



Audit and Scrutiny Committee

Wednesday, 15 December 2021

NOTICE IS HEREBY GIVEN that a Meeting of the **Audit and Scrutiny Committee** is to be held at **Remote Locations via Video Conference**, on **Wednesday, 15 December 2021** at **09:30**.

BUSINESS

1. **Sederunt**
2. **Declaration of Group Decisions and Members Interests ***
3. **Minute of meeting of 27 October 2021** 5 - 8
4. **Written Questions ****
5. **Work of the Internal Audit Section- Update** 9 - 16
Report by Depute Chief Executive (Education, Communities and Organisational Development)
6. **Report on the Work of the Internal Audit Section in the Period from 1 November 2021 to 15 December 2021** 17 - 20
Report by Depute Chief Executive (Education, Communities and Organisational Development)
7. **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.

Moray Council Committee meetings are currently being held virtually due to Covid-19. If you wish to watch the webcast of the meeting please go to:
http://www.moray.gov.uk/moray_standard/page_43661.html
to watch the meeting live.

GUIDANCE NOTES

* **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.

THE MORAY COUNCIL
Audit and Scrutiny Committee

SEDERUNT

Councillor Donald Gatt (Chair)
Councillor Frank Brown (Depute Chair)

Councillor George Alexander (Member)
Councillor John Cowe (Member)
Councillor John Divers (Member)
Councillor Tim Eagle (Member)
Councillor Ryan Edwards (Member)
Councillor Graham Leadbitter (Member)
Councillor Marc Macrae (Member)
Councillor Aaron McLean (Member)
Councillor Maria McLean (Member)
Councillor Shona Morrison (Member)
Councillor Sonya Warren (Member)
Councillor Walter Wilson (Member)

| | |
|------------------|---------------------------------|
| Clerk Name: | Lindsey Robinson |
| Clerk Telephone: | 07966 120593 |
| Clerk Email: | committee.services@moray.gov.uk |

Minute of Meeting of the Audit and Scrutiny Committee

Wednesday, 27 October 2021

Remote Locations via Video Conference,

PRESENT

Councillor George Alexander, Councillor Frank Brown, Councillor John Divers, Councillor Tim Eagle, Councillor Donald Gatt, Councillor Graham Leadbitter, Councillor Marc Macrae, Councillor Aaron McLean, Councillor Maria McLean, Councillor Shona Morrison, Councillor Sonya Warren

APOLOGIES

Councillor John Cowe, Councillor Ryan Edwards, Councillor Walter Wilson

IN ATTENDANCE

Also in attendance at the above meeting were the Chief Executive, Head of Governance, Strategy and Performance, Dafydd Lewis, Senior Auditor, and Lindsey Robinson, Committee Services Officer, as Clerk to the Committee.

1. Chair

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

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 of 1 September 2021

The Minute of the meeting of the Audit and Scrutiny Committee dated 1 September 2021 was submitted and approved.

4. Written Questions **

The Committee noted that no written questions had been submitted.

5. Order of Business

Under reference to Standing Order 29, due to his need to leave the meeting early, the Chair agreed to a request from Councillor Eagle to ask a question prior to the start of the business on the agenda seeking clarification as to why a paper on Scrutiny was being circulated to Group Leaders and then submitted to full Council without being debated at this Committee.

In response the Head of Governance, Strategy and Performance advised that he was preparing a report to the next meeting of Council on 10 November 2021 in regard to the constitutional aspects of the Scheme of Administration in relation to the function of this Committee and as the governing body the delegation sits with full Council in relation to scrutiny and as all members of this Committee are also members of the Council he was of the opinion that this would be sufficient in terms of the members.

Councillor Eagle stated that, in his opinion it was a matter of principle that the paper should come before this Committee to allow it to be debated and make recommendations thereafter to the full council and further sought clarification that this would not be possible.

In response The Head of Governance Strategy and Performance advised that if this was his view Councillor Eagle did have the option to raise a motion at the next Council meeting seeking to add a further step in the process for agreeing the remit to be included by this Committee before going back to full Council for final consideration.

Councillor Brown sought clarification in regard to a decision taken prior to the pandemic for the formation of a Member/Officer working group to consider the polices and processes etc that this Committee should follow and as this was a matter outstanding wondered if perhaps he was so minded that Councillor Eagle raise a motion that a report in regard to this be brought to the full Council in November and asked if that would be competent.

In response the Head of Governance Strategy and Performance advised that there were two issues requiring consideration. The first in relation to the Scheme of Administration and the powers delegated to committees that solely sits wholly within the power of the full Council and the second is the issue raised by Councillor Brown which refers to the scrutiny handbook/scrutiny charter which was an issue looked at by this committee prior to the pandemic in November 2019 and which has not been resolved. He further advised that both of these issues were being rounded up within the report he is preparing for the Council meeting on the 10 November 2021. The difficulty being that one needs the other as the scrutiny handbook/charter will relate directly to the committee's remit which can only be set by full Council.

