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## **Audit and Scrutiny Committee**

Wednesday, 27 February 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, 27 February 2019** at **09:30**.

### **BUSINESS**

**1 Sederunt**

**2 Declaration of Group Decisions and Members Interests \***

**3 Resolution**

Consider, and if so decide, adopt the following resolution:  
"That under Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting for Item 12 of business on the grounds that it involves the likely disclosure of exempt information of the class described in the relevant Paragraphs of Part 1 of Schedule 7A of the Act."

**4 Minute of Meeting of 4 December 2018** **7 - 10**

**5 Written Questions \*\***

**6 External Audit Plan for the Year Ending 31 March 2019** **11 - 30**

Report by the Corporate Director (Corporate Services)

**7 Report on the Work of the Internal Audit Section in the** **31 - 58**  
**Period from 1 October 2018 to 31 December 2018**

Report by the Corporate Director (Corporate Services)

- 8 **Local Government in Scotland Financial Overview 2017-18** 59 - 62  
Report by the Corporate Director (Corporate Services)
- 9 **Scottish Public Services Ombudsman Recommendations Report** 63 - 74  
Report by the Corporate Director (Corporate Services)
- 10 **Statement of Outstanding Business at February 2019** 75 - 78  
Report by the Chief Executive
- 11 **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.

### **Item which the Committee may wish to consider with the Press and Public excluded**

- 12 **Social Work Complaints Review Committee - Case Number CO201702 [Para 3 and 4]**

- Information relating to any particular applicant for, or recipient or former recipient of, any service provided by the Authority;
- Information relating to any applicant or recipient of any financial assistance provided by the Authority;

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

<b>GUIDANCE NOTES</b>
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\* **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

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# **THE MORAY COUNCIL**

## **Audit and Scrutiny Committee**

### **SEDERUNT**

Councillor Marc Macrae (Chair)  
Councillor Donald Gatt (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 Claire Feaver (Member)  
Councillor Aaron McLean (Member)  
Councillor Amy Patience (Member)  
Councillor Derek Ross (Member)

Clerk Name: Caroline Howie  
Clerk Telephone: 01343 563302  
Clerk Email: [caroline.howie@moray.gov.uk](mailto:caroline.howie@moray.gov.uk)



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

**Tuesday, 04 December 2018**

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

**PRESENT**

Councillor Frank Brown, Councillor Theresa Coull, Councillor Lorna Creswell, Councillor Tim Eagle, Councillor Claire Feaver, Councillor Donald Gatt, Councillor Marc Macrae, Councillor Aaron McLean, Councillor Derek Ross

**APOLOGIES**

Councillor James Allan, Councillor John Cowe, Councillor Ryan Edwards, Councillor Amy Patience

**IN ATTENDANCE**

The Corporate Director (Corporate Services); the Audit Manager; the Environmental Protection Manager; the Planning and Economic Development Manager; Ms L Marshall, Performance Improvement Officer and Mrs Caroline Howie, Committee Services Officer as Clerk to the meeting.

**ALSO PRESENT**

Councillor Shona Morrison (ex-officio)

**1 Chair of Meeting**

The meeting was chaired by Councillor Marc Macrae.

**2 Declaration of Group Decisions and Members Interests \***

In terms of Standing Order 20 and the Councillors' Code of Conduct, there were no declarations from Group Leaders or Spokespersons in regard to any prior decisions taken on how Members will vote on any item on the agenda or any declarations of Member's interests in respect of any item on the agenda.

**3 Minute of Meeting dated 22 August 2018**

The minute of the meeting of the Audit and Scrutiny Committee dated 22 August 2018 was submitted and approved.

**4 Written Questions \*\***

The Committee noted that no written questions had been submitted.

## **5 Order of Business**

In terms of Standing Order 28 the meeting agreed to vary the order of business set down on the agenda and take item 8 "Local Government Benchmarking Framework 2016/17 Results" immediately following item 4 "Written Questions" in order to allow the officer presenting the report to depart the meeting at the earliest opportunity.

## **6 Local Government Benchmarking Framework 2016-17 Results**

A report by the Chief Executive presented the Committee with benchmarking performance data for the period 2016/17 following publication on national results and the national report.

In response to a query from Councillor McLean on how the data is used within the Council the Corporate Director (Corporate Services) advised Service Managers have access to the information and take account of it when preparing Service Plans to consider future improvements.

Councillor Gatt sought clarification on the availability of more up to date data as the information was for the 2016/17 period.

In response Ms Marshall advised the Improvement Service had recently published the 2017/18 information in draft. Publication of the results will be in January; this will be refreshed in March 2019 and thereafter will be reported through the Committee process.

In response to a query from Councillor Feaver on the possibility of receiving the data due for release in January the Chair advised officers present would take cognisance of the request and issue the figures as early as possible.

The Committee joined the Chair in commending all officers for the work they do across all services in seeking improvement.

Thereafter the Committee agreed to note the Council's performance in terms of informing potential future agenda items.

## **7 Internal Audit Charter (Terms of Reference)**

Under reference to paragraph 6 of the Minute of the meeting dated 22 March 2017 a report by the Corporate Director (Corporate Services) sought approval of an updated Internal Audit Charter (terms of reference) that defines the purpose, authority, and responsibility of the internal audit activity within the Council.

During discussion it was noted that the Charter only covers the internal audit function and that there is no reference to scrutiny. Lengthy discussion took place on what requirement there may be for a similar document covering the Committee's scrutiny role and thereafter it was agreed to seek a report to provide a draft Internal Scrutiny Charter for consideration by the Committee.

Thereafter the Committee agreed to:

- i. approve the updated Internal Audit Charter; and
- ii. seek a report providing a draft Internal Scrutiny Charter for consideration.

## **8 Report on the Work of the Internal Audit Section in the Period from 1 April 2018 to 30 September 2018**

A report by the Corporate Director (Corporate Services) advised Committee on the work of the Internal Audit Section for the period from 1 April 2018 to 30 September 2018.

The report and the six appendices to the report were discussed in turn.

Councillor Feaver in referring to the use of a miscellaneous category to describe school fund income and expenditure sought clarification on whether this was used for a large percentage of funds and if there were any issues with this.

In response the Audit Manager advised that overuse of 'miscellaneous' limited transparency of reporting transactions on school funds, but this was not considered to be a major issue at all schools, it was possible in the books and records to identify what items the entries related to.

Following further discussion the Committee agreed to note the report.

## **9 The National Fraud Initiative in Scotland**

Under reference to paragraph 9 of the Minute of the meeting of 22 August 2018 a report by the Corporate Director (Corporate Services) provided Committee with information on the council's approach to participation in the National Fraud Initiative.

Following consideration the Committee agreed to note:

- i. the Audit Scotland self-appraisal checklist that participating bodies are invited to complete and present to their local audit committees; and
- ii. 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.

## **10 Corporate Integrity Group Update**

A report by the Corporate Director (Corporate Services) updated the Committee on the work of the Corporate Integrity Group.

In response to a query from Councillor Gatt on the availability of minutes of the Group meetings the Audit Manager advised he was unsure if a minute was produced but that rather an action plan was produced that was updated to include issues identified at each meeting and actions against those items previously identified.

Councillor Feaver stated she was pleased to note a register of interests had been published for senior staff but sought clarification on whether hospitality received would also be published.

In response the Corporate Director (Corporate Services) advised the information was held for all staff but not currently published and undertook to take advice on publishing the information in light of fairness to staff and new data protection legislation.

Thereafter the Committee agreed to note the work of the Corporate Integrity Group for the period November 2017 to November 2018.

## **11 Statement of Outstanding Business**

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.

## **12 Question Time \*\*\***

Councillor Feaver asked that a report detailing the income and expenditure of the dredger since its purchase, including capital, and an evaluation of its performance against the projected benefit and/or business case to the Council at the time of approval is prepared and brought before the Committee.

The Chair sought clarification from the Committee if they were in agreement to a report being brought on the value for money of the dredger. As no one was otherwise minded it was agreed to seek a report.

Councillor A McLean advised there had been press releases about School Meals and information had been provided stating 16% of the food used for school meals had been produced in Moray. He was of the opinion that Councillor Eagle had been going to seek a report on this and asked if this was the case.

The Chair advised that Councillor Eagle had not requested such a report.



