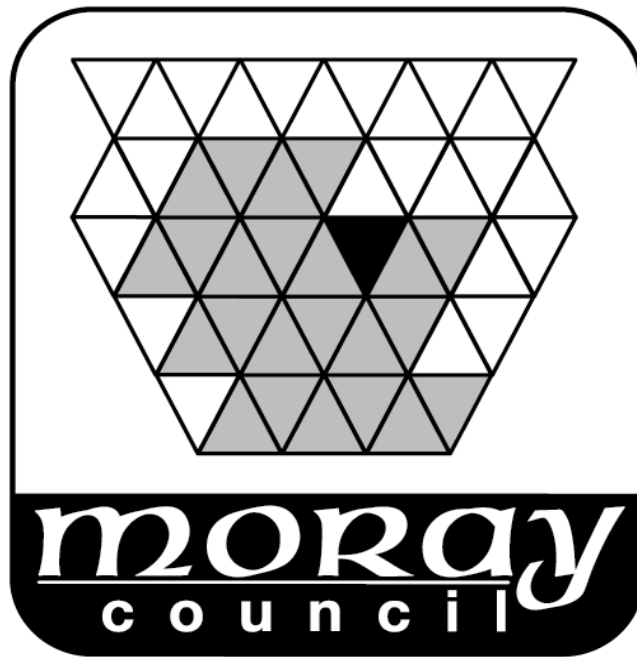


Moray Council
Internal Audit Section

Moray Growth Deal
Final Report



Moray Council

Internal Audit Section

DEPARTMENT: Economy, Environment and Finance

SUBJECT: Moray Growth Deal

REPORT REF: 23'013

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1. Executive Summary

The annual audit plan for 2022/23 provides for a review of the governance and administrative arrangements that the Council has established to support the delivery of the Moray Growth Deal.

The Moray Growth Deal (the Deal) is a transformational investment of over £100 million in the next 10 years for eight strategic projects intended to maximise regional economic competitiveness and boost economic growth across the Moray area. The Deal provides an opportunity to build on the existing strengths of Moray's culture, tourism, and manufacturing sectors whilst also addressing transport and housing challenges to facilitate economic growth that is sustainable, fair and inclusive. The Deal will also support major new developments in key sectors of health and aerospace, as well as early years education, all of which will expand Moray's Science, Technology, Engineering and Mathematics (STEM) skills base to enable local people to develop the skills needed to access high quality jobs and tackle gender imbalances in key sectors of our economy.

The Deal brings together the Scottish and UK Governments, Moray Council, partners from across the public and third sector and businesses to work collaboratively in delivering the Deal's vision for the area. Moray Council is the accountable body for the Deal and has the responsibility to hold to account any partner organisation in the delivery of the overall programme.

The Moray Council and each partner organisation will be separately responsible for allocating internal audit resources for the Deal's activities. However, Moray Council's Internal Audit Section will reserve the right to review programme and project activities and request information from all partners regarding these activities. It is appreciated the Deal is still at an early stage of implementation. The scope of this audit has therefore been limited to a review of the processes established for governance, administration, finance, risk, engagement and performance management.

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

The audit noted the following areas for management consideration:-

- Each of the eight projects are intended to achieve economic benefits. A requirement of the Deal Agreement is to monitor the progress in the implementation of these projects and evidence the delivery of these economic benefits. A monitoring framework should be established and implemented to measure and record the benefits achieved for each project against their respective business plans.

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- During the audit difficulties were experienced in locating requested information. Documents are saved within the Council's document management system called SharePoint. However, inconsistencies were found in the naming and location of where information had been saved. The recently appointed Programme Manager has recognised this and is working towards resolving the situation. Clear guidelines should be developed to ensure consistent practices are followed in the saving of documents.
- A requirement of the Financial Plan of the Deal is for each Partner Organisation to be separately responsible for allocating internal audit resources. However, the Audit and Risk Manager of the Council is responsible for reviewing the audit activities for each Partner Organisation. The Annual Audit Plan for each Partner Organisation detailing the internal audit work planned regarding the Moray Growth Deal should be forwarded to the Moray Council as the Accountable Body every year. This will then provide the opportunity for the Audit and Risk Manager to review planned activity and to request any additional information

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2. Introduction

The Annual Audit Plan for 2022/23 provides for a review to be undertaken of the governance and administrative arrangements in place for the management of the Moray Growth Deal. In August 2014, the UK and Scottish Governments jointly announced the first City Region Deal in Scotland. All deals are different and are intended to be based on local circumstances and priorities. In Scotland, all signed deals are agreements between the UK Government, the Scottish Government, councils and sometimes other partners, such as local business representatives and universities.

