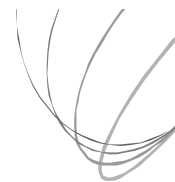


Moray Council

Audit Risk Analysis & Plan 2006/07

Contents

| | |
|---|-----------|
| Key messages | 1 |
| Introduction | 2 |
| Key issues and priorities in the local government sector | 3 |
| Moray Council: Strategic risk analysis 2006 – 2009 | 5 |
| Delivering the 2006-07 audit | 13 |
| <i>Appendices</i> | |
| Appendix A: Summary Assurance Plan | 16 |
| Appendix B: Audit Team | 29 |
| Appendix C: Meeting the Code of Audit Practice | 30 |



Key messages

This report sets out the findings from our audit risk assessment process for Moray Council. We considered the key risks being faced by the Council, the action underway or planned in response to these and what audit activity we should undertake in the year ahead. We identified and considered the following strategic risk themes for the Council, summarising the key risks it faces in working toward achievement of its corporate objectives:

- Supporting political governance
- Using performance management to drive service improvement
- Funding sustainable services and performance improvements
- Adopting a strategic framework to deliver change
- Demonstrating good governance
- Effective community planning

Our risk assessment work has confirmed that the Council has action plans in place to address many of the risks identified. In those cases we will monitor the progress over the coming years and report any significant matters which arise on an exception basis. We also plan to undertake a number of detailed exercises which will result in separate audit reports linked to particular risk areas.

Based on our analysis of the risks facing Moray Council, our planned work in 2006/07 includes:

- tracking management assurances we have been given in relation to the management of a number of the Council's key risks;
- review of aspects of the Council's governance arrangements, including arrangements for the provision of the Internal Audit service;
- review of the Council's progress against the Best Value Improvement Plan;
- review of the affordability of the proposed public private partnership (PPP) scheme;
- assessment of the reliability of statutory performance information;
- review of the Corporate Governance Statement to assess whether the disclosures are consistent with our knowledge of the Council;
- audit of the financial statements and provision of an opinion on whether they present fairly the financial position of the Council and its income and expenditure for the year; and
- provision of an opinion on a number of grant claims and returns and the whole of government accounts.

Audit Scotland is also conducting a programme of national studies on behalf of the Accounts Commission (see paragraph 58 for details).

An annual report to the Council will be produced to summarise all significant matters arising from the audit and overall conclusions about the Council's management of key risks. All annual reports produced by Audit Scotland are published on our website (www.audit-scotland.gov.uk).

Introduction



1. This report sets out the findings from our audit risk assessment process for Moray Council. We considered the key risks being faced by the Council, the action underway or planned in response to these and what audit activity we should undertake in the year ahead.
2. To provide the context for the Council, we briefly outline some of the key challenges currently facing Scottish local government. We then provide a summary of our assessment of the key risks facing the Moray Council over the next three years. Finally, we outline the planned audit outputs for the year, taking account of the management action and internal audit work we intend to take assurances from and our specific responsibilities.
3. Our risk analysis will be updated annually, and will cover a rolling three year period.
4. This report sets out our findings from the audit risk analysis carried out. Any weaknesses outlined are only those which have come to our attention during the course of our normal audit work in accordance with the Code of Audit Practice and are not necessarily, therefore, all of the weaknesses which may exist.
5. The management of the Council is responsible for preparing complete and accurate accounts and for implementing appropriate internal control systems. Communication by auditors of matters arising from the audit of the financial statements or of weaknesses does not absolve management from its responsibility to address the issues raised and for maintaining an adequate system of internal control.
6. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The assistance and co-operation we received during the course of our work is gratefully acknowledged.



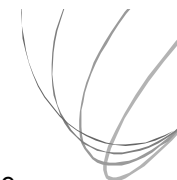
Key issues and priorities in the local government sector

Overview

7. Local government is working in an environment of major change, and the period up to and beyond the council elections in 2007 will be no exception as the process of public sector reform and modernisation evolves. For example:
 - the statutory duty of best value requires continuous improvement in council services;
 - there is an ongoing need for local authorities to achieve greater efficiency in the use of public resources;
 - community planning raises significant challenges in relation to joint working across the public sector.
8. More fundamental change may well be brought about through new approaches to integrated service delivery and governance, and the new electoral arrangements for the local elections in 2007 are expected to alter the political complexion in some councils. Developments in cross cutting policy areas such as sustainable development and equalities will be required, as will improved techniques in managing performance, managing risk and in workforce development and planning.
9. The challenge for local government is to find flexible and responsive ways of working across services and with other organisations to achieve the best results for citizens and service users.
10. Efficient use of public resources is central in achieving Best Value, but the efficiency agenda has recently been given a higher profile. *Building a Better Scotland* sets out the Scottish Executive's plans for cash and time-releasing efficiencies across the public sector, with local government expected to deliver annual efficiencies of £325 million by 2007/08.