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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 27 FEBRUARY 2019**

**SUBJECT: EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2019**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 To provide Committee with a copy of the External Auditor's annual plan for 2018/19.
- 1.2 This report is submitted to Committee in terms of Section III (I) (8) of the Council's Scheme of Administration relating to consideration of reports prepared by the council's External Auditor.

**2. RECOMMENDATION**

- 2.1 **It is recommended that the Committee considers and notes the contents of the External Auditor's annual audit plan for 2018/19.**

**3. BACKGROUND**

- 3.1 An annual audit plan has been received from Audit Scotland and is attached as **Appendix 1** to this report. The plan sets out the audit approach and includes the findings from external audit's risk assessment for the council.
- 3.2 The plan also includes the timeline and scope of the planned audit.

**4. SUMMARY OF IMPLICATIONS**

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

Although not specifically linked to these plans, the work of external audit provides assurances to the Committee on the financial statements and on wider aspects of the council's governance arrangements.

**(b) Policy and Legal**

The audit is conducted in terms of statutory powers afforded to the appointed external auditor and in accordance with Audit Scotland's Code of Practice.

**(c) Financial Implications**

No additional costs arise directly from this report.

**(d) Risk Implications**

The audit plan identifies a number of risk areas that have been given due consideration in the determination of the planned audit coverage.

**(e) Staffing Implications**

Staff in services make time available to deal with audit matters arising, in particular the accountancy team work closely with the auditors during the audit of the annual financial statements; beyond this there are no specific staffing implications.

**(f) Property**

No implications.

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

No implications.

**(h) Consultations**

The content of the plan has been agreed by the Head of Financial Services and other relevant officers within the council.

**5. CONCLUSION**

**5.1 The External audit plan provides Committee and officers of the council with details of the planned work of external audit (Audit Scotland) in respect of the 2018/19 financial year.**

Author of Report:	Lorraine Paisey, Head of Financial Services
Background Papers:	External Audit Plan
Ref:	LP/asc/270219

# Moray Council

## Annual Audit Plan 2018/19



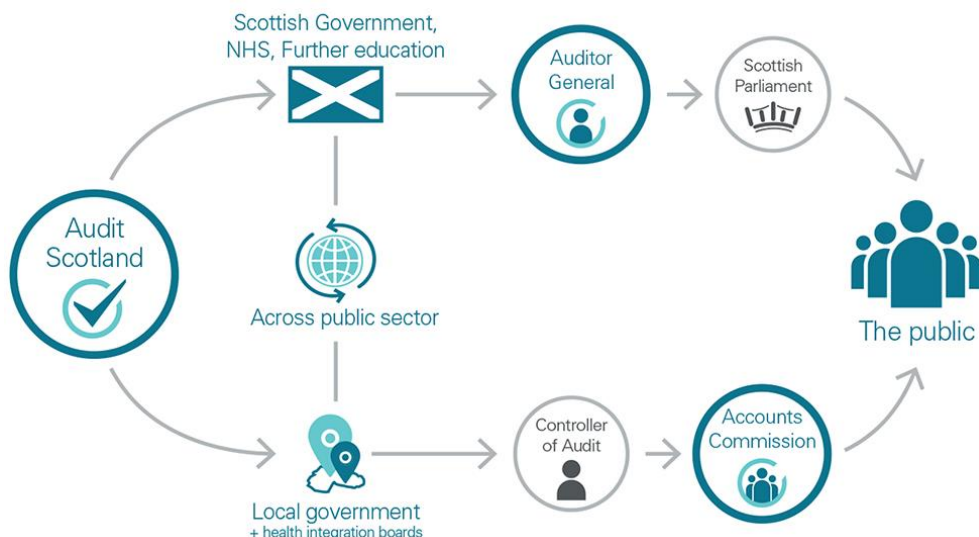
 **AUDIT SCOTLAND**

Prepared for Moray Council  
February 2019

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- the Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance
- the Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


## Adding value

3. We aim to add value to Moray Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

4. Based on our discussions with staff, attendance at committee meetings and review of supporting information we have identified the following main risk areas for Moray Council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1 2018/19 key audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Identification and evaluation of significant transactions that are outside the normal course of business.</p>

	Audit Risk	Source of assurance	Planned audit work
2	<b>Risk of fraud over income</b> Moray Council receives a significant amount of income from several sources including income from fees and charges. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.	Procedures are designed to ensure that income due to the council is properly recorded and collected.  Comparison of income against budget.  Annual internal audit plans include an assessment of the controls over selected income categories.	Analytical procedures on income streams.  Detailed testing of revenue transactions focusing on the areas of greatest risk.  Review of arrangements for the financial assessment of those requiring care.
3	<b>Risk of fraud over expenditure</b> The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure. The council incurs significant expenditure in areas such as welfare benefits, and social care payments where there is an inherent risk of fraud.	Procedures designed to ensure that payments are only made where they are appropriate and have been properly authorised.  Annual internal audit plans include an assessment of the controls over selected expenditure categories.	Walkthrough of controls over social care payments.  Detailed testing of expenditure including social care payments and housing benefit transactions.
4	<b>Estimation and judgements</b> There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and pensions. This subjectivity represents an increased risk of misstatement in the financial statements.	Use of professional actuaries appointed by the Pension Fund to value pension adjustments required by IAS19.  Professionally qualified internal valuers prepare non-current asset valuations.	Assessment of the scope, independence and competence of the professionals engaged.  Review appropriateness of actuarial results including comparison with other councils.  Assessment of the appropriateness of the actuarial assumptions.  Establish officers' arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and the year end.  Substantive testing of journals and disclosures in connection with these estimates.  Review actual experience of significant estimates at previous year end.
5	<b>Accounts preparation</b> In 2017/18 we identified a number of errors in how transactions were classified within the unaudited financial statements. There is a risk that the accounts do not give a true and fair view of the financial position and net expenditure of the council and its group.	Accounts preparation procedures have been revised to check that these transactions are correctly classified in the 2018/19 financial statements.	Review of revised procedures and detailed testing of areas where misclassification of transactions was identified in the 2017/18 financial statements.

 Audit Risk	Source of assurance	Planned audit work
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### The Moray Council - Connected Charity Trust Funds

#### 6 Compliance with the charity test

20 of the council's 31 charitable trusts have not disbursed any funds in the last five years and so it is unclear how they meet the public benefit requirement set out in guidance issued by the Officer of Scottish Charity Regulator (OSCR).

The need to reorganise these charities has been recognised and a single trust 'The Moray Council Charitable Trust' was set up and registered with OSCR in August 2016. The plan is to transfer the remaining trusts into this single trust.

Review progress with the reorganisation of existing trust funds, identify those that do not meet the public benefit requirement and report through the Annual Audit Report and to OSCR as appropriate.

### Wider dimension issues and risks

#### 7 Financial sustainability

The council does not have a medium or long-term financial plan for revenue resources. The current level of service provision is not financially sustainable, and the council has relied on reserves to bridge its annual funding gap for the last 3 years. This cannot continue as general fund reserves are projected to be reduced to the minimum level considered prudent by the Head of Financial Services by 31 March 2020.

As at January 2019, savings of £14.8 million are required to balance the 2019/20 budget and further substantial savings will be required for 2020/21 (£11.2 million) and 2021/22 (£8.4 million).

In addition, the majority of the council's current 10-year Capital Plan is not directly linked to the council's priorities but arises from the need to invest in the council's current asset base to bring it up to, or maintain it at, the approved standard for the asset type.


There is a risk that the council is unable to agree and implement a sustainable financial model for service delivery.

The council has begun to focus more on the medium term with the approval of an Improvement and Modernisation Programme which will lay the foundations for delivering a medium-term financial plan.

The council's latest Capital Strategy (December 2018) changes the focus from asset management to the infrastructure development required in the Local Development Plan. It is intended that this will set the direction of travel as the Capital Plan is further developed in future years.

Undertake specific audit work on financial planning including review of the 2019/20 budget setting process and the progress made with developing medium- and longer-term financial plans.

Review progress made in developing the council's Modernisation and Improvement Programme for the redesign and transformation of council services.