The Chair sought clarification on whether this committee could continue as it currently stands until following the local government elections that are due to be held in May 2022 following which the make up of the council may be very different and which is unknown at this time but could see an administration with a completely different view in regard to this committee.

In response the Head of Governance Strategy and Performance advised that the status quo is currently working in terms of this committee and was something that was identified for improvement which was the reason for the report being put before the Council in November but that it is within the Council's gift to leave things as they are if they choose to do so.

Councillor Leadbitter stated that whilst he was not overly concerned about the proposal to include a further step in the process he would ask Members to be mindful that they would be moving rapidly towards the budget setting period and the various reports that will come forward over a few months and the scrutiny and debate that these will require and whether there is merit in dealing with this issue

sooner rather than later as in his opinion there was a danger of it getting lost within the budget reports that will require a lot of scrutiny.

Councillor Eagle stated that he whilst he accepted that scrutiny was also undertaken at each of the service committees, he was of the opinion that it was important that this committee had the opportunity to debate on what delegated authority it should have and he was happy for this to be taken forward at the full council meeting on 10 November where he hoped that Members could come together and move forward.

6. SPSO Recommendations Report

A report by the Chief executive asked the Committee to consider the Scottish Public Sector Ombudsman (SPSO) Recommendations report to demonstrate that SPSO recommendations are considered at a senior level.

During consideration Councillor Warren sought clarification on why items 13 and 14 in the report did not have referral dates.

In response the Chief Executive apologised for the error and advised it would be amended.

Following a question from Councillor Brown about the total number of complaints received by the Council, the Head of Governance, Strategy and Performance confirmed that this detail was contained within the Complaints Annual Report 2020-21 which had been discussed by the Corporate Committee on 12 October.

Following further consideration the Committee agreed to approve the report.

Councillors Eagle and Warren left the meeting during the consideration of this item.

7. Report on the Work of the Internal Audit Section in the Period from 1 September 2021 to 31 October 2021

A report by the Depute Chief Executive (Education, Communities and Organisational Development) advised the Committee on the work of the Internal Audit Section for the period from 1 September 2021 to 31 October 2021.

During consideration Councillor Brown sought clarification on whether or not the social media training provided for Officers would be provided for Members.

In response the Senior Auditor advised that the training could be extended to include the Members and that this would be passed to the training team.

Following further consideration, where Officers answered questions on computer security and the Council Facebook page, the Committee agreed:

- i) to note the contents of the report, and
- ii) that the social media training provided for Officers also be provided for Members

8. Question Time ***

Under reference to paragraph 9 of the Minute of the Meeting of this Committee dated 1 September 2021, Councillor Alexander sought an update on the petty cash procedures he raised at that meeting.

In response the Head of Governance, Strategy and Performance advised that all sections had been sent a survey around their petty cash use and that the process was well underway.



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 15 DECEMBER 2021

SUBJECT: WORK OF THE INTERNAL AUDIT SECTION – UPDATE

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

1. REASON FOR REPORT

- 1.1 The report provides Committee with an update on the work of the Internal Audit Section.
- 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 **Committee is asked to consider the contents of this report, seek clarification on any points noted and otherwise note the report.**

3. BACKGROUND

- 3.1 Public Sector Internal Audit Standards requires the Audit and Risk Manager to prepare and present reports to committee on internal audit's activity, performance relative to its audit plan, and any other relevant matters.
- 3.2 This report provides an update on audit activity and projects progressed since the last meeting. However, challenges associated with the pandemic still remain, resulting in changes within current working practices that make the audit process more difficult and time-consuming. Officers are still working from home, which brings some limitations to the audit process.

4. UPDATE OF PROGRESS AGAINST THE 2021/22 AUDIT PLAN

Audit Plan Update

- 4.1 The Internal Audit Plan is a means of determining the priorities of the internal audit activity and how these fit with the wider goals of the Council. Enclosed as Appendix 1 is an update of the progress undertaken by the Internal Audit Service with regard to the completion of audit review projects against the Annual Audit Plan. This is the first time presenting the information in this manner, and it will continue to be developed. The appendix records the individual projects with an additional status column detailing whether the audit review is in progress, awaiting a response to recommendations, completed or

not started. In the future, it is also planned that details will be provided of any additions resulting from unplanned audits or investigations.

- 4.2 Progress against the 2021/22 audit plan has not moved forward as quickly as intended. The service has been through a period of change with a recruitment process undertaken for both the Audit and Risk Manager and an Auditor. The positions of the Audit and Risk Manager and the Auditor have now been filled. However, this has resulted in a vacancy for a Senior Auditor. A recruitment process has started, and it is hoped that the position will be filled shortly.

