the role of the functions and individuals who contribute to it, as follows:

- **Elected Members**

Governance arrangements at a political level emanate from the council, its service committees, the Audit and Scrutiny committee and other activities that elected members participate in. These include the Community Planning Board and associated groups for multi-agency issues. Councillors also have substantive roles on Moray Integration Joint Board for Health and Social Care, on the Grampian Valuation Joint Board, and on the Moray Leisure Arm's Length External Organisation (ALEO), each of which has its own governance arrangements.

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has operational responsibility for good governance arrangements, comprises the Chief Executive, and three Corporate Directors with portfolio responsibilities for Corporate Services, Economic Development Planning and Infrastructure, and Education and Social Care. The Chief Officer (Health and Social Care Integration) is also a member of the CMT. An external review of council management structures is being progressed at the time of drafting this statement.

- **The Corporate Management Team / Senior Management Team**

This is an extended management team comprising the CMT and Heads of Service. The role and remit of this group is to support the formulation and implementation of policies, strategies and plans to achieve local and national outcomes, share and promote good practice from an inter-service perspective, to act with the wider objectives of the council in mind to ensure the resources are effectively deployed, and assist CMT in keeping the governance of the Council and its services under review.

For the first time, for the 2018/19 year, individual senior managers within CMT/SMT have considered the effectiveness of governance arrangements within their respective services by reference to the principal risks identified in the council's corporate risk register, and provided assurance statements for use in the preparation of this corporate statement. This affirms the broad ownership of strategic governance issues across the CMT/SMT.

Governance issues highlighted within the assurance statements are for the most part replicated in this summary statement. Service specific issues disclosed relate to the need for improved compliance with the definitions of waste categories sent for landfill to minimise landfill tax payments and

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

elevated risks for Children's Services consequential to vacancies in key roles (including that of chair of the Child Protection Committee) and increasing complaints around social work practice.

- **The Head of Legal and Democratic Services (Monitoring Officer / Head of Financial Services)**

The Head of Legal and Democratic Services and the Head of Financial Services perform their respective statutory duties as outlined elsewhere in this statement. Whilst neither officer is a formal member of the corporate management team both are actively involved in, and are able to influence, decision making processes. In discharging the responsibilities of the role the Head of Financial Services complies with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer, and the Monitoring Officer presents an annual report on his work to the Policy and Resources Committee.

- **The Chief Social Work Officer**

The Head of Service (Strategy and Commissioning) of Health and Social Care Moray was appointed to the statutory role of Chief Social Work Officer (CSWO). The role was previously fulfilled by the Head of Integrated Children's Services who left the council's employment in August 2018.

The latest available CSWO annual report for the 2017/18 year describes the social services delivery landscape, financial challenges consequential to changing demographics, service quality and performance and workforce development issues. It has been recognised that the role of the Chief Social Worker may become more difficult to fulfil within integrated partnership arrangements and there are plans to review governance arrangements relative to the statutory duty to ensure these are clear and fully understood.

- **Internal Audit**

Internal Auditing is defined in the Public Sector Internal Audit Standards (PSIAS) as an independent, objective, assurance and consultancy 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.

The Internal Audit Manager is accountable on a day-to-day basis to the Corporate Director (Corporate Services) and to the Audit and Scrutiny Committee. The internal audit plan for the year included a range of audit projects covering main financial systems, other systems operating within services and a number of ad-hoc/unplanned projects. The outcomes from these projects together with any recommendations to enhance the control arrangements in place are reported to an Audit and Scrutiny Committee. This Committee is chaired by an opposition councillor.

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

During the year internal audit was subject to an external peer review process in compliance with the PSIAS. The results of the review were reported to the Audit and Scrutiny Committee at its meeting in April 2019. A number of areas of good practice were identified and the report concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and an action plan has been developed to be taken forward for implementation during 2019/20.

The PSIAS requires an internal audit opinion to be provided annually, and based on his knowledge of the organisation and on audit work completed, it is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's on the council's framework of governance, risk management and internal control for the year ended 31 March 2019.

• External Agencies

In addition to the various internal review processes and the financial audit referred to above, aspects of the Council's governance arrangements are considered in various inspection reports produced by the external auditor and by service inspectorates.

The main local government audit and inspection agencies also come together as a Local Area Network and their consideration of governance practices as a contribution to securing best value informs an Assurance and Improvement Planning process. The Council responds positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements.

Review of effectiveness of governance arrangements

Having regard to the information provided in the preceding paragraphs it is considered that established systems and processes are effective and enable the council to meet the seven principles identified in the 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government'

Prior year governance issues

Governance issues highlighted in the annual governance statement for 2017/18 have been progressed as follows:

- There has been some progress towards delivery of the objectives of the Local Outcome Improvement plan including creation of the Moray Economic Strategy 2019-2029, and work on developing Locality Plans for New Elgin and Buckie. Overall progress has been slower than anticipated for various reasons, including a lack of capacity to progress the work, and commitment to partnership working being subordinate to individual organisational priorities. A report to the Community Planning

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

Board noted that 'to deliver a change in the outcomes from community planning partnership work will require a change in approach and this will need commitment from partners at a time when there are considerable pressures on individual organisations which restrict the ability to develop new ways of working for community planning'. Governance challenges remain going forward.

- Delivery of the Corporate Plan depends substantially on the Council's ability to fund the proposals and having developed the plan there was the priority within it of delivering financial sustainability and related to that the challenge of securing a balanced budget for 2019/20. To ensure plans and financial resources remain aligned going forward, priorities in the corporate plan will be reviewed to ensure they continue to reflect priorities and policy direction, and that these are linked to the level of resources available to the council. Work on this is already under consideration ahead of next year's budget setting process.
- Community engagement is extensive and takes many forms, through digital and social media to public events and press releases. Such engagement must be relevant and meaningful and so was limited towards the latter stages of budget setting given that service reductions were unavoidable. A proportionate approach to consultation was envisaged and delivered, recognising there is a need for the council to remain vigilant to ensure this important issue is not unduly diminished.
- A commitment to progress the implementation of actions identified in an improvement plan prepared following the joint inspection of children's services in Moray was delivered. This was evidenced through follow up inspections which demonstrated that good progress had been made. Maintaining the improvements in service provision is the imperative.
- A commitment to work closely with the Moray Integration Joint Board was taken forward; this is an evolving multi-year project which will continue as the move to securing more closely integrated health and social care services is progressed. Governance challenges will remain in terms of service affordability.

Looking forward - significant governance issues

Securing good governance has been and remains of prime importance to elected members and senior officers of the Council; a considerable task at a time when budgets are reducing, services are being redesigned, management structures are changing, and a range of national and local priorities require to be addressed. These challenges remain.