	Audit Risk	Source of assurance	Planned audit work
8	<b>Financial management</b>  The approved budget for 2018/19 includes £6.5 million of savings and uses £4.5 million of reserves to bridge the funding gap. The latest budget monitoring report to 30 December 2018 forecasts an overspend against budget of £2.1 million at the year-end which will require to be funded from reserves. As there are limited reserves available, any overspend in 2018/19 is a risk to the council's future financial sustainability.	Budgets are closely monitored, and the council has a good track record of delivering planned savings.  The projected use of reserves is closely monitored and reported to members on a quarterly basis.	Review financial monitoring reports and the financial position at the year end with reference to the reserves position, scale of savings plans and any continued reliance on reserves to support the revenue budget.  Consider the robustness and completeness of financial monitoring during the year.  Review the council's progress in achieving its planned savings.
9	<b>EU withdrawal</b>  There are considerable uncertainties surrounding the implications of EU withdrawal and public bodies should assess the potential impact on their operations and identify specific issues and planned responses. There is a risk that the council is not prepared for the impact of EU withdrawal on the delivery of services.	Preparations for EU withdrawal is a standing item on the agenda for CMT/SMT meetings.  A senior HR adviser has been assigned to the workforce planning element of preparing for EU withdrawal.	Assess how the council has prepared for EU withdrawal, including the impact on its workforce and its dependency on key suppliers.  Consider how the council responds to any emerging issues after March 2019.
10	<b>Dependency on key suppliers</b>  Dependency on a key supplier could expose the council to service delivery issues should the supplier fail. Where a significant supplier dependency exists, there should be monitoring and business continuity arrangements to ensure the council is able to respond to significant issues. There is a risk that the council is unable to deliver services if it is not aware of its key supplier dependencies and / or fails to have sufficient business continuity arrangements in place.	Key suppliers are identified by the Procurement team as part of their contract support work.  Business continuity arrangements in response to the failure of a key supplier are under consideration.	Undertake work to establish the extent, value and nature of key supplier dependencies, including considering the council's planning for EU withdrawal.  Where issues are identified consider the robustness of the business continuity arrangements in place.

Source: Audit Scotland

## Reporting arrangements

**5.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**6.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

**7.** We will provide an independent auditor's report to Moray Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide the members of Moray Council and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 2

### 2018/19 audit outputs

Audit Output	Target date	Committee Date
Management Report	5 June 2019	19 June 2019 (Audit & Scrutiny Committee)
Annual Audit Report	12 September 2019	26 September 2019 (Council)
Independent Auditor's Report	30 September 2019	N/A

Source: Audit Scotland

## The audit of trusts registered as Scottish charities

**8.** The preparation and audit of the financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. Members of Moray Council are sole trustees for 31 trusts, registered as Scottish charities, with total assets of £0.9 million.

**9.** The 2006 Regulations require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. Section 7 (1) of the regulations allows for a single set of accounts to be prepared incorporating all of the registered charities and this approach has been applied to the Moray Council charities. We will perform the audit of the council's charitable trusts in parallel with the audit of Moray Council's financial statements.

**10.** Based on our discussions with staff and initial planning work we have identified a risk relating to inactive trusts and this is included in [Exhibit 1](#).

## Audit fee

**11.** The agreed audit fee for the 2018/19 audit of Moray Council is £235,400 (2017/18 £231,050). In determining the audit fee, we have taken account of the risk exposure of Moray Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 28 June 2019.

**12.** We have also agreed an audit fee of £5,100 (2017/18 £5,000) for the charitable trusts.

**13.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Responsibilities

### Elected members and Head of Financial Services

**14.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**15.** The audit of the financial statements does not relieve management or elected members, as those charged with governance, of their responsibilities.

### Appointed auditor

**16.** Our responsibilities as independent auditors are established by the 1973 Act for local government and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**17.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Financial statements

**18.** The statutory financial statements will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Moray Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**19.** We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted by the Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Other information in the annual accounts

**20.** We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**21.** We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements. Any issues identified will be reported to elected members at the Council meeting on 26 September 2019.

## Materiality

**22.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

**23.** We calculate materiality at different levels as described below. The calculated materiality values for Moray Council are set out in [Exhibit 3](#).

### Exhibit 3 Council materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018 based on the latest audited accounts adjusted for the elimination of internal recharges.	£3.6 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 25% of planning materiality. This is based on the high extent of judgement in the balances relating to non-current assets and pensions, the level of misclassification errors identified in prior years, and the high volume of transactions processed.	£0.9 million
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 3% of planning materiality.	£100,000

Source: Audit Scotland

**24.** We also set separate materiality levels for the charitable trusts as outlined in [Exhibit 4](#).

### Exhibit 4 Connected trusts materiality values

Materiality	Amount
<b>Planning materiality</b> – set at 2% of gross assets based on the latest audited accounts (2017/18).	£19,000
<b>Performance materiality</b> – using our professional judgement we have calculated performance materiality at 60% of planning materiality.	£11,000
<b>Reporting threshold (i.e. clearly trivial)</b> – calculated at 5% of planning materiality	£1,000



Source: Audit Scotland

### Timetable

**25.** To support the efficient use of resources it is critical that a timetable is agreed with us for the audit of the annual accounts. [Exhibit 5](#) sets out the agreed timetable which takes account of submission requirements and planned Council meeting dates.

## Exhibit 5

### Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	27 June 2019
Latest submission date of unaudited annual accounts with complete working papers package	28 June 2019
Latest date for final clearance meeting with Head of Financial Services	5 September 2019
Agreement of audited unsigned annual accounts	12 September 2019
Issue of Annual Audit Report including ISA 260 report to those charged with governance	
Council meeting to approve the audited annual accounts for signature and to consider the Annual Audit Report	26 September 2019
Independent auditor's report signed	30 September 2019

### Internal audit

**26.** Internal audit is provided by the in-house internal audit section at Moray Council. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS).

**27.** In our 2017/18 audit report we noted that an external assessment against the PSIAS had not yet taken place and so internal audit cannot demonstrate full compliance with these Standards. The assessment took place in February 2019. We will review the findings and report the results in our Annual Audit Report.

### Using the work of internal audit

**28.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. From our initial review of internal audit plans we plan to place formal reliance on internal audit's work in the following area:

- housing benefit payments (substantive testing).

**29.** In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- risk management
- review of National Fraud Initiative
- governance and corporate initiatives.

## Audit dimensions

**30.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 6](#).

### Exhibit 6 Audit dimensions



Source: Code of Audit Practice

**31.** In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

#### Financial sustainability

**32.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on Moray Council's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the council can demonstrate the affordability and effectiveness of the funding and investment decisions it has made.

#### Financial management

**33.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the council has arrangements in place to ensure systems of internal control are operating effectively
- whether the council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
- how the council has assured itself that its financial capacity and skills are appropriate

- whether the council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

### **Governance and transparency**

**34.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs)
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

### **Value for money**

**35.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- the council can provide evidence that it is demonstrating value for money in the use of its resources
- the council can demonstrate that there is a clear link between money spent, output and outcomes delivered
- the council can demonstrate that outcomes are improving.

### **Best Value**

**36.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.

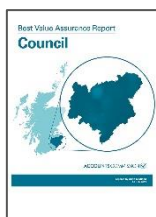
**37.** A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council that will provide a rounded picture of the council overall
- an annual assurance and risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council annual audit reports
- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five-year period.

**38.** The seven councils on which a BVAR will be published during the third year of the new approach are listed in [Exhibit 7](#). Reports will be considered by the Accounts Commission in the period between March and November 2019.

## Exhibit 7

### 2018/19 Best Value Assurance Reports



North Lanarkshire Council

Stirling Council

South Lanarkshire Council

Midlothian Council

Highland Council

Scottish Borders Council

Perth and Kinross Council

Source: Audit Scotland

### Strategic plan for the five-year appointment

39. As part of our responsibility to report on the audit dimensions over the current audit appointment the areas of proposed audit work we have identified are outlined in [Exhibit 8](#). Work scheduled for future years will be subject to annual review.

## Exhibit 8

### Strategic plan

Dimension	2016/17 to 2017/18	2018/19	2019/20 to 2020/21
<b>Financial sustainability</b>	Financial planning	Financial planning	Financial planning
<b>Financial management</b>	Financial governance and resource management Financial reporting	Financial governance and resource management	
<b>Governance and transparency</b>	Governance		Progress of transformational change and leadership Community engagement/empowerment
<b>Value for money</b>			Performance/ Outcomes

Source: Audit Scotland

### Independence and objectivity

40. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**41.** The engagement lead (i.e. appointed auditor) for Moray Council is Brian Howarth, Audit Director and for the charitable trusts is Maggie Bruce, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Moray Council or the charitable trusts.

