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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 13 NOVEMBER 2019**

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

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

**1. REASON FOR REPORT**

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

**2. RECOMMENDATIONS**

**2.1 Committee is asked to:**

- i) **note this consideration of a further two aspects of the Accounts Commission report on 'How councils work' entitled 'Safeguarding public money: are you getting it right?';**
- ii) **review and consider council responses to the questions in the two checklists covering Fraud and Corruption, and Partnership Working'; and comment on any matters arising; and**
- iii) **note the council has taken a proportionate approach to achieving good governance by seeking to secure appropriate arrangements at optimal cost.**

**3. BACKGROUND**

- 3.1 In April 2019, the Accounts Commission published its latest report in its series of How Councils Work entitled: Safeguarding public money: are you getting it right?
- 3.2 The paper is of particular interest to officers and councillors involved with the Audit and Scrutiny Committee given its focus on areas falling within the remit of the committee. These relate to good governance, the management of risk

and the importance of maintaining sound systems of internal control. A copy of the full report is available at: [https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr\\_190411\\_hcw\\_safeguarding.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_190411_hcw_safeguarding.pdf)

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

3.4 Key messages from the report are:

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

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

- Internal controls and risk management – reported to this Committee on 19 June 2019 (Para 6 of the draft Minute refers)
- **Fraud and corruption**
- Consequences of weak controls
- Audit committee – reported in June 2019
- **Partnership working**
- Councillors' continuous professional development
- Statutory Officers and the Chief Education Officer
- Internal audit function

The checklists are provided in summary form as **Appendix 1**.

3.6 This report considers the topics of **Fraud and Corruption** and **Partnership Working**.

### **Fraud and Corruption**

3.7 With ever increasing pressures on the public purse it is important that the risk of loss through fraud, corruption or other irregularity is minimised.

- 3.7.1 Accordingly, the council has in place a Policy to Combat Fraud, Theft Bribery and Corruption. This policy underpins the council's financial regulations, and complements guidance from codes of conduct for both councillors and officers. These codes refer to the high standards expected of those in public life.
- 3.7.2 The Fraud etc. policy was last updated in 2012 and essentially remains fit for purpose. Various minor amendments are being proposed for consideration by this committee prior to the policy being resubmitted to Policy and Resources Committee for approval. A copy of the updated policy in draft is provided as **Appendix 2**.
- 3.7.3 Of particular note, the Accounts Commission report highlights cyber security as being increasingly important as the use of digital technology becomes central to the way public services are delivered. Various risks present around theft or corruption of data and when such incidents occur, the possibility of financial loss and reputational damage are significant. Attempts to access bank accounts for fraudulent purposes are also widespread and information received on latest reported 'scams' is shared with relevant services as appropriate.
- 3.7.4 The report while noting that cyber security risks are high also acknowledges that councils are required to meet high standards of information security and that few serious issues have arisen in councils. Nevertheless, the threat is recognised and work on cyber resilience continues within ICT. Internal Audit work in this area is also scheduled within the current year internal audit plan.

### **Partnership Working**

- 3.8 The report affirms that partnership working is increasingly prevalent given changing models of service delivery. It notes that on some issues 'the centre of gravity in discussion and decision making is moving away from councils themselves yet councillors must remain sighted on their duties to their council and their council remains accountable to the local communities it serves'. It further notes that councillors should expect officers to report to them on the activities, finances and performance of each partnership in achieving its intended outcomes
- 3.8.1 Four partnership areas are referenced;
- Community Planning, which in Moray is directed by a Community Planning Board responsible for development and oversight of the Local Outcomes Improvement Plan
  - Health and Social Care, overseen by the Moray Integration Joint Board (IJB) and supporting Committees
  - Arm's Length External Organisations, for now limited to the council's relationship with Moray Leisure Centre; and
  - the Moray Growth Deal; a recently announced funding support programme from UK and Scottish Governments. The aim of these collaborations is to drive inclusive economic growth in the local area.

- 3.8.2 A report to the Community Planning Board in September gave an update on progress with the objectives outlined in the Local Outcomes Improvement Plan (LOIP), notably the two plans for communities in Buckie and New Elgin.
- 3.8.3 Reporting to the IJB and its supporting committees take place through an established programme of scheduled meetings covering a wide range of topics including service planning, transformation and financial matters.
- 3.8.4 The council's relationship with the Leisure Centre is longstanding albeit the 25 year period of the original lease agreement is now at an end, with interim arrangements in place pending completion of the Leisure Services Review. Reporting on Leisure Centre activity and funding is to the Children and Young People's Committee.
- 3.8.5 Much work has been undertaken to secure the growth deal for Moray with reporting on same having taken place both to the Council and the Community Planning Board. Governance arrangements for moving into the next phase of the programme have been worked up and will involve a range of partners from the public, private and third sectors.
- 3.8.6 Elected members are represented on the decision making bodies for each of the areas outlined in the preceding paragraphs, with representation generally determined and approved in terms of council constitutional arrangements (appointments to outside bodies). This practice is long established but may merit review given the expectations set out in the Commission's report that councillors must maintain adequate oversight of these functions. This will be considered as part of the review of governance structures taking place as part of the Council's Improvement and Modernisation programme.
- 3.8.7 Although not specifically mentioned in the Accounts Commission paper there are other partnership working arrangements that can be developed locally, an example in this council being the NESS Energy from Waste project being taken forward with Aberdeen City and Aberdeenshire Councils. Each such arrangement has its own governance and accountability structures.
- 3.9 The completed checklists covering fraud and corruption, and partnership working are provided as **Appendix 3**.

#### **4. SUMMARY OF IMPLICATIONS**

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

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

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

In its governance review, the council may need to revisit its governance arrangements for partnership working to ensure these remain appropriate where new ways of working are adopted.

**(c) Financial implications**

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

**(d) Risk Implications**

Taking steps to deter and detect fraud and similar activities and maintaining sound governance arrangements around partnership working are integral to reducing risks that may impact on the council's ability to achieve its stated outcomes.

**(e) Staffing Implications**

No direct implications.

**(f) Property**

No implications directly arising from this report.

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

No implications directly arising from this report

**(h) Consultations**

The Chief Executive, both Depute Chief Executives, Chief Financial Officer and the Monitoring Officer have been consulted and are in agreement with the report where it relates to their area of responsibility.

**5. CONCLUSIONS**

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

Author of Report: Atholl Scott

Background Papers: Accounts Commission paper

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