Key governance challenges going forward will involve:

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

- Providing capacity to meet statutory obligations and community expectations against a background of continuing funding reductions and rising demand for services. An Improvement and Modernisation Programme has been established to support this process.
- Making difficult choices across the political spectrum as to the use of resources in ways that deliver the best possible outcomes for the citizens of Moray.
- Continuing to address key challenges in education around improving attainment, staff recruitment and retention, and developing a school estate that is fit for purpose.
- Ensuring community and corporate plans remain relevant, achievable and sustainable relative to constraints affecting all public sector organisations.
- Continuing to pursue external funding opportunities including the Moray Growth deal where these have the potential to support opportunity and development in the local area.
- Working closely with the Moray Integration Joint Board to support integration of Health and Social Care, particularly in respect of financial planning arrangements and management of the associated risks.
- Monitoring 'Brexit' negotiations and the potential impacts on people, financial resources and regulations; acknowledging the considerable uncertainty that remains at the time of drafting this statement.

Concluding Remarks

In our respective roles as Leader of the Council and Chief Executive, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises the Council's current governance arrangements, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

While the financial sustainability of the council going forward remains our over-arching concern, we will continue to engage with all councillors, managers and staff, partners and the wider community as appropriate to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we look to reconfigure services to optimal effect. Good governance will remain essential in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

The Moray Council

Annual Governance Statement - 2018/2019 (continued)

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Cllr. G Leadbitter
Leader of the Council
June 2019

.....

Roderick D Burns
Chief Executive



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 19 JUNE 2019

SUBJECT: INTERNAL AUDIT ANNUAL REPORT – 2018/19

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide Committee with a copy of the Internal Audit Annual Report for the year ended 31 March 2019, together with the internal audit manager's opinion on the adequacy and effectiveness of the council's system of internal control.
- 1.2 This report is submitted to Committee in terms of Section III (I) (9) of the Council's Scheme of Administration—relating to considering the annual assurance statement provided by Internal Audit on the Council's control environment.

2. RECOMMENDATION

- 2.1 **That Committee considers and notes the contents of the annual report given as Appendix 1 to this report and seeks clarification on any matters relating thereto.**

3. BACKGROUND

- 3.1 The Public Sector Internal Audit Standards applicable to local government require the Internal Audit Manager to deliver an annual internal audit opinion and report for use by the organisation to inform its governance statement. The governance statement is published with the annual accounts and draws on a wide range of sources to report on how the council is managed and controlled.
- 3.2 It is proposed that the Committee considers the contents of the annual report which provides a commentary on internal audit activity during the year and the opinion on the Council's control environment.
- 3.3 The report covers the year to 31 March 2019 and is provided as **Appendix 1**.

4. SUMMARY OF IMPLICATIONS

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

Internal Audit assists the organisation to secure the control environment and provision of this annual report supports the Council's commitment to effective and accountable governance arrangements.

(b) Policy and Legal

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

(c) Financial Implications

No financial implications.

(d) Risk Implications

Audit work mitigates the risks arising as a consequence of inadequate internal control systems.

(e) Staffing Implications

No implications.

(f) Property Implications

No implications.

(g) Equalities/ Socio Economic Impact

An Equality Impact Assessment is not needed because the report refers to the regulatory framework of the council.

(h) Consultations

There have been no consultations in respect of this report.

5. CONCLUSION

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

Author of Report:	Atholl Scott
Background Papers:	Internal Audit Reports and Working Paper Files
Ref:	AS/asc/190619

APPENDIX 1



INTERNAL AUDIT

ANNUAL REPORT and OPINION

1 APRIL 2018 to 31 MARCH 2019

Background

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

The annual report must incorporate:

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

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

Basis of Opinion

The opinion takes the form of assurance, provided to the Audit and Scrutiny Committee, on the council's system of internal control. This opinion is based on my knowledge of the council's governance, risk and control processes and from internal audit activity completed during the period to 31st March 2019.

There are limitations to the level of assurance that can be provided dependent on the scope and coverage of the audit work completed. This is reflected in the opinion provided below.

Risk or Control framework informing the Opinion

The annual audit plan presented to the Audit and Scrutiny Committee at the start of the year describes in some detail the framework around which audit work is developed. The selection of audit topics is informed having regard to corporate planning documents; budget data, information drawn from the corporate risk register and internal audit's own audit system and takes into account input from senior management regarding possible areas for audit.

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

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

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

For 2018/19, main systems work covered aspects of payroll, including an assessment of access controls as well as sample testing of payroll transactions including pays for supply teachers, social care staff and staff employed by the valuation board who are paid through the council payroll system.

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

Procurement and creditor payments work was completed through sampling of invoices, taking in large payments, routine payments and credit notes; reviews of payment invoices also featured in many of the audits completed within services and in validating year end stock valuations. A module from the national fraud initiative covering data matching for potential duplicate payments was also examined which affirmed the effectiveness of this element of payment system controls.

Treasury Management, which covers the council's borrowing, investments and cash flows, and its banking, money market and capital market transactions, was reviewed to assess compliance with the relevant code of practice and local treasury management practices.

Capital plan work was programmed with the intention of auditing the civil engineering contract for the planned refurbishment of the A941: Craigellachie Bridge. This project was deferred into 2019/20 and, as an alternative, two other bridge strengthening contracts in the Forres area were examined. These reviews took in all aspects of the contract from the basis for selection/justification for the works, through the procurement and tendering

stage, progressing the works and supervision thereof, and payment through to completion.

Aside from these works other projects focusing on departmental systems were taken forward covering topics including residential childcare placements, the introductory stages of the planned roll out of enhanced early year's provisions, the winter maintenance policy and the dial a bus service. Audits at Elgin Academy, of primary school funds, covering the waste baling plant and recyclable waste and of swimming pool income were concluded.

Grant claims relative to town centre regeneration, strategic timber funding for strengthening rural roads and the bus service operator's grant were also examined in confirmation that the funding obtained had been claimed in accordance with relevant grant conditions. An unscheduled review of the council's ongoing relationship with Moray Leisure Centre - its Arm's Length External Organisation was also prepared and reported to a meeting of the Council.

On completion of audit fieldwork, individual audit reports are prepared together with action plans making recommendations for management consideration. An Executive Summary and completed action plan for each project are then presented to the Audit and Scrutiny Committee, and following on from an external audit recommendation full audit reports are now placed on the members' portal to further increase the transparency of the established reporting processes.

A separate programme of work was also undertaken in relation to social care; taking in a review of learning disabilities commissioning, payroll work as referred to above, a review of the contributions policy, participation in the self-directed support working group, and contributing to the annual governance statement for the integration joint board. The audit findings in relation to the audit of learning disabilities noted that work was underway to 'modernise service provision in a manner which recognises changed expectations, for example, arising from personalisation, while managing cost pressures and seeking to secure optimal care solutions for users of learning disabilities services'. Progress will be monitored during 2019/20.