Departmental Systems – Self Directed Support (SDS)

- 4.3 An audit has been undertaken into the financial monitoring arrangements within the SDS Team for direct payments made to service users. This is a particularly relevant review as the recent Review of Adult Social Care (Feeley Report) commissioned by the Scottish Government detailed several proposed changes to the delivery of Social Care. The audit has checked for effective arrangements in the monitoring of funds issued to service users. A check was also made to ensure that monies awarded and expenditures incurred by service users correspond to their support plan. The review has now been completed, and it is hoped the executive summary and audit action plan showing recommendations will be reported to the next Audit and Scrutiny Committee.

Core Financial Systems – Council Tax

- 4.4 An audit review of the Council Tax System is being undertaken as part of the 2021/22 Internal Audit Plan. The scope of the audit has been to review arrangements for billing, collections and refunds. The Council Tax Service administers and collects Council Tax for residential properties in Moray. The Service also administers and collects charges for domestic water and sewerage on behalf of Scottish Water. The Council maintains a database of residential properties and updates it for changes of owners and residents, and also processes applications for exemptions and discounts. The review is near completion, and it is hoped the Executive Summary and audit action plan showing recommendations will be reported to the next Audit and Scrutiny Committee.

Departmental Systems – Roads Maintenance (Planned)

- 4.5 An audit review of Roads Maintenance Planned Work has started. This was a planned audit project agreed in the Audit Plan for 2021/22. The audit has selected projects from the capital budget to ensure a sufficient sample population was available for the review. The audit has examined specific schemes to ensure working practices comply with agreed financial and procurements procedures. In addition, the audit has also examined the arrangements undertaken for the monitoring of actual expenditure to approved budgets. The review is near completion, and it is hoped the executive summary and audit action plan showing the recommendations will be reported to the next Audit and Scrutiny Committee.

5. AUDIT PLAN 2022/23

- 5.1 The internal audit plan is a means of determining the priorities of the internal audit activity and how these fit with the broader goals of the Council. Internal audit's approach to annual audit planning is risk-based with all areas which may be subject to audit review contained within an 'audit universe.' The audit universe is reviewed and updated on an ongoing basis to include all significant

activities and systems that contribute to achieving the Council's priorities and objectives.

- 5.2 Consultation with officers has started as part of the process for preparing the Audit Plan for 2022/23. An agreement will also be sought for timescales by officers in responding to recommendations.

6. SUMMARY OF IMPLICATIONS

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

Internal audit work supports good governance and the delivery of efficient services.

(b) Policy and Legal

No implications directly arising from this report.

(c) Financial Implications

No implications directly arising from this report.

(d) Risk Implications

The independent review of selected systems and procedures mitigates the risk associated with inadequate or ineffective control procedures.

(e) Staffing Implications

A number of staffing issues within Internal Audit are being addressed as outlined in this report.

(f) Property

No implications directly arising from this report.

(g) Equalities/Socio Economic Impact

No implications directly arising from this report

(h) Consultations

There have been no direct consultations during the preparation of this report.

7. CONCLUSION

- 7.1 Internal audit continues to work under the limitations of the pandemic, and this report provides committee with an update on internal audit work progressed in the latest review period.**

Author of Report: Dafydd Lewis Audit and Risk Manager
Background Papers: Internal Audit files
Ref: SPMAN-1042990102-83

MORAY COUNCIL**INTERNAL AUDIT SERVICE****ANNUAL AUDIT PLAN 2021/22**

| CORE FINANCIAL SYSTEMS | | |
|---|--|---|
| Area | Type of coverage | Status/ Comments |
| Housing Benefits - Rent Rebates and Rent Allowances | Substantive testing of selected benefit claims to confirm the accuracy of the Council's benefit subsidy claim for 2020/21 year | Final report issued |
| Procurement and Creditor Payments | Continuous auditing of samples of non-pay expenditure to test compliance with procurement and payment processing regulations | Fieldwork in progress |
| Purchasing Cards | Review the systems and controls for the management of purchasing cards | Audit programmed to start in the next quarter |
| Council Tax | Review the arrangements for collection and accounting of council tax income. | Fieldwork in progress |
| Capital Plan | Audit testing of contract management arrangements for selected projects within the capital plan | Fieldwork in progress- Capital projects have been included within the Roads Maintenance (Planned) Audit |
| Stocks and stores - year end valuations | Attendance at stocktaking and reconciliation of stocks held to ledger balances | Work Completed |
| Cyber security | Identification and assessment of the potential threats to the council's ICT systems and how these are being managed | Audit programmed to start in the next quarter |