## Quality control

**42.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**43.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**44.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Moray Council

## Annual Audit Plan 2018/19

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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 27 FEBRUARY 2019**

**SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD FROM 1 OCTOBER 2018 TO 31 DECEMBER 2018**

**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 October 2018 to 31 December 2018.
- 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 third quarter of the year saw steady progress towards delivery of the audit plan notwithstanding workload pressures on service managers participating in the process of securing the savings necessary to balance the council's budget. At the time of drafting this report most planned projects for 2018/19 are well advanced with work on payroll access controls, routine creditor payments testing, and accounting for Scottish Landfill Tax the only projects remaining to be started prior to 31 March. A summary of the work concluded in the period is provided in the following paragraphs.
- 3.2 Main Financial Systems - Treasury Management
  - 3.2.1 Treasury Management arrangements are highly regulated through the adoption of a CIPFA Code of Practice and the development of related treasury management practices. The audit found appropriate internal checks had been developed to optimise cash flow and borrowing arrangements. Audit recommendations related to refinement of treasury management practices, clearer recording of the need for capital financing transactions, and a review of training requirement on this topic for elected members. The Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 1**.

### **3.3 Departmental Systems - Children's Services - Out of Area Placements**

- 3.3.1 This audit considered the controls over costs of residential childcare placements, a topic selected on the basis of recurring budget pressures in this area. The review found that comprehensive systems were in place to assess the care needs of young people in this service user group, involving multi-disciplinary teams with the expertise to determine the required care needs in individual cases presenting.
- 3.3.2 The audit testing noted that out of area packages are applied where there are no other suitable options available to meet care needs and that, in each case, a review process had been established to ensure the placements for individual service users are re - assessed and updated as appropriate to deal with any changes in circumstances that occur.
- 3.3.3 Recommendations in the main covered administrative processes around invoice checking, authorisation, and procurement, as well as ensuring that fuller details of emergency interventions are recorded retrospectively to provide an audit trail similar to that generated through the formal assessment process. The Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 2**.

### **3.4 Main Financial Systems – Payroll Costs - Supply Teachers**

- 3.4.1 An element of the audit plan included sample audit transaction testing within the payroll system and this audit looked at the costs of providing supply teacher cover and the processes to control and authorise expenditure. Around a quarter of the annual budget is held within the Devolved School Management scheme for head teachers to administer locally, the balance is retained centrally by Education Staffing and utilised to cover longer term absences that schools are unable to fund.
- 3.4.2 Expenditure in this area is demand led and budget setting reflects this in terms of being a best estimate of likely outlays, take up also being influenced in some instances by the availability of supply staff. The impact on the service of the timing of staff absences e.g. in periods leading up to the school holidays can also be a factor in determining requirement for supply cover. The Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 3**.

### **3.5 Departmental Systems – Energy Management**

- 3.5.1 Although not separately identified as a topic in the current year's audit plan the council has been required to make annual payments for each tonne of CO2 it emits from energy use in terms of a national Carbon Reduction Commitment scheme overseen by SEPA. Participants have been encouraged to regularly audit their processes and the council has done so. This is the final review as the scheme will end on 31 March 2019 with a climate change levy thereafter being payable as an addition to energy bills.

- 3.5.2 As well as confirming the computation of the payments under the scheme the report sampled expenditure in this area and considered the council's approach to carbon reduction. This noted the work of the energy team with services and establishments to use energy efficiently to reduce costs. Recommendations made ranged from the potential to align the council's strategic plans in this area with carbon reduction targets set nationally, to a number of operational controls for the energy team to take forward. The Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 4**.

### **3.6 Risk Management Support**

- 3.6.1 Internal audit has an interest in the management of risk, broadly as a means ensuring impediments to the delivery of objectives across all levels of the council are mitigated so far as is practicable. Internal audit considers risk from its own perspective when developing audit plans, otherwise it supports services to apply agreed policy, strategy and practice when considering their own risks. In the period internal audit provided a risk management session with the corporate training team under a programme for managers to reinforce consistency in the adoption of Moray Management Methods initiative. This work has continued into the current quarter involving a session on risk for representatives from partners supporting Children's Services in Moray and assisting the Corporate Management Team with the six monthly update of the Corporate Risk Register. Further engagement is planned ahead of the year end to support the update of strategic risk registers within services.

### **3.7 Public Sector Internal Audit Standards – External Quality Assessment**

- 3.7.1 Internal Audit is required to adopt public sector internal audit standards and to have an assessment of its compliance with these standards known as an External Quality Assessment once every five years. Through the Scottish Local Authorities Chief Internal Auditors' Group it was agreed that participating councils would undertake a peer review process, carrying out an assessment of one other council and receiving a similar assessment in return. The Audit and Risk Manager and an Auditor from Fife Council undertook the assessment in Moray. A portfolio of evidence in support of the assessment was prepared during the quarter and the assessment visit took place on 5 and 6 February. At the date of drafting this report, the outcome of the assessment is awaited.

## **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/270219

## APPENDIX 1

## AUDIT REPORT 19'016

## TREASURY MANAGEMENT

## EXECUTIVE SUMMARY

The annual audit plan provides for a review of Treasury Management arrangements. The review forms part of the yearly audit coverage of core council systems. The scope of the audit considers how the council's Treasury Management Practices (TMPs) conform to the current CIPFA Code of Practice on Treasury Management published in 2017 (the Code).

Treasury Management is defined in the Code as 'the management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

Although not mandatory, Scottish local authorities are required to *have regard* to the Code; accordingly, the council has formally adopted recommended clauses on treasury management within its Financial Regulations.

These cover:

- Preparation of a treasury management policy statement and a suite of TMPs (12 in all);
- Reporting arrangements on treasury management including requirements for an annual strategy and plan in advance of each financial year, periodic in year reporting and an annual report after each year end;
- Provision of a clear statement as to the respective responsibilities for implementation and monitoring of treasury management policy and practice (with Policy and Resources Committee); and for execution and administration of treasury management decisions (with the Head of Financial Services).

The audit looked at the practical application of these clauses by reviewing policy documentation including each of the TMPs and confirming their application through sample testing of transactions. Compliance levels were high; in particular strong 'segregation of duties' controls were evident around the processing of high value transactions that take place on a daily basis, either to meet the council's cash flow requirements or for capital financing.

The main findings of the audit were:

- TMPs although recently updated could be refreshed to be more succinct and still comply with the Code guidance. In particular there is some duplication across TMPs, and reference is made on occasion to practices the council does not adopt e.g. relating to foreign exchange or investments where capital

is at risk. A glossary of terms also would be a useful addition to aid the understanding of TMPs by interested parties.

- There has been no recent training for elected members on treasury management. CIPFA guidance on this notes that those charged with governance have a personal responsibility to ensure that they have the appropriate skills and training for their role. It is also the responsibility of the authority to ensure that those charged with governance have access to the skills and knowledge they require to carry out this role effectively.
- The Code of Practice refers to elected member scrutiny of treasury management arrangements. This function is in addition to current practice which provides for reports on treasury management to be presented to Policy and Resources Committee. The council is supported by external advisers in aspects of this work and it is subject to external and internal audit review. Management should consider whether current oversight of treasury management arrangements remains appropriate.
- A reflection of the small number of staff involved in the treasury management process is a greater emphasis on recording approvals for transactions without also recording the basis for selection of the counterparties or the impact on the treasury portfolio. This is of less significance for short term funding decisions that require flexibility within the constraints of the treasury management policy but where capital financing is involved, the basis for the borrowing decisions could be recorded more fully.

# Moray Council

## Internal Audit Section

### Recommendations: Treasury Management

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
<b>Key Control:</b> Evaluate the effectiveness of the Council's application of Treasury Management Practices (TMPs) using CIPFA guidance as a reference point.						
6.1	It is recommended that the Treasury Management Practices be updated to remove duplication so far as is practicable and ensure the narrative is amended to take account of observations raised within the report covering: <ul style="list-style-type: none"> <li>Deletion of issues not applicable to council processes</li> <li>revised procedures on market reports and sign-off of weekly report sheets</li> <li>tender arrangements for advisory services.</li> </ul>	Medium	Yes	Agreed, TMPs to be reviewed	Principal Accountant	1 September 2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
6.2	A more formal reporting and authorisation framework should be considered in support of borrowing decisions, in particular for those relating to longer term loans for capital financing.	Medium	Yes		Assistant FMS and Banking Manager	Will be implemented immediately
6.3	Training needs of elected members should be considered to ensure they are suitably equipped to fulfil their scrutiny and management oversight roles relative to treasury management.	Medium	Yes		Head of Finance	1 September 2019

**APPENDIX 2****AUDIT REPORT 19'020****INTEGRATED CHILDREN'S SERVICES – OUT OF AREA PLACEMENTS****EXECUTIVE SUMMARY**

The annual audit plan provided for a review to be undertaken of the arrangements for controlling the costs of residential childcare placements outwith the Moray area. This topic was selected for review due to the scale of expenditure in recent years and the established pattern of exceeding budgetary provision available. The annual budget for 18/19 is set at £5.38 million.