The outcomes in relation to the social care projects will also inform the annual audit opinion to be reported separately to the Audit, Performance and Risk Committee of the Moray Integration Joint Board.

Summary of work that supports the Opinion

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

- Governance – in supporting the preparation of the council's annual governance statement, sufficient information was obtained by Internal Audit to conclude that the council generally complies with the latest good governance practice issued by CIPFA / SOLACE during 2016/17,

and that the Corporate Management Team (comprising the Chief Executive, three Corporate Directors and the Moray Health and Social Care Chief Officer) and Senior Managers have a strong awareness of the challenges facing the council in the incoming period. For the first time in 2018/19, formal written assurances from senior managers were obtained to evidence their role in securing good governance across their respective services and any issues reported in these statements considered for inclusion in the published annual statement. The need to update the council's Local Code of Corporate Governance to reflect the new guidance remains under consideration, with the intent of developing a code which is both relevant and achievable in a local context.

- Risk Management – procedures are well developed with a risk management policy and strategy in place and risk registers maintained at corporate and service levels. The corporate risk register summarises the principal risks facing the organisation and the Corporate Management Team carefully considers the arrangements around how these risks can be managed. Political and financial risks continue to figure highly given the acute challenges the council faces going forward, and to provide transparency the register is submitted to Policy and Resources Committee twice yearly for consideration. Risk management at service levels continued to the extent driven by individual managers in the absence of any supporting risk management resource, however, internal audit supported training sessions delivered in conjunction with the organisational development training team as part of the Moray Management Methods initiative. The council's insurers have committed to undertaking an independent review of the council's risk management practice during 2019/20.
- Internal Control Environment – the internal control environment is evaluated through completion of a range of audit projects contained within an annual audit plan agreed by the Audit and Scrutiny Committee. External audit also assess aspects of the internal control framework in the course of their work. Internal audit operates independently within the organisation and there were no limitations imposed by management on the scope of audit work performed. The internal audit opinion has been informed by the audit work completed during the year.

Statement on Conformance with the Public Sector Internal Audit Standards

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

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

During the year, in line with the Programme, an external quality assessment of internal audit was completed by the Audit Manager and an Auditor from Fife Council. The assessment took place over two days and involved the review of a portfolio of evidence, interviews with the Chair of the Audit and Scrutiny Committee, the Chief Executive, and the Corporate Director (Corporate Services) responsible for internal audit. The Internal Audit Manager was also interviewed and discussions and file reviews involving all staff in the audit team were undertaken. The outcomes from the assessment were reported to the Audit and Scrutiny Committee, the review concluding that the service 'generally conforms' to the Standards.

Quality Assurance and Improvement Programme

The external inspection was thorough and the resulting report provided a useful external perspective of how the service performs as well as providing advice on areas where compliance with the standards could be strengthened. Of the thirteen assessment areas used to measure conformance with the standards, four were found to fully conform, seven to generally conform and two to partially conform. A plan of agreed improvement actions has been prepared for implementation during 2019/20.

Opinion

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

It is my opinion, based on audit work completed, that reasonable assurance can be placed on the adequacy and effectiveness of the council's internal control system for the year to 31 March 2019.

Atholl Scott, CMIIA
Internal Audit Manager
4 June 2019



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 19 JUNE 2019

SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD FROM 1 JANUARY 2019 TO 31 MARCH 2019

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 The report advises Committee on the work of the Internal Audit Section for the period from 1 January 2019 to 31 March 2019.
- 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 **That Committee consider the contents of this report; seeks clarification on any points noted and otherwise notes the report.**

3. REPORT

- 3.1 The final quarter of the year saw completion of internal audit's external quality assessment (the results of which were reported to the meeting of this Committee on 24 April 2019 (Paragraph 7 of the draft Minute refers)) and the projects detailed below from within the approved annual plan for 2018/19 were taken forward. All planned main financial systems has been completed and all departmental systems work was progressed, although a number of departmental projects while at an advanced stage have still to be formally cleared with management. These will be concluded during the summer alongside current year projects currently on-going.
- 3.2 Main Financial Systems - Payroll Access Controls
 - 3.2.1 The payroll system processes large volumes of personal and confidential data and consequently it is important that system access is restricted to those who need it for the purposes of their work and for suitable management information to be available to enable monitoring of user access. The audit found there were opportunities to strengthen controls by restricting generic access to groups of staff providing technical support and ensuring the record of authorised users is kept up to date on the occasion of any changes to user

responsibilities. The Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 1**.

3.3 Main Financial Systems - Capital Plan - Bridge Refurbishments

3.3.1 This audit was originally scheduled as a review of the refurbishment of Craigellachie Bridge but this project was largely deferred into 2019/20. Committee agreed to the substitution of this audit, and two other bridge strengthening contracts in the Forres area were examined. These reviews took in all aspects of the contract from the basis for selection/justification for the works, through the procurement and tendering stage, progressing the works and supervision thereof, and payment through to completion.

3.3.2 The audit testing found that suitable systems of control were in place and there were no recommendations to make. The Executive Summary for the project is provided as **Appendix 2**.

3.4 Departmental Systems - Social Care - Contributions Policy

3.4.1 A Contributions Policy applies where self directed care packages are awarded or where non-residential care services are accessed by adults who are assessed as having the means to make a contribution towards the cost of their agreed care package. The audit sought to confirm that the policy was being applied as intended and that suitable controls were in place to ensure completeness and accuracy of the records held in support of contributions recovered.

3.4.2 The audit noted a review of the policy was overdue and that such a review would be pertinent given national changes to rules relating to free personal care, that there needed to be improved reconciliation between the various systems in use to ensure completeness in the assessment and payments systems; and that there would be merit in streamlining the payment process by making direct deductions of any contributions due from any social care payments awarded. The Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 3**.

3.5 Departmental Systems - Roads Service - Winter Maintenance

3.5.1 Winter maintenance is a statutory duty and council policy has been comprehensively developed over time taking into account of guidance from both the Well Maintained Highways Code of Practice, and the Society of Chief Officers of Transportation in Scotland (SCOTS). The statutory duty is to take 'such steps as (the council) considers reasonable' and the service updates and publishes its winter maintenance plans annually.

3.5.2 The audit considered the council's approach to be robust accepting there will always be challenges in period of extreme weather, with points raised broadly based around asset management considerations relative to improved protection for salt stocks held at rural depots and enhancements to the GPS system used in vehicles. The Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 4**.