The Moray Growth Deal Agreement was signed by Moray Council and the UK and Scottish Governments in December 2021, endorsing a £100 million investment in eight strategic projects over a 10 year period.

3. Audit Scope

The scope of this audit was to provide assurance that the governance and administrative arrangements that have been established by the Council in supporting the delivery of the Moray Growth Deal are adequate and proportionate.

4. Summary Assessment

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

Assurance Level	System and Testing Conclusion
Full	The controls tested are being consistently applied
Substantial	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	The level of non-compliance puts the system objectives at risk.

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None	Significant non-compliance with basic controls leaves the system open to error or abuse.
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Our assessment in terms of the design of, and the compliance with the system of internal controls for the Moray Growth Deal as limited by the scope of audit is set out below:

System Assessment	Testing Assessment
Substantial	Substantial

5. Findings

The main issues raised for management consideration are:

- 5.01 The outline business plans for each of the 8 projects contain information relating to benefits realisation. A requirement of the Deal Agreement is to monitor the progress in the implementation of each of these projects and the expected benefits. This is being addressed at Programme Board level in the development of a monitoring framework to ensure the recording of progress and the measurement of benefits achieved for each project against their respective business plans.
- 5.02 The approved Governance Framework highlights the importance of community engagement. However, since the signing of the Deal, limited evidence was found of any communication undertaken detailing progress within the Deal. In accordance with the Governance Framework, it is important that communication and engagement retain a strong focus and is resourced adequately.
- 5.03 During the audit difficulties were experienced in locating requested documents saved within the document management system, SharePoint. It is noted that over the development and early operation of the Deal, there have been several changes in personnel which has undoubtedly been a contributing factor, resulting in filing inconsistencies. The recently appointed Programme Manager has recognised this and is working towards resolving the situation. The efficient retrieval of saved documents

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is essential given the level of scrutiny and inspection that will be required over the lifetime of the Deal.

- 5.04 In January 2020, Audit Scotland published a report on Scotland's City Region and Growth Deals. The report was designed to provide an early assessment review of deals in Scotland, looking at progress to date and considered governance and accountability arrangements. Published alongside this report was a scrutiny checklist for elected members, designed to provide examples of questions that may be asked to provide a better understanding and support the scrutiny of performance. It is pleasing to note that elected member briefings have been held regarding the Deal, however this has not included the requirements of this scrutiny checklist.
- 5.05 In accordance with the Financial Plan, each Partner Organisation is separately responsible for allocating internal audit resources for Moray Growth Deal Activities. The Annual Audit Plan for each Partner Organisation detailing the internal audit work planned regarding the Moray Growth Deal should be forwarded to the Moray Council as the Accountable Body every year. This will then provide the opportunity for the Audit and Risk Manager to review planned activity and to request any additional information.

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6. Recommendations

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Ensuring the governance arrangements supporting the delivery of the Growth Deal are adequate and proportionate						
5.01	A formalised monitoring framework should be agreed to measure and record the benefits achieved for each project against their respective business plans.	High	Yes	This will be a key output that is part of wider work initiated in August 22 to develop a Benefits Realisation Plan for the MGD	Programme Manager	30/06/2023
5.02	In accordance with the Stakeholder Engagement Plan, ongoing communication should be undertaken to highlight the actions undertaken within the	Medium	Yes	A robust stakeholder plan will be created covering	Programme Manager	31/03/2023

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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
	Moray Growth Deal. This should also include the updating of the Communications Plan to reflect planned activity beyond September 2022.			planned communication and engagement activity that will be led by the Project Managers		
5.03	Guidelines should be developed to ensure consistent practices can be followed in the saving of documents and naming conventions within the SharePoint document management system.	Medium	Yes	The MGD Programme Team will develop a new SharePoint site to store and archive documents	Programme Manager	31/03/2023
5.04	Consideration should be given to providing elected members with a briefing session regarding the Scrutiny Checklist detailed within	High	Yes	A briefing on the scrutiny checklist will be	Programme Manager	31/03/2023

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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
	the Audit Scotland published report on Scotland's City Region and Growth Deals of January 2020.			incorporated into a wider MGD Elected Member engagement event that will take place in early 2023		
5.05	Each Partner Organisation should provide their Annual Audit Plan to the Moray Council of planned internal audit activity regarding Moray Growth Deal Activities. These Plans should then be forwarded to the Audit and Risk Manager for review.	Medium	Yes	Plans for how Highlands and Islands Enterprise (HIE), the University of the Highlands and Islands (UHI) and the University of Strathclyde intend to audit	Programme Manager	31/12/2022

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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
				MGD activity led by them will be obtained and provided to the Audit and Risk Manager		