The audit scope was to assess the key controls in operation within the Integrated Children's Service with regard to out of area placements in terms of assessment, selection of facilities and consideration of costs and ongoing commitments. Service provision available within Moray consists of foster care, Cala the Council's own residential care home which has been subject to recent audit, residential care provided on behalf of the Council by Action for Children and Aberlour Child Care Trust and various other support services. These services will be made use of wherever possible to support continuation of residence in Moray, but where there is a lack of capacity or of the specialist skills required to cater for complex needs of an assessed young person, an out of area placement may be considered to be the only available option to fulfil a responsibility of care and protection. This audit has covered out of area residential placements, excluding the separate area of out of area foster care.

The review has covered the systems in place within the current 2018/19 financial year to date, with reference made to prior years where relevant.

Out of Area Placement costs are considerable with actual expenditure for the full 17/18 financial year amounting to £5.4 million, in respect of 28 placements. Costs of the service are regularly presented to the service committee and when appropriate, Policy & Resources, given the scale of the expenditure and budgetary pressure which can arise. The annual budget for 18/19 is expected to be exceeded due to continuation of the prior year overspend and new placements arising, as reported to service and policy and resources committees in November.

The audit has found the standard process of placement approval to involve presentation of potential placements by lead officers to the Additional Resource Allocation Group (ARAG), a panel of senior professionals within education and social care. This forum gives challenge to the process and ensures all care options have been considered, leading to an appropriate choice which will meet care and education needs. The group also receives updates on existing placements and makes decisions on continuing care needs as the aim is to have the child or young person transitioning back to Moray wherever possible. This approval process strengthens the control environment from a financial perspective by ensuring only costs determined as essential are incurred.

The main areas identified for management attention relate to:-

- Where a service provider has been contracted through the national framework agreement applicable to Children's Residential Care and Education, Individual Placement Agreements are completed by the service provider and Council on initial placement of each child, to formalise the terms of the particular placement. However, where a non-framework service provider is contracted separately by the Council, the formalisation of the terms of individual placements is not consistently undertaken.
- Instances of payments to service providers in advance of service delivery have been seen despite contract payment terms being one month in arrears. Advance payments are not permitted by the Council's Financial Regulations unless approved by the Head of Financial Services.
- Audit trails of documentation relating to a placement and approval of costs could be improved by ensuring a full set of relevant documents is filed in one location on initial placement and on each review. Although this is an issue in only a small number of cases this would aid independent verification of placement approvals undertaken outwith the standard placement meeting process, for example when emergency circumstances present.

# Moray Council

## Internal Audit Section

### Recommendations: Integrated Children's Services – Out of Area Placements

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/No)	Comments	Responsible Officer	Timescale for Implementation
<b>Key Control:</b> Out of Area placements are based on robust needs assessments and are appropriately approved, contracted and monitored.						
5.1	On making a placement with a non-framework service provider, placement details should be formalised by the completion of documentation consistent with the Individual Placement Agreement used for framework provisions.	Medium	Yes	In the interim, a tailored version of the existing Individual Placement Agreement for framework providers will be used to formalise terms for all placements made with non-framework service providers. In the longer term, the Care Financials system is to be developed and may provide a standardised documentation solution. The Care Financials project has an estimated end date of May 2020.	Senior Business Support Administrator	31/03/2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/No)	Comments	Responsible Officer	Timescale for Implementation
5.2	Although where possible, all initial placements and subsequent reviews should be presented and considered at an ARAG meeting session in accordance with the established process, any approvals made by senior management outwith ARAG meeting should be supported by a full documentation trail recorded in the placement file. The completed recommendation approval form should provide reference to the information considered in absence of minutes of an ARAG meeting.	Low	Yes	Processes will be strengthened to ensure any emergency authorisations given outwith the full ARAG process are documented and retained. The case will then be referred to the next occurring ARAG meeting for full discussion and formal approval recognition.	Corporate Parenting & Commissioning Manager	31/05/2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/No)	Comments	Responsible Officer	Timescale for Implementation
<b>Key Control:</b> Sound financial control is exercised over the costs of Out of Area placements with budgeted and actual costs alignment, appropriate authorisations, no advance payment allowed and amounts paid in accordance with contracted rates.						
5.3	Authorisation from the Head of Financial Services should be sought for the advance payment arrangement agreed by the service for a particular placement with one service provider.	Medium	Yes	Authorisation will be sought in compliance with the Council's Financial Regulations.	Corporate Parenting & Commissioning Manager	31/03/2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/No)	Comments	Responsible Officer	Timescale for Implementation
5.4	Payments to service providers should be made in accordance with the contract terms, namely one month in arrears.	Medium	Implemented	During the audit process communication was issued to all relevant officers confirming advance payment of service provision is not permissible. A reminder will also be issued by the Senior Business Support Administrator as part of the overall communication of recommendations arising from the audit.		

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/No)	Comments	Responsible Officer	Timescale for Implementation
5.5	Officers authorising payment for out of area placements should ensure all invoices received are referenced to the approved contract rate for the service in ensuring the correct amount is authorised for payment.	Medium	Yes	Refresher financial training is to be obtained to reinforce roles and responsibilities for budget management purposes. Administrative processes will be strengthened to ensure all invoices will be referenced to agreed contract rates and noted as checked, prior to authorisation for payment.	Corporate Parenting & Commissioning Manager	31/05/2019



**APPENDIX 3****AUDIT REPORT 19'012****SUPPLY TEACHERS - PAYROLL COSTS****EXECUTIVE SUMMARY**

The annual Internal Audit plan for 2017/18 provided for an audit to be undertaken of selected payroll costs. Central supply cover payroll costs were reviewed.

Central Education meet the costs of providing supply cover for a range of teaching staff absences, principally for staff sickness exceeding 10 working days (3 days for SEN teachers), as well as cover for maternity and paternity leave, and union duties. The budget also meets the cost of excess staffing, where teachers are supernumerary in terms of the DSM formula but under agreed terms and conditions cannot be transferred to another school. The total budget of £1.1m (£1.1m 2017/18) made available for central supply cover equated to 77% of total supply teacher cover in the overall education budget. The remaining balance is allocated to individual schools based on the DSM formula to cover other absences.

The scope of the audit was to review these costs for the financial year 17/18 and beginning of 18/19. The audit established the control mechanisms for administering the budget, reviewed the reporting and management framework and considered internal guidance and policy.

In terms of administering the budget, access to this additional funding is pre-authorised by the Business Support Team Manager following consideration of a form s55, which is submitted by each school requiring payment for supply cover. Supply teacher spend is then charged, via time sheet, to the central supply cover budget. The budget is monitored at a top (summary) level and 6-monthly meetings are held with Accountancy to evaluate spend and plan the following year's budget.

The audit found that the administration of the budget was working as intended with schools completing s55 forms and submitting timesheets accordingly, although in some cases the approval form reference number was not annotated on the corresponding timesheet to aid checking of approvals. Also from the timesheets sampled there were variations in approaches taken by schools in terms of what might trigger a claim for supply cover, e.g. availability of suitable supply cover, absence period near to holiday dates.

While accepting the principle that some supply cover is unavoidable, a review of the policy on provision of this cover has been recommended to assess whether there are efficiencies that could be achieved in this area. Accountancy is already looking at ways of providing more detailed management information on this category of spend to ensure data is available on which to base any policy review.