3.6 Departmental Systems - Transportation - Dial-A-Bus

- 3.6.1 The dial-a-bus Service provide accessible door-to-door transport for residents who cannot utilise scheduled bus services due to access reasons or lack of service in the locality. This service is demand led and mainly utilises available vehicle and driver resources in the time period falling between school bus and social care transport commitments.
- 3.6.2 The audit looked at how the systems operated in practice including booking procedures, service usage and collection and accounting for income received. The system was found to be robust and there were no recommendations arising from the audit work completed. The Executive Summary for the project is provided as **Appendix 5**.

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) 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 the audit projects completed during the review period.

Author of Report:	Atholl Scott
Background Papers:	Internal audit files
Ref:	AS/asc/190619

AUDIT REPORT 19'032**PAYROLL – ACCESS CONTROLS****EXECUTIVE SUMMARY**

The annual audit plan for 2018/19 provided for a review to be undertaken of access controls to the Council's payroll application software. The audit reviewed the controls governing user access rights and thereafter the administration and monitoring of user activity. The Chartered Institute of Public Finance and Accountancy (CIPFA) Information Technology Control Matrices and the International Standards Organisation (ISO) Information Security Standards were used in the development of an audit programme for this review. In addition to user access, an overview was also undertaken of payroll data storage and back-up arrangements.

The Council's Payroll Software Application is supplied by a company called MHR (formerly Midland HR). The system went live in 2017, and prior to this point a Project Working Group was established to ensure its effective implementation. The software was configured to meet the requirements of each system 'user type'. The system has a dual function to meet the requirements of two main service areas i.e. Payroll and Human Resources. Each 'user type' is allocated specific access rights that allow access to particular functions within the system. The level of access ranges from 'read only' to full 'system administrator' access.

The audit found that the nominated system administrator (a senior payroll officer) was managing system user access effectively. This ensures access entitlements remain current where roles change and for new starts and leavers in the payroll and HR teams. Application software controls were also found to enforce minimum password entry requirements. The following areas were identified where further development of controls and governance arrangements should be considered:-

- While testing noted that any specific processing action by an authorised user could be reconciled to an audit trail, further development is recommended to the risk based audit log reporting function within the system to highlight any exceptional user actions that would merit specific investigation.
- The software is structured on a hierarchical basis to ensure so far as is practicable that individual user profiles can be developed that restrict access only to data required for a particular job role. User type access profiles had been determined upon implementation in 2016, and a review to ensure these remain relevant would be prudent now that the system has been operational for some time.
- It was noted that the system administrator access is limited to certain officers within the Payroll Section and ICT, and system support personnel external to the Council. A review should be undertaken of all system administrator users to ensure access requirements remain appropriate and have been assigned to an individual rather than to a generic service user.

Recommendations: Payroll Access Controls

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Appropriate controls exist in the management and administration of access controls within the Payroll System.						
5.1	Access required to the iTrent system by the Council's Information Technology Section should be based on an individual's user identity rather than on a generic access log in function.	Medium	Yes	Individual user access will be set up for officers from the Information Technology Section requiring access to the iTrent System	Senior Payments Officer	31 st July 2019
5.2	Phase 3 Consultants should be asked to provide a current listing of individual officer access requirements and to inform the Council immediately of any changes to this listing.	Medium	Yes	No further access required by officers from Phase 3 Consultants. User access profiles will be deleted.	Senior Payments Officer	31 st July 2019
	Midland HR should be asked for provide details of the individual who will require access to the Council's Payroll iTrent System.		Yes	All generic users log in access will be deleted. Future iTrent access will be based on individual user requirements.	Senior Payments Officer	31 st July 2019

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
	Access should then be provided to an individual rather than a generic log in for the company.					
5.3	Audit Log functions within the iTrent system should be further explored with the view to develop standard reports that will allow the reporting of user activity within the system.	High	Yes	Midland HR and other Local Authority users will be contacted to enquire whether the audit log function can be further developed to produce monitoring reports on user activity.	Assistant Payroll Manager	31 st August 2019
5.4	A review should be undertaken of user access profiles within iTrent to ensure that officers are only allocated access to information and functions required to undertake their duties.	Medium	Yes	.	Assistant Payroll Manager/ Senior Payments Officer	31 st March 2020
5.5	Service Managers should be reminded that the System	Medium	Yes	A reminder will be sent to all Service Managers	Senior Payments	31 st August 2019

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
	Administrator should be informed immediately of any changes in officer responsibilities that will effect access requirements to the iTrent System.			to request that the Senior Payments Officer is informed immediately, of any such changes.	Officer	
5.6	An appropriate time period should be established where the iTrent system forces a user to change their password in order to maintain access to the system.	Medium	Yes	Agreed; however Midland HR is to issue a system update that will provide an additional function to remind users to change their password.	Assistant Payroll Manager/ Senior Payments Officer	To be implemented after system update by Midland HR
5.7	Further investigatory work is required to explore the archive functions within iTrent. The transfer of information to Archives within iTrent should provide an additional facility for the storage of data.	Low	Yes	Midland HR and the Council's Information Technology Section will be consulted to resolve the issue of the system deleting data held within the Archive function.	Senior Payments Officer	31 st August 2019

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
5.8	System Administration level access should not be used for the processing of payroll data but for the overall management of the iTrent System.	Medium	Yes		Senior Payments Officer	Immediate

Appendix 2**AUDIT REPORT 19'027****CAPITAL PLAN - BRIDGES REFURBISHMENT CONTRACT****EXECUTIVE SUMMARY**

The annual audit plan for 2018/19 provided for a contract review to be undertaken of a civil engineering works project. The contract for the refurbishment of Craigellachie Bridge was initially chosen for review, however due to a delay in the start date for the scheme, another contract was selected. The contract chosen for audit was the repair and refurbishment of Glenernie and Logie Bridges in the Forres area.

Glenernie and Logie Bridges, although separate schemes in the capital programme, had similar repair requirements that allowed the works to be awarded as one contract. The requirement for the works had been identified from a bi-annual survey inspection undertaken by the consultancy service into the condition of all council owned bridges.

The inspection identified a requirement for reinforcement and repair works to both bridges at a combined cost of approximately £250k. The contract was tendered and evaluation based on a quality price determination. The contract was awarded in competition, with the successful contractor starting the works on site at the beginning of April 2018.

The audit reviewed the contract from its award through to the completion of the works. A comparison was made between the costs detailed within the activity schedule provided by the contractor and the final outturn costs. Any additional works were verified to ensure a valid project management instruction had been issued in accordance with the Conditions of the Contract. A check was also made to ensure the contractor held and had provided evidence of appropriate insurance cover.

Detailed records had been maintained to record the final outturn costs for both Schemes. Within the tendering arrangements it was noted one of the prospective contractors proposed a different methodology for undertaking an element of the works and this resulted in all tenderers being invited to resubmit their tenders for the works. This change was positive, resulting in a small cost reduction in the schemes.