2006/07 Priorities and Risks Framework

11. The Priorities and Risks Framework (PRF) is an audit planning tool which helps ensure that audit work is properly focused and takes account of local authority national priorities and risks. It is one element of our approach which is designed to meet the requirements of the Code of Audit Practice and International Standards on Auditing which require auditors to obtain an understanding of the client's business and environment. Our understanding of the business is also informed by work undertaken to identify issues and risks which are unique to the local situation.



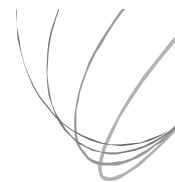
12. Working with local government and stakeholders, we identify the key issues facing the sector in the coming year and select the priorities for coverage. The key national priorities and risks identified are:

| Governance & performance management | Efficient government & efficient use of resources |
|--|--|
| Supporting political governance | Financial planning |
| Community planning & partnership working | Workforce management |
| Performance management | Procuring & managing assets |

13. The 2006/07 priorities and risk framework is available from Audit Scotland's website (http://www.audit-scotland.gov.uk/audit/pdfs/prf_Localgov.pdf).

Study programme consultation

14. We have recently consulted on our future programme of national studies. This ensured that our programme is relevant and timely, addresses the right issues and that individual studies help to improve public services. It was developed taking account of views expressed by key stakeholders such as local authorities, the Scottish Executive and the Scottish Consumer Council and has been approved by the Accounts Commission. It includes a number of joint studies with the Auditor General and provides the basis for study work to the end of 2008.
15. The programme (<http://www.audit-scotland.gov.uk/audit/forwardwork.htm>) is designed to provide a mix of projects reflecting the range of responsibilities covered by the Accounts Commission and the Auditor General. National studies complement other audit work including Best Value audits, overview reports and annual audits. It is important that the range of audit work generates reports on major themes facing the Scottish public sector. The programme includes studies relating to environmental sustainability, educational performance, health, workforce issues and community safety, all important topical public policy subjects. It also includes studies that provide post legislative evaluation and relate to best value and the efficient government agenda.



Moray Council: Strategic risk analysis 2006 – 2009

Overview of Moray Council

16. Moray Council is one of the largest local authority areas, with around 95% of its area open countryside or forested. Three-quarters of the population of 87,000 live in or around its five main centres. Moray's population is projected to rise by 3.3% over the next decade or so, with its working population falling by 2.3% and its elderly population increasing by 48% by 2024. Although unemployment is low, the area has the lowest average pay in Scotland, the workforce is one of the least qualified and traditional sources of employment such as fishing is in decline.
17. An initial Best Value audit of the Council has been conducted and the results reported in February 2006. The report concluded that:

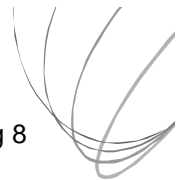
The Moray Council has a very long way to go to respond to its statutory duties on Best Value.

Between its inception in 1996 and 2004, the Council experienced political turmoil and lacked effective corporate leadership and direction. On his appointment in 2000, the current Chief Executive was the third incumbent in five years.

Sound management practices, such as performance monitoring and checks on the competitiveness of services, have been weak. The limited evidence available suggests there are no fundamental weaknesses in service performance, but few elements of Best Value are properly established and significant work is needed to create a culture of continuous improvement.

However, there are signs that things are beginning to change in Moray. Since 2004, new political leaders and the Chief Executive have started to make a considerable difference and introduced a series of reforms. Implementation of these will take time, as will the development of the skills and knowledge required to deliver on Best Value and Community Planning.