| OTHER SYSTEMS | | |
|--|--|--|
| Area | Type of coverage | |
| Environmental Services- Collection and accounting of planning fees | Review the accounting arrangements for the collection, recording etc of planning fees | Audit programmed to start in the next quarter |
| Environmental Services - Roads Maintenance (Planned) | Audit of roads maintenance planned repairs | Fieldwork in progress- -Testing has included planned capital projects within this audit review |
| Environmental Services – Grant Claims | Certification of grant claims as required: strategic timber; bus operators, regeneration schemes as appropriate | Awaiting request from Services |
| Environmental Services - Business Continuity | A review of the Council Business Continuity arrangements | Final report issued |
| Environmental Services - Housing and Property - Stores | A review of the effectiveness of current arrangements for accounting for materials used in the repair and maintenance of council housing | Audit programmed to start in the next quarter |
| Corporate Services- Social Media Accounts | Review of the management and control of Council social media accounts | Final report issued |
| Corporate Services- Petty Cash | Review of the administration of petty cash expenditure and reimbursements | Final report issued |
| Education- Primary and Early Years Security | Review the controls in place to mitigate the risk of unauthorised access to primary schools and early years establishments. | Audit programmed to start in the next quarter |

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| Moray Integration Joint Board | | |
| Client Monies | An audit of the management and accounting of social care clients monies (20) | Fieldwork in progress |
| Self Directed Support | Review of Self Directed Support financial monitoring arrangements (30) | Fieldwork completed and report issued in draft |



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 15 DECEMBER 2021

SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD FROM 1 NOVEMBER 2021 TO 15 DECEMBER 2021

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

1. REASON FOR REPORT

- 1.1 The report advises Committee on the work of the Internal Audit Section for the period from 1 November 2021 to 15 December 2021.
- 1.2 This report is submitted to Committee in terms of Section III (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. BACKGROUND

- 3.1 This report provides details of the internal audit work concluded during the period 1 November 2021 to 15 December 2021.

Core Financial Systems-Housing Benefits - Rent Rebates and Rent Allowances

- 3.2 An annual input on the grounds of materiality alone is a review of the Housing Benefits Subsidy. The council pays approximately £14 million annually, the bulk of which is funded by the Department of Work and Pensions. Certification is required as to the accuracy of the amount claimed, and this requires detailed testing of a sample of claims. The external auditor undertakes the certification but relies in large part on Internal Audit to complete this work. The executive summary for this project is given in **Appendix 1**.

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 an audit project completed during the review period.

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| Author of Report: | Dafydd Lewis, Senior Auditor |
| Background Papers: | Internal audit files |
| Ref: | SPMAN-1042990102-81 |

AUDIT REPORT 22'005

HOUSING BENEFITS SUBSIDY REVIEW

EXECUTIVE SUMMARY

A review has been undertaken of the Council's Housing Benefits Subsidy Claim in accordance with the 2021/22 Internal Audit Plan. The administration of the Housing Benefits system is a major activity for the Council. The Housing Benefits Team processes claims received from individuals requesting assistance for paying their rent and council tax. Claims are assessed and administered in accordance with the regulations detailed by the Department for Works and Pensions (DWP).

Housing Benefits expenditure can be reclaimed by the Council from the DWP by completing a Subsidy Claim Form. The total subsidy claimed for 2020/21 amounted to approximately £13.7 million. Approximately £7.5 million related to the private rental sector and the balance for claimants within Council owned properties. Expenditure and accompanying caseloads have been declining since the introduction of Universal Credit, with new benefit claims becoming the responsibility of the DWP.

The External Auditor is required to verify the claim by testing a sample of individual benefit claims to confirm the accuracy of each award. The Council uses a computer software system to administer all benefit awards, subsidy calculations, etc. As part of a joined up audit approach, it was agreed that Internal Audit would undertake the majority of the testing and the External Auditor would thereafter review to ensure completeness and accuracy prior to their certification.

The testing required all details for processing each claim to be recorded within a database provided by the DWP. This involved cross referencing all processing entries to the original supporting evidence logged on document imaging software. The testing also confirmed the calculated benefit award to the actual benefit paid out to the claimant. The rules detailing the various elements of a benefit award can be complex and detailed.

The audit found only one minor discrepancy regarding the start date for a benefit claim from the sample checked. This has now been corrected. In all other cases, agreement was found between the benefit paid when compared to the re-calculation of the award using the testing database. This is a positive outcome from sample testing, given the volumes and complexities of cases involved.

This annual review continues to be time consuming and technically demanding due to the complexity of the Regulations and the need for referencing entries within the database to the original source documents. The assistance provided by officers of the Housing Benefits Team was once again much appreciated during this review.