Overall, the audit found that the contract had been well administered and managed in accordance with the Conditions of Contract.

AUDIT REPORT 19'029

SOCIAL CARE - CONTRIBUTIONS POLICY

EXECUTIVE SUMMARY

The annual audit plan for 2018/19 provides for an audit review to be undertaken of the application of the Contributions Policy. The Contributions Policy applies to Self-Directed care and support charges for non-residential services accessed by adults. The Policy defines services within remit and the calculation basis for contributions a service user may be required to make, based on their ability to pay. The Contributions Policy takes into account national legislation for Self-Directed Support, COSLA guidance on charges for non-residential social care services and Department for Work and Pensions regulations with regard to income rates.

The scope of the audit was to review a sample of financial assessments for service users with varied circumstances, and who access a range of care and support services, to confirm the correct and consistent application of the Contributions Policy. This has involved evidencing care and support assessments and ensuring contributions for services have been based on current needs, confirming the prompt undertaking of financial assessments and verifying the assessments align with the Contributions Policy and are correctly calculated and evidenced.

The audit has assessed whether the resultant contributions derived from the financial assessment process are accurate and has followed through the recovery process to confirm contributions assessed as due have been recovered in full from the service user. The process for reviewing contributions at appropriate intervals has also been covered within the scope of the audit.

The vast majority of audit testing has been undertaken with the Community Care Finance Team. Reference has also been made to other officers within the service such as the Direct Payments Team and Social Work Teams, as required, to fully test sample cases selected.

The main issues raised for management consideration arising from the review are as follows:-

- The Contributions Policy in use at the time of the audit is stated to apply for the period from January 2016 to April 2017. A formal review is overdue and is required to reflect changes in national legislation and to consider any areas of local discretion in the policy which it may be beneficial for the service to revise. A major change in policy is forthcoming with the introduction of free personal care for all adults with qualifying needs from April 2019. This will reduce contributions from service users with the withdrawal of this previously chargeable service for those under pension credit age.
- A potential weakness in control exists with the use of a variety of separate systems within the process and no reconciliation of content between these systems. Support needs and packages of supported persons are recorded on

Carefirst, financial assessments are recorded in Excel spreadsheet format and invoicing of contributions is undertaken through the Council's Financial Management System. Due to the manual nature of elements in the process there is potential for a service user to be assessed but not referred for financial assessment or a financial assessment undertaken but no contribution set up for invoicing. Going forward a practical solution is required to give assurances that all chargeable service users are referred for financial assessment, financially assessed and contributions invoiced, on presenting to the service and when any change in support occurs.

- Under Self Directed Support legislation, a supported individual has a number of options available for managing their care package. Where a service user is to receive a Direct Payment to manage their care, or where the service user chooses their care provider but the arrangements for provision are made by Social Care, there is the option within the Contributions Policy to pay the service user / service provider net of the service user's assessed contribution. This net payment basis is not commonly used in practice with the majority of support costs being paid gross and the service user then invoiced for their contribution. This is not best practice for cash flow management and carries the increased risk of being exposed to non-payment of contributions in addition to incurring administration costs of recovery. Current practice and policy in this area need to be further considered alongside the needs of service users.

Moray Council

Internal Audit Section

Recommendations: Social Care: Contributions Policy

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:						
5.01	A comprehensive review of the Contributions Policy is required to take into account changes in legislation and allow the opportunity for decisions to be made on local discretion areas within the policy, taking into account the challenging financial position facing public services.	High	Yes	The comprehensive review of the policy will be completed once key issues regarding Self Directed Support are considered at the SDS Steering Group on 17th July 2019.	Commissioning & Performance Officer	31/07/2019

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
Key Control: All contributions are assessed in line with the policy, correctly calculated and substantiated, and levied consistently on chargeable service users.						
5.02	Consideration should be given to the implementation of regular reconciliation checks to provide assurance that the complete database of chargeable service users have been referred for financial assessment, assessment undertaken and any established contribution towards care and support packages invoiced.	High	Yes	The Community Care Finance Team will work with Social Work Teams to ensure all clients receiving chargeable services are referred for financial assessment (see 5.03 below). Annual reviews are in place for service users paying a contribution for their care package and the Community Care Finance Officer will implement a quality assurance programme within the team to analyse maintenance and compliance with the review process.	Community Care Finance Officer	31/07/2019

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
5.03	All relevant officers should be reminded of the need to inform Community Care Finance of new care and support packages, changes to support levels and cessation of support where chargeable services are involved, to ensure correct and valid financial contributions are levied. The Direct Payments Team must also be notified of changes where Option 1 Self-Directed Support has been chosen for support management, to ensure payments to the service user remain correct and valid.	High	Yes	Meetings with the relevant officers have been arranged as part of the CareFirst Finance Project and will ensure accurate recording supports the implementation of the project.	OT & Intermediate Care Service Manager	31/07/2019

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	On policy review, consideration should be given to the implications of gross and net payment methods, given current policy and practice are not in alignment. Any subsequent revision to policy or practice regarding payment basis should take into account the need to meet service user expectations under SDS, whilst minimising costs to the organisation.	High	Yes	The decision to incorporate a requirement to pay net rather than gross has been made at Practice Governance Board on 21st May 2019 and will be incorporated into the revised policy.	Commissioning & Performance Officer	31/07/2019

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
5.05	When a review of an earlier financial assessment is deemed appropriate, rather than the undertaking of a new full financial assessment, the standard review process checklist document should be appropriately completed ensuring there is formalisation of the performance of review, the date undertaken and by whom.	Low	Yes	The Community Care Finance Officer will implement a quality assurance programme with the Financial Assessment Officer to analyse performance and ensure compliance.	Community Care Finance Officer	31/07/2019

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
5.06	Consideration should be given to notifying all service users of their continued contribution levels where an annual file review has been undertaken. Whilst this does involve administrative effort, it provides clarity for the service user and can act as a reminder to notify any circumstance changes which may have occurred since the prior contribution assessment.	Low	Yes	Agreed this would be beneficial for service users. The review process will be amended to include further communication with service users at the end of their budget period. This process will commence in line with recruitment to the team in June / July 2019 and further redesign.	Community Care Finance Officer	30/09/2019

AUDIT REPORT 19'022

ROADS - WINTER MAINTENANCE

EXECUTIVE SUMMARY

The 2018/19 audit plan called for a review of the application of the winter maintenance policy. The Council has a statutory duty to comply with the requirements of the Roads Scotland Act 1987 which states that "a roads authority shall take such steps as they consider reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads".