# Moray Council

## Internal Audit Section

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### Recommendations: Supply Teachers – Payroll Costs

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
<b>Key Control:</b> Establish the monitoring and reporting of the central supply cover budget.						
6.1	More detail should be extracted for budget monitoring. Whilst it has been noted that knowledge of spend is gathered at the s55 sign off stage, it would help to have a more formalised budget monitoring process that allows for great analysis and evaluation.	Medium	Yes	Understand the requirement to be able to analyse any supply budget spend but when the S55 is signed it allocates up to 6 months for example for full pay. There is currently no follow up process to review how many days were actually required. Actual use of the S55 budget code	Business Support Team Manager	1 July 2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
				would have to be collated at school level.		
<b>2.2</b>	Should progress be made towards securing submission of completed s55 forms electronically the opportunity should be taken to evaluate how data therein could be extracted for analysis and evaluation.	Medium	Yes	Agreed that the only way to make the process more secure and reduce any ability to misuse would be to manage it electronically	Business Support Team Manager	1 July 2019
<b>Key Control:</b> Establish any internal policies and guidance documents.						
<b>3.1</b>	An updated policy or guidance should be prepared to provide clarity and consistency on the	Medium	Yes	Recognised the need to update procedures given	Business Support Team Manager	1 July 2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
<b>No.</b>	<b>Audit Recommendation</b>	<b>Priority</b>	<b>Accepted (Yes/ No)</b>	<b>Comments</b>	<b>Responsible Officer</b>	<b>Timescale for Implementation</b>
	operation of the central supply cover scheme, taking into account changes necessary to ensure it remains fit for purpose both from an educational and cost perspective.			the constant movement of staff and the requirement for admin staff to cover a variety of admin functions across the Business Support Team.		

**APPENDIX 4****AUDIT REPORT 19'013****CARBON REDUCTION COMMITMENT AND ENERGY MANAGEMENT****EXECUTIVE SUMMARY**

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a UK Government Scheme. It is designed to encourage energy efficiency and cut carbon dioxide (CO<sub>2</sub>) emissions in private and public sector organisations that are high energy users. The Scottish Environment Protection Agency regulates the scheme in Scotland. CRC operates in phases; Phase 1 from April 2010 to March 2014, and Phase 2 from April 2014 to March 2019.

The scheme requires participants to purchase allowances to cover CO<sub>2</sub> emissions from qualifying gas and electricity usage, although this will change from April 2019, with the introduction of a Climate Change Levy. The Climate Change Levy (CCL) is a tax on energy delivered to non-domestic users. In terms of cost, the Government intention is for CCL to be cost neutral when compared to the previous CRC scheme.

CRC allowances can be purchased twice per year. The first, at the start of the year, is based on "forecast" emissions at a unit price of £17.20 per tonne of CO<sub>2</sub>. The second is a "buy to comply" purchase at the end of the year at a higher unit price of £18.30 per tonne (both 2018/19 rates). Participants have discretion as to when to buy their allowances. For this financial year it is estimated that 8737 allowances will be required. This will be funded from a balance of 5637 unused allowances from 2017/18 and a purchase of 3100 new allowances at a cost of £53,320. A lower estimation of usage has been set from previous years as more energy is being sourced from renewable sources, and implementation of energy saving projects.

The SEPA Compliance Guide recommends reviews should be undertaken of internal procedures and of the quality of data used to calculate emissions; this audit constitutes one such review. This audit has focused on the arrangements for the "evidence pack" and "electric supplies" as "gas supplies" was subject to a previous review undertaken. In addition an overview was also undertaken regarding the Energy Management arrangements within the Council.

The audit review noted the following areas for consideration:-

- As a reduction in carbon emissions is a national objective of the Scottish Government, consideration should be given to including a clear commitment to reduce the Council's Carbon Footprint within the Corporate Plan. Monitoring could thereafter be undertaken against national set performance targets i.e. Scottish Government have set targets to reduce carbon emissions by 42% by 2020 and 80% by 2050.

- A report on Energy Strategy / Actions is presented annually to Policy and Resources Committee informing members of the actions taken to minimise the Council's energy consumption and of progress regarding a number of energy saving initiatives. Consideration should be given to providing further information in this report regarding progress undertaken to reduce carbon emissions, post contract reviews of actual savings generated etc.

# Moray Council

## Internal Audit Section

### Recommendations: Carbon Reduction Commitment and Energy Management

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
<b>Key Control:</b> Effective Energy Management arrangements in operation.						
5.1	Consideration should be given to include a commitment within the Corporate Plan to reduce the Council's carbon footprint, with the aim of contributing to the long term national target established by the Scottish Government of a reduction in carbon emissions by 42% by 2020 and 80% by 2050.	Medium	Yes	This will be given due consideration when the Corporate Plan is next reviewed. A Climate Change Strategy is also currently being prepared for the council which will contain proposals for carbon reduction and related performance targets	Corporate Director (EDP&I)	31/03/2020

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.2	The Annual Report on Energy Strategy/ Actions should also report CO <sub>2</sub> emissions, including comparisons with prior year figures to show the direction of travel for this key indicator.	Medium	Yes	Carbon emissions for non-domestic properties reported to Policy and Resources Committee on the 27 <sup>th</sup> of November 2018	Energy Officer	Implemented
5.3	Consideration should be given to providing further analysis within the Annual Report on Energy Strategy/ Actions of the actual savings generated from each energy saving project.	Medium	Yes	The annual report will be expanded to include further analysis of carbon and financial savings from each energy saving project.	Energy Officer	With effect from Annual Report 2018/19

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
<b>Key Control:</b> Appropriate controls operate to ensure compliance with the Carbon Reduction Commitment Energy Efficiency Scheme.						
5.4	The Energy Supplier should be reminded to use actual meter readings wherever possible.	Low	Yes	Actual readings are submitted monthly to suppliers by the Council. The Energy Supplier does not use the information consistently and regularly. Regular reminders will be sent to the Energy Supplier.	Energy Officer	28/02/2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.5	Random sampling should be undertaken of the meter readings detailed on the Energy Supplier's Invoice to the actual recorded meter reading submitted to the Energy Section. Any concerns or queries should then be raised with the Energy Supplier.	Medium	Yes	Procedure to be developed and adopted	Energy Officer / Energy Technician	31/03/2019
5.6	The Energy Manual should be updated to include procedures for ensuring the regular checking and submission of energy consumption meter readings.	Low	Yes	Procedure to be developed and adopted	Energy Officer / Energy Technician	31/03/2019

# Moray Council

## Internal Audit Section

Risk Ratings for Recommendations						
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.		<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.7	Consideration should be given to undertaking regular reconciliations between expenditure recorded within Team Sigma system to information supplied to FMS.	Medium	Yes	Monthly reconciliations between expenditure recorded within Team Sigma system to information supplied to FMS will be carried out.	Energy Officer / Energy Technician	31/03/2019
5.8	Consideration should be given to exploring the variance analysis functions within Team Sigma, as this may provide some additional management information of areas for further investigation or identify anomalies in energy consumption.	Low	Yes	A study with report will be undertaken to consider the analysis functions within Team Sigma.	Energy Officer / Energy Technician	31/03/2019





**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 27 FEBRUARY 2019**

**SUBJECT: LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL OVERVIEW  
2017/18**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

## **1. REASON FOR REPORT**

- 1.1 To inform the Committee of Audit Scotland's report on the Financial Overview 2017/18, part of the Local Government in Scotland series of national reports.
- 1.2 This report is submitted to Committee in terms of Section III (I) (3) of the Council's Scheme of Administration to consider reports from Audit Scotland concerning Council functions.

## **2. RECOMMENDATION**

- 2.1 **The Audit and Scrutiny Committee is asked to consider and note Audit Scotland's Financial Overview 2017/18 report.**

## **3. BACKGROUND**

- 3.1 The report contains the following key messages as the summary of the report.
  - Councils depend on Scottish Government funding for a significant part of their income. Scottish Government revenue funding to councils reduced in 2017/18, in cash terms by 0.6 per cent (£0.06 billion) and in real terms, by 2.3 per cent (£0.22 billion). Council Tax increases and increased fees and charges were used by councils to increase overall budgets by £0.3 billion (cash terms).
  - In 2017/18, councils managed funding gaps of four per cent in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves. Councils are under pressure to find different ways to fund and deliver services. In 2017/18, 24 councils increased council tax, whereas in 2018/19, all councils increased council tax.
  - Overall increases in spending in Education and Social Work were offset by reductions in other services.