18. The Accounts Commission called for a further report by the Controller of Audit on steps taken by the Council to address the audit's findings. This work commenced in spring 2007.
19. The Council's Corporate Development Plan for 2004 – 2007 sets out the key goals and priorities for the Council until 2007 and explains how it plans to achieve these. The plan is set out in three programmes for action, which cut across a variety of services:
 - The Social Programme;
 - The Education Programme;
 - The Environmental Programme.



20. The Council has established a total of 17 priorities within these programmes, of which the following 8 are identified as its highest priorities:
- delivering effective flood alleviation schemes;
 - improving attainment and achievement in educational services;
 - improving care for the individual, especially the disadvantaged;
 - maintaining and improving roads;
 - developing leisure facilities across Moray;
 - reducing, re-using and recycling waste;
 - providing easy access to services; and
 - listening, consulting and engaging with communities.
21. Risk exists in all organisations which are committed to continuous improvement and, inevitably, is higher in those undergoing significant change. The objective is to be 'risk aware', with sound processes of risk management, rather than 'risk averse'. Indeed, organisations that seek to avoid risk entirely are unlikely to achieve best value. Based on our discussions with staff and a review of supporting information, we have identified and considered the following strategic risk themes for the Council, which it faces in working toward the achievement of its corporate objectives.

Supporting political governance

22. Effective scrutiny is central to good governance, with a significant role for councillors in scrutinising performance, holding management to account on service delivery and supporting the reform and modernisation agenda.
23. For much of its existence, the Moray Council has had a history of political turbulence, including extended periods with no settled administration and spells of political animosity between councillors. In general, councillors have focused on ward matters and issues of detail and have not seen the need to play a strong corporate role or be engaged in overseeing the strategic direction of the Council, keeping in touch with national initiatives, and monitoring the performance of the Council's services.
24. The introduction of the Local Government in Scotland Act 2003 and its statutory requirements, together with the appointment of a new Council Convener in 2004 who recognised the importance of Best Value and corporate working, led to a change in the Council's approach. The Corporate Management Team believes that this, coupled with a stable administration, has enabled the Council to make good progress in these key areas over the last 12 months. There is still more to be done, however, and many of the councillors who fully appreciate the importance of Best Value and are committed to driving it throughout the organisation are stepping down at the elections in May. In total, 11 of the 26 current councillors are expected to retire prior to the election.



25. Senior officers acknowledge that the Council faces significant risks as a result of the forthcoming elections. In particular, the election of a significant number of new councillors who are not aware of or engaged with recent developments in local government, particularly those relating to Best Value and Community Planning presents significant challenges in ensuring that the Council continues to meet its statutory obligations and develops a culture of continuous improvement throughout the organisation.
26. In order to address some of these risks, the Corporate Management Team are preparing an Agenda for the first meeting of the new Council post election. This Agenda will stress the statutory requirements resulting from the Local Government in Scotland Act 2003, detail the role of the Council and councillors in delivering these, and emphasise the key priorities outlined in the new Community Plan as existing commitments for the Council. Efforts are being made to discuss the Agenda with candidates in advance of the elections so that they are clear on what their future role will entail should they be elected. Training programmes have also been developed for use post-election.
27. The introduction of proportional representation and multi-member wards, combined with an influx of new members, is likely to require an increased level of support from the Council. Consideration is being given to the implications of multi-member wards, and protocols for the effective management of these wards are being prepared.
28. A significant risk remains, however, that the transition between the old and new administrations may lead to disruption to Council business and impact adversely on the Council's ability to deliver Best Value.

Immediate priorities and risks

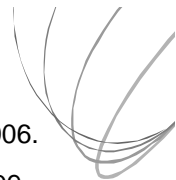
- Completion of the Agenda for the first meeting of the new Council.
- Implementation of the induction and training programmes for new councillors.
- Development of a protocol to support the working of multi-member wards.

Longer term considerations

- Supporting councillors in developing their leadership skills.
- Development of a culture of continuous improvement throughout the Council.

Adopting a strategic framework to deliver change

29. The Best Value audit in 2006 concluded that improvements were needed to the Community Plan and Corporate Development Plan to enable them to offer clear strategic direction and a measurable programme of action. The importance of fully aligning these key strategic documents was also stressed.