Moray Council reviews its Winter Maintenance Policy each year based on guidance from both the Well Maintained Highways Code of Practice, and the Society of Chief Officers of Transportation in Scotland (SCOTS). All council roads have been given a 'priority for treatment' rating with currently 17 gritting routes across Moray designated as Priority 1. Local contractors support the service as and when conditions dictate.

The annual budget for winter maintenance is £1.65m in 2018/19 (£1.67m - 17/18) whilst spend historically is dictated by the severity of the winter season. The average spend per season over the last 10 years has been £2.22m.

The scope of the audit was to evaluate the reasonableness of decision making processes, both at policy and operational level. Audit testing was carried out during what the service reported as being a mild winter with actual spend on winter maintenance as at the end of March 2019 amounting to £1.69 million.

The principal findings from the audit were:

Decision making at a strategic level was broadly in line with national guidance, taking into account discretion for individual local authorities to consider local circumstances including, geographical location of its routes and road surface types. As such it was noted that council policy provides for slightly higher salt spread rates for some treatments, generally where salt stock piles are not covered (wet salt) or conditions are extreme.

The implications of this are evident, albeit difficult to quantify, in increased cost (more salt used), greater wear and tear on equipment and time requirements to clear blockages that may occur. Leaching from salt stocks over time reduces its effectiveness and also has environmental implications in the immediate vicinity of the salt piles. There may be an opportunity to address this with additional salt storage provision, although a cost benefit analysis would be required for each location.

A service contract for weather forecasting has been entered into with an external provider covering the period to April 2020 and this is used to inform day to day decisions on the nature and scope of work to be undertaken.

Vehicle tracking information is in use for monitoring progress with treatments on each route, for driver safety and as evidence of work carried out in the event of insurance claims being raised by third parties. The tracking information for some gritting routes was not always reliable due to radio 'black spots', caused by a

combination of the geography of gritting routes and dated technology. The fleet, as it is updated, is being fitted with an improved GPS tracking system that provides better and more reliable coverage.

Costs of winter maintenance, like other roads services, are accumulated as direct costs of staffing, plant and materials and bought in supplies. An overhead rate is applied to each cost to cover central management and back office staff. The bases for the overhead rates have not been confirmed recently and it has been recommended these rates are reviewed in consultation with accountancy and updated as appropriate.

Recommendations: Roads – Winter Maintenance

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: Storage and monitoring of salt usage.						
01	Management should review current arrangements for salt storage, and consider any developing a business case for any improvements that are considered feasible.	Low	Yes	Business case to be developed for covered barn at a strategic location in the east of Moray, in conjunction with the wider depot needs and rationalisation project .	Roads Maintenance Manager	March 2020
Key Control: Winter drivers are managed well, taking into consideration UK and EU driving regulations.						
02	GPS trackers should be installed as soon as is practicable on all lorries deployed on winter gritting duties.	Low	Yes	A review of fleet need and future replacement of	Roads Maintenance Manager/ Fleet Services Manager	November 2019

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
				gritting vehicles is ongoing with tracking system to be fitted to new vehicles and to current vehicles on a phased approach		
Key Control: System for costing works.						
03	The overhead recovery rate for back office functions should be reviewed to ensure it is representative of current costs of administering the winter maintenance service.	Low	Yes	.	Roads Maintenance Manager	March 2020

Appendix 5**AUDIT REPORT 19'026****TRANSPORTATION – DIAL-A-BUS SCHEME****EXECUTIVE SUMMARY**

The annual audit plan provided for a review to be undertaken of the Council's Dial a Bus Scheme, including arrangements for accounting for income. The Dial a Bus Service operates throughout Moray providing accessible door-to-door transport for residents who cannot utilise scheduled bus services, for example due to access reasons or lack of service in the locality. The demand-led Dial a Bus service is operated by the Public Transport Unit, mainly utilising available vehicle and driver resources in the time period falling between school bus and social care transport commitments.

In terms of scale the annual service budget for the full 18/19 financial year is £195,000, comprising of £262,000 in operational costs and £67,000 of income derived from government grant for concessionary travel, ticket sales to passengers and a private developer contribution for enhancing public transport arrangements. Although the service is available to all eligible Moray residents, over 90% of Dial a Bus travel is undertaken by persons aged over 60 or with a disability, under the free national concessionary travel scheme. The standard fares for the journeys undertaken by concessionary travellers are reimbursed by central government at a standard 56.5% subsidy rate applied to all Scottish bus service providers, with the remainder of the lost revenue borne by the Council as service operator.

The scope of the audit was to review the systems and processes for making Dial a Bus service bookings, including ascertaining eligibility for travel, and confirm the system for scheduling of journeys achieves optimisation of resources. Controls over service income in the form of ticket sales to passengers and concessionary fare travel reimbursement from Transport Scotland were also within the audit remit. The audit process has involved the Public Transport Unit in their operation of the service and also the Customer Services Contact Centre who administer all Dial a Bus passenger bookings.

The audit process has found sound operational controls to be in place over service administration with robust systems in place covering the key areas of passenger booking, travel scheduling, actual travel recording and financial accountability. As a result, no recommendations for improvement have been made as a result of the audit coverage. A new cash and banking procedure has recently been introduced in February 2019 to account for fare monies collected on board the Dial a Bus vehicles. The procedure aims to improve controls over cash handling and provide an effective audit trail reconciling passenger fare payments to lodgements in the Council's bank account. Monitoring arrangements for the new process are comprehensive, and although minor administrative issues have been identified in the first month of operation, should ensure sound practice is exercised going forward.



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 19 APRIL 2019

SUBJECT: CUSTOMER FOCUS UPDATE

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To inform the Committee of progress in implementation of the Council's Customer Focus Strategy and Charter.
- 1.2 This report is submitted to Committee in terms of Section III (I) (10) of the Council's Scheme of Administration relating to scrutinising the effectiveness of the Council's policies.

2. RECOMMENDATION

- 2.1 **That the committee consider and note the progress in implementation of the Council's Customer Focus Strategy and Charter.**

3. BACKGROUND

- 3.1 The Council's Customer Focus [Strategy](#) and Customer [Charter](#) were approved by Council on 29 April 2015 in response to Audit Scotland recommendations that the Council needed to take a more strategic approach to customer focus and use customer feedback to improve services (paragraph 8 of the [minute](#) refers).
- 3.2 The Customer Charter sets out the minimum standards which all Council services promise to meet. It complements the standards which some specific services are required to meet such as housing or regulatory services.
- 3.3 The Customer Focus Strategy details a number of actions which the Council has committed to taking to improve its responsiveness to customers. These actions, with progress against them, are shown in paragraph 4.1 below.
- 3.4 The Customer Focus Group oversees progress and reports to the Corporate Management Team. This group comprises officers from different sections within the Council.