- Eighteen councils ended 2017/18 with lower levels of usable reserves than they had at the start of the year. Total usable reserves fell by £18 million, a relatively small amount.
- Funding to the Integration Joint Boards (IJBs) increased in 2017/18 by three per cent in cash terms (1.4 per cent in real terms), including additional funding from the NHS. The majority of IJBs have underlying financial sustainability issues, with 20 incurring deficits or dependent on additional (“deficit”) funding from their partners.
- The financial outlook is for reductions in Scottish Government revenue funding to councils. This will mean continued and increasing financial pressures on council services, especially those that are not protected.
- The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks.

#### **4. LOCAL CONTEXT**

- 4.1 Moray Council received non-specific revenue funding of £154.5 million in 2017/18 compared to £156.9 million in 2016/17. The trend of decreasing core funding continues for 2018/19 and 2019/20.
- 4.2 Moray Council increased Council Tax in 2017/18 and 2018/19 and made savings of £5.2 million in 2017/18, with further savings of £6.5 million in 2018/19 to date. However, these increases have been insufficient to plug the funding gap and the Council has continued to rely on reserves. Reserves are projected to fall below the approved minimum in 2019/20.
- 4.3 Education and Social Care budgets are to a certain extent protected by the conditions of the local government settlement. No Moray Council service has been immune from budget reductions over the last few years.
- 4.4 As referred to in paragraph 4.2, Moray Council’s usable reserves have fallen, from £23.8 million as at 31 March 2016, to £21.7 million as at March 2017 and £17.1 million as at March 2018. It is anticipated that the usable reserves will fall to around £8 million by the end of this financial year.
- 4.5 Moray Council’s funding to Moray Integration Joint Board (MIJB) for Health and Social Care increased from £40.8 million in 2016/17 to £41.8 million in 2017/18 – a 2.5% increase in cash terms. In 2018/19, Moray Council reduced funding to MIJB pro rata to its decreased funding from Scottish Government – the final reduction will be dependent on the pay award, which will be funded by the Council. MIJB anticipate requiring deficit funding in 2018/19 for the first time and have notified the council and the NHS of this.
- 4.6 Moray Council in its financial planning process anticipates further reductions in revenue funding from Scottish Government and is developing a transformation programme (Improvement and Modernisation) to mitigate the effects of this in future years.

- 4.7 Moray Council recognises EU withdrawal as a risk in its corporate risk register and will develop plans to mitigate this risk as the situation becomes clear.

## **5. SUMMARY OF IMPLICATIONS**

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

While key messages from inspectorates inform planning processes, there are no issues directly arising from this report.

**(b) Policy and Legal**

Inspection processes provide assurances on the policy and practice adopted by services and contributes to the assessment of, and improvements to, governance arrangements of the council.

**(c) Financial implications**

No financial implications arising from this report.

**(d) Risk Implications**

No risk implications arising from this report.

**(e) Staffing Implications**

No staffing implications beyond supporting inspection processes from within existing resources.

**(f) Property**

None.

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

None.

**(h) Consultations**

The Audit Manager has been consulted on this report and his comments have been incorporated.

## **6. CONCLUSION**

**6.1 This report provides Committee with key messages from Audit Scotland's Local Government in Scotland Financial Overview 2017/18 report.**

Author of Report:	Lorraine Paisey, Head of Financial Services
Background Papers:	Audit Scotland's Local Government in Scotland Financial Overview 2017/18
Ref:	LP/LJC/





**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 27 FEBRUARY 2019**

**SUBJECT: SCOTTISH PUBLIC SERVICES OMBUDSMAN  
RECOMMENDATIONS REPORT**

**BY: CHIEF EXECUTIVE**

**1. REASON FOR REPORT**

- 1.1 The Audit & Scrutiny Committee is asked to consider the Scottish Public Services Ombudsman (SPSO) Recommendations Report to demonstrate that SPSO recommendations are considered at a senior level.
- 1.2 This report is submitted to Committee in terms of Section III (A) (4) of the Council's Scheme of Administration relating to contributing to public performance reporting.

**2. RECOMMENDATION**

- 2.1 **The Committee is invited to consider the content of the SPSO Recommendations Report, seek clarification on any points arising and otherwise approve the report.**

**3. BACKGROUND**

- 3.1 Complaints handling is part of the Council's Performance Management Framework. Members receive updates on complaints performance through routine reports to service committees.
- 3.2 All complaints operate through a two stage complaints process.
- 3.3 Once a complaint has passed through the complaints process, a complainant has the option of having their complaint considered by the SPSO. Following SPSO investigation, they can make recommendations to help councils learn from mistakes and implement service improvements.
- 3.4 The SPSO has asked authorities to confirm that SPSO complaint recommendations are reviewed at a senior level by returning an annual 'learning and improvement statement' confirming this. This builds on the model complaints handling procedures that set out the importance of Moray

Council being able to demonstrate how they 'systematically review complaints performance reports to improve service delivery'. Our statement includes a commitment to report on SPSO recommendations annually to Audit and Scrutiny committee.

- 3.5 The SPSO introduced a 'learning and improvement unit' (LIU) to ensure public authorities take the necessary responsibility and actions to handle complaints well and reduce the occurrence of repeat mistakes. The aim of the LIU is to enhance the impact of their work by helping authorities improve public services through learning from complaints.
- 3.6 One of the main areas the LIU focus on is SPSO recommendations. A key part of this work includes providing authorities with additional support and advice on how to meet their recommendations with a view to preventing repeat service failings and complaints. In addition to this extra support they are looking to adopt a tighter escalation process for the very few cases where their recommendations are not being implemented, with the potential to lead to a Special Report.

#### **4. SPSO RECOMMENDATIONS FOR REPORTING PERIOD 2017/18**

- 4.1 Table 1 (**APPENDIX 1**) shows all Moray Council complaints in reporting period 2017/18 where we received notification of referral by complainants to the SPSO. Recommendations were made as detailed at items 1, 2 and 10.
- 4.2 Item 1, SPSO Reference 201608934, continued from reporting period 2016/17. Following SPSO investigation of this Community Care complaint, three complaint issues were upheld with three specific recommendations made to:
- Issue an appropriate apology
  - Carry out a review of procedures for clients transitioning from other local authorities, supported at corporate level.
  - Issue staff guidance relating to communication and a person-centred approach to transitions from one local authority to another.

The Head of Community Care, dealt with these recommendations by:

- Issuing an apology letter on 29 January 2018
- Reviewing and revising policy which was issued to staff

Correspondence evidence of this was sent to the SPSO investigating officer confirming that all recommendations had been complied with.

- 4.3 Item 2, SPSO Reference 201607679, continued from reporting period 2016/17. Following SPSO investigation of this Education complaint, it was upheld and the following recommendations were made including:
- Make an appropriate apology
  - Arrange training for staff involved

A Quality Improvement Officer, dealt with these recommendations by:

- Issuing a letter of apology on 1 August 2017
- Providing a training input to the school staff concerned

Correspondence evidence of this was sent to the SPSO investigating officer confirming that all recommendations had been complied with.

- 4.4 Item 10, SPSO Reference 201608046, continued from reporting period 2016/17. Following SPSO investigation of this Education complaint, it was upheld and the following recommendation was made to:

- Make an appropriate apology

The Corporate Director (Education and Social Care) dealt with this recommendation by:

- Issuing a letter of apology on 8 January 2018

Correspondence evidence of this was sent to the SPSO investigating officer confirming that the recommendation had been complied with.

## **5. SUMMARY OF IMPLICATIONS**

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

This report supports the Scottish Government's national outcomes, in particular the commitment to be accountable to the community as stated: "Our public services are high quality, continually improving, efficient and responsive to local people's needs."

Effective handling of complaints is used to ensure the efficient and sustainable delivery of services to meet the Council's priorities in the Moray Council Corporate Plan 2023. As part of the **Improving** Value the Complaints Handling Process enables us to be open about our performance, including opportunities to improve, and also to learn from our experiences and failures, and change accordingly.

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

The SPSO requested a 'Learning and Improvement statement' in support of our statutory requirement to report to the SPSO annually on their performance indicators.

### **(c) Financial implications**

It is not anticipated that there will be any financial implications as the two complaint recommendations referred to in this report are not linked in any way to financial claims.

**(d) Risk Implications**

Failure to report may result in SPSO making a declaration of non-compliance against the Council. Non-compliance with the statutory duty relating to national standards being adopted would present risk in terms of reputational damage and a loss of public confidence in our ability to deliver quality improvements based on complaints analysis, and ultimately to maintaining and improving service standards.