30. The Council published a new Community Plan, covering the period 2006 to 2010, in September 2006. A revised Corporate Development Plan covering the same period has been drafted but has yet to be finalised. The Corporate Management Team has been working with managers to ensure that there is full understanding of the cross-cutting and corporate agendas within the Community Plan. Once this process is completed, the Corporate Development Plan will be finalised. In the absence of a new Corporate Development Plan, Service Plans for 2007/08 will be based on the 2004-2007 Corporate Development Plan and the priorities included in the new Community Plan. There is a risk that without clear linkages between the new Community Plan, Corporate Development Plan, Service Plans and staff work plans, community planning will not be mainstreamed into Services' day to day activities and will fail to deliver improved public services for the people of Moray.
31. Due to the uncertainty associated with financial settlements, the Council has yet to develop strategic planning beyond a three to five year timeframe. This has resulted in the absence of a strategic framework to deliver change and set out a vision for the Council in the long term (i.e. at least 20 years) which reflects commitments already made, the workforce which will be required and the assets which will be needed to deliver that vision.
32. While the Council has now recognised the need to put long term strategies in place, these are all at an early stage of development. At present, there are no robust and demonstrable approaches to ensure that corporate strategies and objectives are supported by workforce and asset management plans in the long term. There is, therefore, a risk that the Council is unclear about its long term objectives and how they are to be delivered.
33. The Council has some significant projects underway, such as a major programme for flood alleviation and proposals to restructure the schools estate through a public private partnership scheme. Inevitably, any significant change carries with it risks that expected benefits are not delivered, or that they are only delivered at greater time and cost. The Council may not have the capacity to deliver all the planned projects at the pace required. A focus on major change projects is also likely to limit the ability of individuals to manage 'business as usual'.

Immediate priorities and risks

- Completion and approval of the Corporate Development Plan for 2007-2010.
- Identification of clear linkages between the Community Plan, Corporate Development Plan, Service Plans and staff work plans.
- Completion of asset management plans for all Council assets.
- Development and implementation of a workforce strategy.
- Sound processes of project management to ensure delivery of the Council's major projects.

Longer term considerations

- Development of integrated long term planning.



Using performance management to drive service improvement

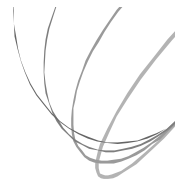
34. Whilst acknowledging that a performance management framework had recently been introduced, the 2006 Best Value audit concluded that Moray Council lacked effective systems for monitoring and reporting service performance. Since then the Council has been working on a number of improvements, including the refinement of performance measures for each of its eighty activities. Further work is required, however, before the Council has a fully effective system in place to provide councillors and officers with performance information which is robust and informative and identifies any corrective action required.
35. In order to claim efficiencies under the Efficient Government initiative, the Council needs to demonstrate that service outcomes have been maintained or improved, presenting a real challenge to evidence the link between resources and performance measurement. The Council is actively pursuing efficiencies and services are required to provide regular returns of all savings made. In the absence of a mechanism to demonstrate that service outcomes have been maintained or improved, there are risks that the Council will be unable to evidence that savings made are genuine efficiencies.
36. The Council has been slow to develop public performance reporting. The 2005/06 report has yet to be published and consists mainly of statutory performance indicators which are already in the public domain. The Council acknowledges the need to develop more timely and informative public performance reporting and has recently consulted with the citizens' panel on the style, content and layout of future reports

Immediate priorities and risks

- Continuing refinement and implementation of the performance management system.
- Development of a mechanism that demonstrates that, where efficiency savings are being claimed, service outcomes have been maintained or improved.
- Improved public performance reporting, particularly at the service level.

Longer term considerations

- Embedding effective performance management throughout the Council.