4. SUMMARY OF PROGRESS

4.1 Strategy

Many of the actions in the Strategy have now been embedded in the Council. These include:

- E-learning/paper modules for staff
- Customer care [web page](#)
- Digital programme better targeting our customers' needs.
- Performance information within committee reporting framework.
- Formation of Customer focus group to coordinate activity.

A review of the Strategy is now overdue. This is likely to involve consolidation of existing practice and further co-ordination of customer service improvements across the Council.

4.2 Charter

The Charter is due for review. iESE (in their recent review of customer services) praised the Charter for stating what behaviours are expected from customers as well as pledging the minimum standards customers can expect from the Council. In view of increasing pressure on Council budgets there may need to be a re-negotiation with customers about these minimum standards.

- One of the Council's improvement and modernisation projects seeks to transform face to face contact with the public, by placing responsibility on customers to self-serve where possible.
- With a strategic priority to protecting the most vulnerable service users the Council may need to have different service standards for different user groups.
- Decreasing standards may lead to an increase in complaints. Good communication with customers will be vital to manage their expectations.

4.3 Links to complaints

An important part of customer focus is to learn from complaints and use this knowledge to improve practice. The annual complaints report went to the Council's Policy and Resources Committee on 4 June 2019, however this report is more focused on the numbers/timescales of complaints, rather than what has been learned from mistakes. Details of the substance of complaints are published on the Council's Service Performance [webpage](#) but there is no clear "lessons learned" trail. Further development work would be beneficial in this area.

4.4 Customer focus group

Meetings of the Group have been less frequent than planned with officers attention having been largely focused on budget issues for the past 12 months. Membership of the Customer Focus group was initially targeted at Heads of Service. In practice more junior officers have attended, and not all services have sent a representative. It would help for membership of the group to be re-established with the focus given in paragraph 4.7 below.

4.5 Customer service excellence model

Between 2017 and 2018 all services were asked to self-assess themselves using questions in a nationally recognised Customer Services Excellence

Model and produce an action plan detailing what improvements they have identified. In summary:

- The majority of services completed the assessment although some larger services did not participate.
- No central support was available and services were left largely to their own devices in completing the survey. This led to variable quality and lack of real challenge.
- The responses showed reasonable self-awareness by those completing the assessment but only a few services identified improvements.
- The exercise would have been more credible if an independent team evaluated each service and scrutinised their responses.

All said, there are examples of good practice to be found. Some services (for example Housing) have external auditors who review how the service deals with customer feedback and engagement.

For future years Council services are committed to using the Public Sector Improvement Framework (PSIF), a self-evaluation questionnaire to help with continuous improvement and the “How good is our...” tool in education . These tools include questions on customer focus which will help maintain the Council's focus on customer responsiveness.

4.6 **Areas of good customer focus practice**

There are examples of good practice in public consultation and engagement:

- Development Services consultation on the draft Development Plan
- Tenant consultation on housing strategies, policies and plans:
- Consultation with local communities (locality planning) as part of the community planning framework.
- Budget consultation and use of facebook to engage with customers over controversial issues.
- Customer engagement in the Council's digital services programme.

But it is hard to attribute these to a concerted corporate drive or focus. The Council needs to find a way to highlight such areas of good practice across the Council.

4.7 **Next steps**

Suggested next steps are to re-establish and convene further meetings of the Customer Focus Group to:

- Agree the direction and strategy for the next three years.
- Review the Customer Charter to be realistic about future service standards with an increased responsibility for customers to self-help.
- Expand on current complaints reporting with evidence of “lessons learned” resulting in a change in practice.
- Find ways to identify and share good practice.

5. SUMMARY OF IMPLICATIONS

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

Customer Focus helps support both national and local outcomes:

Our public services are high quality, continually improving, efficient and responsive to local people's needs

(b) Policy and Legal

Customer Focus has been identified by Audit Scotland as an area where the Council could improve.

(c) Financial implications

None arising directly from this report.

(d) Risk Implications

Failure to achieve Customer Focus and the outcomes of the Strategy/Charter would present risk in terms of reputational damage, loss of public confidence in our ability to deliver quality services and risk of further adverse audit comment.

(e) Staffing Implications

None arising directly from this report.

(f) Property Implications

None arising directly from this report.

(g) Equalities/Socio Economic Impact

An Equality Impact Assessment is not needed because there are no firm proposals within this report.

(h) Consultations

Members of the Customer Focus Group have been consulted on a draft of this report, any comments received have been considered in writing the report.

6. CONCLUSION

6.1 The council has made good progress on the objectives of the Customer Focus Strategy and Charter.

6.2 The Strategy and Charter now need reviewed to ensure the Council is clear about customer expectations whilst remaining responsive to customer needs.

Author of Report: Alasdair McEachan, Head of Legal and Democratic Services

Background Papers: None

Ref:



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 19 JUNE 2019

SUBJECT: GIFTS AND HOSPITALITY

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To advise Committee of the receipt of gifts and hospitality to officers across Council services valued above £30 in 2018/19.
- 1.2 This report is submitted to Committee in terms of Section III (I) (1) of the Council's Scheme of Administration relating to ensuring that the highest standards of probity and public accountability are demonstrated.

2. RECOMMENDATION

2.1 It is recommended that Committee:

- i) notes the number and level of the gifts and hospitality received; and
- ii) agrees that the current system of notification and recording is appropriate.

3. BACKGROUND

- 3.1 The issue of Gifts and Hospitality received by employees of the Council is covered within the Code of Conduct. The following is an extract from the code relevant to this issue:-

Gifts and Hospitality

You may occasionally be placed in a position where you have to decide whether or not to accept offers of gifts or hospitality from organisations or businesses associated with the Council. It is essential that any suggestion of improper influence should be avoided.

The general rule should be to refuse, tactfully, offers of gifts from businesses, organisations, or individuals who are associated with, or wish to be associated with the Council commercially. Gifts should also be refused from organisations or individuals seeking, or at some stage in the near future may be expected to seek, a particular decision or action from the Council. The receipt of repeated gifts or hospitality should be considered carefully.

In certain circumstances, hospitality or gifts not exceeding £30 in value may be accepted. You should seek permission from your line manager before accepting any gift or hospitality exceeding £30 in value.

All offers of gifts and hospitality should be notified to your line manager/supervisor where the value is in excess of £30 and written notification of these must be forwarded to the Principal Committee Services Officer for recording in a register of gifts and hospitality. This recording mechanism will enable the Council to respond to any queries on such issues.

If you are making a visit to inspect equipment, vehicles, land or property you must ensure that the Council pays for the cost of these visits.