**(e) Staffing Implications**

There are no staffing implications related to this report.

**(f) Property**

There are no property implications related to this report.

**(g) Equalities**

The Equal Opportunities Officer has been consulted in the preparation of this report and the equalities impact has been identified as uncertain.

**(h) Consultations**

The Corporate Management Team has been consulted on the contents of SPSO Recommendations report.

**6. CONCLUSION**

**6.1 The SPSO Recommendations Report presents council action taken to address SPSO recommendations.**

Author of Report: Bridget Mustard, Corporate Policy Unit Manager  
Background Papers: SPSO PIs  
Ref: SPMAN-957343068-994

**Table 1: SPSO referrals**

Case Ref/No	LOG Ombudsman Referrals 01-4-2017 to 31-03-2018					
	Submission Req'd/Sub	Details			Decision/Date	Action Plan Y/N
		Comp Ref No	Department			
1.  SPSO 201608934	08/06/2017	8280	Community Care	Circles Advocacy complained on behalf of the complainant to SPSO regarding failures to respond to complaints; carry out Complaint Review Committee recommendations; to consider adjustments to her debt having confirmed this would be done.	<p>Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.</p> <p>SPSO issued their decision on 29 November 2017 and upheld three complaint issues that:</p> <p>1. The Council did not respond reasonably to complaints raised on the complainant's behalf between January and April 2016.</p> <p>2. The Council have unreasonably failed to carry out the recommendations of the Complaint Review Committee convened to consider the complainant's case on 20 October 2016.</p> <p>3. The Council have unreasonably failed to consider adjustments to the complainant's debt in light of her experiences as they confirmed they would on 24 November 2016.</p>	Y

					<p>They made three recommendations that:</p> <p>1. The Council should provide the complainant with an apology for her poor experience during her initial transition of local authorities, for their failure to provide her with this in their previous apology letter, for not promptly alerting her and apologising that her case was not considered at the February 2017 Charging Appeals Panel.</p> <p>The apology should meet the standards set out in the SPSO guidelines on apology available at <a href="https://www.spsso.org.uk/leaflets-and-guidance">https://www.spsso.org.uk/leaflets-and-guidance</a>.</p> <p>2. The Council should undertake a meaningful review of their processes for clients transitioning from other local authorities, supported at corporate level.</p> <p>3. The Council should re-issue guidance in relation</p>	
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					to communication and a person-centred approach towards transitions from one local authority area to another.	
2. SPSO 201607679	30/08/17	9107	Education	Complaint to SPSO regarding failures to comply with policy on restraint and physical intervention; unreasonably used a restraint and physical intervention policy which was not specific to children.	<p>Complaint was partially upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.</p> <p>SPSO issued their decision on 2 August 2017 and made two recommendations that:</p> <p>1. The Council apologise to the complainant for failing to reasonably comply with procedures and for the distress caused to both her and her child.</p> <p>The apology should meet the standards set out in the SPSO guidelines on apology available at <a href="https://www.spsso.org.uk/leafletsand-guidance">https://www.spsso.org.uk/leafletsand-guidance</a>.</p> <p>2. Provided training to staff involved in the complaint.</p>	Y

3.  SPSO 201703484	23/05/2017	101001512646	Education	Complaint to SPSO regarding his treatment during a school placement.	Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 29 August 2017 that this case did not merit taking forward.	N
4.  SPSO 201701452	14/09/17	101001481494 101001481557	Education	Complaint to SPSO regarding the school failing to act promptly when her child was bullied at school	Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 13 September 2017 that they would not take this case forward as they were happy with the actions of the council.	N
5.  SPSO 201704624	18/10/2017	101001627424	Community Care	Complaint to SPSO regarding the quality of the council's meals on wheels service.	Complaint was partially upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 18 October 2017 that they would not take this case forward however they would ask the council to consider the points raised by the complainant and this was done to his satisfaction.	N

6.  SPSO 201703299	02/11/17	101001473592	Education	Complaint to SPSO regarding their child sustaining injury at school and how this was managed by staff	Complaint was partially upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 19 January 2018 that they would not take this case forward the complainants were taking their case to the General Teaching Council for Scotland	N
7.  SPSO 201704784	01/12/2017	101001638998	Development Services	Complaint to SPSO regarding planning issues associated with the Linkwood Steadings development.	Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 1 December 2017 that they would not take this case forward as the council had adhered to policy and procedure throughout.	N
8.  SPSO 201705877	01/12/2017	101001630006	Development Services	Complaint to SPSO regarding planning issues associated with the Linkwood Steadings development.	Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 1 December 2017 that they would not take this case forward as the council had adhered to policy and procedure throughout.	N

9.  SPSO 201702857	11/12/2017	101001474156 101001761823	Direct Services	Complaint to SPSO regarding lack of consultation on a core path being sited on their property.	Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 11 December 2017 that they would not take this case forward as the council had adhered to policy and procedure throughout.	N
10.  SPSO 201608046	18/12/2017	8725	Education	Complaint to SPSO regarding the council's failure to explore options for her child's return journey home from a school trip abroad following the child sustaining injury	Complaint was partially upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 11 December 2017, upholding the complaint and made one recommendation that an apology letter be sent to that complainant.	Y
11.  SPSO 201707152	05/02/2018	101001648864	Development Services	Complaint to SPSO regarding a planning process.	Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.  SPSO issued their decision on 21 February 2018 that they would not take this case forward as the council had adhered to policy and procedure throughout.	N

12.  SPSO 201706098	01/02 to 07/03/2018	101001752778	Direct Services	Complaint to SPSO regarding road surface issues.	<p>Complaint was not upheld by the council and the complainant referred their continued dissatisfaction to the SPSO.</p> <p>SPSO determined that the complainant issues did not fall within the complaints process and advised that no further action would be taken.</p>	N
13.  SPSO 201708565	15/03/2018	Not recorded as a complaint as out with the complaints process	Direct Services	Complaint to SPSO regarding a trust issue.	<p>Complaint was not recorded as a complaint by the council as it was deemed to be a legal issue and the complainant referred their continued dissatisfaction to the SPSO.</p> <p>SPSO queried if this had gone through our complaints process. They were advised that this was not a complaint matter.</p> <p>The SPSO issued a letter on 19 July 2018 advising the complainant that this was not something they could offer a legal opinion on and that they would not be taking the complaint forward.</p>	N

14. SPSO 201708622	15/03/2018	Not recorded as a complaint as out with the complaints process	Direct Services	Complaint to SPSO regarding a trust issue.	Cross refer entry 13 as it relates to the same issues and SPSO decision that for legal reasons they could not take the matter forward.	N
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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 27 FEBRUARY 2019**

**SUBJECT: STATEMENT OF OUTSTANDING BUSINESS AT FEBRUARY 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 FEBRUARY 2019 – REPORTS**

<b>Date of Audit and Scrutiny Meeting</b>	<b>Subject &amp; Committee Decision</b>	<b>Update</b>	<b>Responsible Officer</b>	<b>Date to be Completed</b>	<b>Completed</b>
4 December 2018	<b>Internal Audit Charter (Terms of Reference)</b>  Seek a report providing a draft Internal Scrutiny Charter for consideration	Draft report under development	Corporate Director (Corporate Services)	TBC	
4 December 2018	<b>The National Fraud Initiative in Scotland</b>  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 April	Corporate Director (Corporate Services)	April 2019	
4 December 2018	<b>Corporate Integrity Group Update</b>  Action - Seek clarification on the feasibility of publishing hospitality records for staff	Will be addressed as priorities dictate.	Corporate Director (Corporate Services)	TBC	
4 December 2018	<b>Question Time</b>  That a report detailing the income and expenditure of the dredger since its purchase, including capital and an evaluation of its performance against the projected benefit and/or business case to the Council at the time of approval is written and brought before the Committee.	A report will be submitted to the meeting of this Committee in April.	Corporate Director (Economic Development, Planning and Infrastructure)	April 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	<b>Update on Progress: Customer Focus Strategy and Charter</b>	Annual update on progress against strategy and charter	Corporate Director (Corporate Services)	April 2019	
	<b>Local Outcome Improvement Plan (LOIP)</b>	Annual report across all priorities. LOIP and Performance Management Framework agreed. Partnership considering actions, measures and timescales against priorities.	Chief Executive	April 2019	