- 3.2 The extract above, states that written notification of received gifts and hospitality should be notified to the Principal Committee Services Officer (now titled Democratic Services Manager) for recording in a register. This is being updated to reflect that written notification must now be forwarded to the relevant Head of Service as per changes agreed to Section 11.6 of the Financial Regulations in January 2019. The information contained within **Appendix 1** details the receipt of gifts and hospitality as described above for the period from 2018/19. Discussion with Heads of Service across the Authority indicates that this is a comprehensive list.
- 3.3 **Appendix 1** shows that no gifts in excess of £30 have been received, and that the hospitality mostly relates to the promotion of local businesses and initiatives with a wider community benefit by the Chief Executive and Corporate Director (Economic Development, Planning and Infrastructure). Attendance at events is generally outside of work time and undertaken in the officer's own time.
- 3.4 Given the low number and level of the gifts and hospitality received the current system of notification and recording is considered appropriate with no requirement for publishing on the Council's website. This would be consistent with the arrangements of neighbouring local authorities.

4 SUMMARY OF IMPLICATIONS

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

This report provides information relating to the Council's obligation to ensure transparency and accountability as part of the normal conduct of Council business.

(b) Policy and Legal:

None.

(c) Financial implications:

None.

(d) Risk Implications:

None.

(e) Staffing Implications:

None.

(f) Property:

None.

(g) Equalities/Socio Economic Impact:

An Equality Impact Assessment is not needed because there is no anticipated impact on protected groups.

(h) Consultations

Consultation with all Heads of Services and the Democratic Services Manager took place as part of the preparation of the report. Any comments received have been considered in writing the report.

5. CONCLUSION

5.1 A record of gifts and hospitality received by Council officers is maintained and updated in accordance with the Council's Code of Conduct for employees.

5.2 From the information presented within this report it can be seen that the receipt of gifts and hospitality is generally confined to members of the Corporate Management Team and is associated with the promotion of local businesses and initiatives with a wider community benefit.

Author of Report: Grant Cruickshank, HR Manager
Background Papers:
Ref:

GIFTS AND HOSPITALITY RECEIVED 2018/19**Appendix I**

2018 (Shading indicates an annual event)		
Corporate Director (EDPI)	Invitation to Exclusive Preview. Macallan Visitor Experience	11 May 18
Corporate Director (EDPI)	Dinner – Official opening of Macallan Visitor Experience	29 May 18
Chief Executive	Guest of W Robertson of Robertson .Co.UK at The Macallan Distillery Launch	29 May 18
Educational Services Staffing Officer; ESO (Skills); Lossiemouth ASG Head Teachers	Royal Air Force, Lossiemouth, Annual Reception	7 June 2018
Corporate Director (EDPI)	Piping @ Forres (courtesy of Robertsons) – Attendance, entry and hospitality	30 Jun 18
Chief Executive	Royal International Air Tattoo. Lunch provided by Boeing Defence UK Limited	13 Jul 18
Chief Executive	Dinner and Ceilidh. The Cabrach & Glenfiddich Estate Ceilidh, Upper Cabrach	11 Aug 18
Chief Executive	Dinner. RAF 100 in Scotland Charity Gala Dinner.	30 Aug 18
Corporate Director (EDPI)	Invitation to dinner from Nick Whitney, Director Boeing Defence. RAF 100 Charity Gala Dinner, National Museum of Scotland	30 Aug 18
Chief Executive	Buffet and refreshments. Wm Grant & sons. Glenfiddich Distillery Annual Reception	31 Aug 18
Chief Executive	Lunch and refreshments. RAF 100 at the Braemar Gathering.	1 Sep 18
Corporate Director (EDPI)	Invitation to opening session from Chairman of Spirit of Speyside. Spirit of Speyside 'Distilled' opening session Elgin Town Hall	1 Sep 18
Corporate Director (EDPI)	Invitation to Federation of Small Businesses Scotland Annual Dinner at the Grand Central Hotel, Glasgow from Colin Borland, Director of Small Businesses, FSB	15 Nov 18
2019		
Chief Executive	Banff Rotary Club Dinner to mark retirement of Mrs Clare Russell, Lord Lieutenant of Banffshire at Banff Springs Hotel, Banff	26 Apr 19



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 27 JUNE 2019

SUBJECT: STATEMENT OF OUTSTANDING BUSINESS AT JUNE 2019

BY: CHIEF EXECUTIVE

1. REASON FOR REPORT

- 1.1 The Committee is asked to consider progress and timescales in relation to follow-up reports and actions requested by this Committee at previous meetings.
- 1.2 This report is submitted to Committee in terms of Section III (I) (11) of the Council's Scheme of Administration relating to evaluating the actions of Committees and implementing the Action Plan set out in the Corporate Development Plan.

2. RECOMMENDATION

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

3. BACKGROUND

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

4. SUMMARY OF IMPLICATIONS

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

Performance reporting is linked to the Chief Executive's Office Service Plan in assisting with the monitoring and reporting of performance in line with the Council's Performance Management Framework.

(b) Policy and Legal

None.

(c) Financial implications

None.

(d) Risk Implications

None.

(e) Staffing Implications

None.

(f) Property

None.

(g) Equalities/Socio Economic Impact

An Equality Impact Assessment is not needed because the report is to inform the committee on performance issues.

(h) Consultations

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

5. CONCLUSION

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

Author of Report: Roddy Burns, Chief Executive
Background Papers:
Ref:

STATEMENT OF OUTSTANDING BUSINESS AT JUNE 2019 – REPORTS

Date of Audit and Scrutiny Meeting	Subject & Committee Decision	Update	Responsible Officer	Date to be Completed	Completed
4 December 2018	Internal Audit Charter (Terms of Reference) Seek a report providing a draft Internal Scrutiny Charter for consideration	Draft report under development.	Corporate Director (Corporate Services)	TBC	
4 December 2018	The National Fraud Initiative in Scotland That the policy to combat fraud and corruption will be updated and submitted for approval to the next meeting of the Policy and Resources Committee	Due to workload pressures this has been deferred until the meeting in September.	Corporate Director (Corporate Services)	September 2019	
4 December 2018	Corporate Integrity Group Update Action - Seek clarification on the feasibility of publishing hospitality records for staff	Will be addressed as priorities dictate.	Corporate Director (Corporate Services)	June 2019	

STATEMENT OF OUTSTANDING BUSINESS – ANNUAL REPORTING

Date of Audit and Scrutiny Meeting	Subject & Committee Decision	Update	Responsible Officer	Date to be Completed	Completed
22 March 2017	Update on Progress: Customer Focus Strategy and Charter	Annual update on progress against strategy and charter.	Corporate Director (Corporate Services)	June 2019	
	Local Outcome Improvement Plan (LOIP)	Due to workload pressures this has been deferred until the meeting in September.	Chief Executive	September 2019	