Demonstrating good governance

37. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviours at the upper levels of the organisation. Internal audit plays a key role in these governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. A preliminary review of the Council's internal audit arrangements for 2006/07 has identified that only limited time was spent on the review of the controls in operation within the Council's core financial systems. There are risks that insufficient evidence is available to support the independent assurance provided annually by the Chief Internal Auditor and that the Council's system of internal control may not be operating effectively.
38. Risk management is also an essential component of the governance framework in any well-managed organisation. Although a risk management policy and corporate risk register have been in place for some time, the Council acknowledges that more needs to be done to embed risk management, particularly at a service level where risk registers are currently being developed. Going forward, processes need to be put in place to demonstrate how the risks identified have been addressed through corporate and service planning and to regularly review and update corporate and service risk registers. In the absence of a fully embedded risk management process, there is a concern that the Council has not identified or managed all of its key operational risks.
39. Following a series of floods in the Moray area, the Council approved an ambitious programme of flood alleviation schemes at an estimated cost of £140 million. Although steady progress is being made, the lengthy legal process means that it will be a number of years before all the works are completed. In the meantime, the Council faces ongoing risks to its reputation, to the smooth running of Council business and to the sustainable development of the local economy should more serious flooding occur.
40. Business continuity planning should minimise disruption to important systems caused by major failures or disasters. Some time ago the Council established a Business Continuity Task Group and appointed a Business Continuity Officer to address this important issue. The Group has not met for some time and the Business Continuity Officer has resigned and will not be replaced. In the absence of a clear approach to business continuity and disaster recovery, there is a risk that the Council would not be able to deliver services in the event of system failure due to inadequate business continuity arrangements.

Immediate priorities and risks

- Reviewing the coverage of internal audit plans to ensure adequate coverage of core financial systems.
- Continuing to develop risk management processes and embedding risk management throughout the organisation.
- Progressing flood alleviation schemes.
- Developing business continuity and disaster recovery plans.



Funding sustainable services and future improvement

41. The Council is facing a number of significant financial pressures in the year ahead, including costs associated with responding to appeals arising from the single status agreement, realising £4 million in budget savings, and the increasing demand for community care services and out of area placements.
42. In the longer term, key pressures include funding the ongoing costs of fully implementing the single status agreement, the proposed education PPP scheme or alternative arrangement to improve the School Estate, and the flood alleviation schemes. The Council bears the risk of all expenditure incurred on the flood alleviation schemes until a Flood Prevention Order is approved by Scottish Ministers, at which time the Council can reclaim 78% of the costs. It is currently estimated that the Council's share will be £29.5 million, of which £12 million has been set aside in the Capital Fund.
43. Ensuring sustainability of services in the future requires a comprehensive policy-led approach to budgeting. In recent years, the Chief Financial Officer has improved the Council's approach to budgeting by providing councillors with four options (no change in budget, potential efficiency saving, other potential budget saving, and additional budget requirements) for each of the Council's eighty activities as part of the annual budgeting process. A risk assessment and performance impact assessment are also provided for each of the options. To date, this has not resulted in any significant change in the allocation of resources between the Council's activities. Further work is required to fully integrate financial planning with community and corporate planning arrangements and improve councillors' engagement in the process.
44. The Efficient Government Initiative has incorporated some assumed efficiency savings into annual financial settlements, presenting an ongoing challenge as efficiency gains through service redesign are likely to take some time to be fully realised. Failure to achieve the level of savings anticipated will increase financial pressures and may impact adversely on the quality of services provided.
45. The Council is currently working on improving its procurement practices in order to generate efficiency savings. Although a procurement strategy has been drafted, it has still to be approved as the focus has been on establishing governance and accountability arrangements and providing the required technology. Significant change in procurement practices is required at the departmental level. Until this is achieved, there is a risk that the Council is not achieving Best Value in the use of its resources.

Immediate priorities and risks

- Dealing with appeals resulting from the single status and equal pay agreements.
- Ongoing development of strategies to manage budget pressures.
- Fully integrate financial planning with community and corporate planning arrangements and improve councillors' engagement in the process.
- Progressing the Efficient Government initiative, including significantly improving procurement practices throughout all departments/services.



Longer term considerations

- Funding flood alleviation schemes and the proposed PPP scheme or alternative arrangement to improve the School Estate.

Effective community planning

46. Increasingly the Council is dependent on partnership working to deliver service improvements and promote sustainable development. There is a key risk that partners are unable or unwilling to work effectively in a joined-up manner and do not achieve best value in the use of public resources as a result.
47. In June 2006 Audit Scotland reported on the results of a baseline study on community planning across Scotland, *Community Planning: an initial review*. The report concluded that while community planning partnerships have made progress, they need to do more to show their work is having a positive impact on public services.
48. The Best Value audit concluded that the Community Planning Partnership needed to be more effective in collectively tackling some of the major issues affecting Moray. The partnership published a new Community Plan in September 2006 which sets out measurable targets for improving public services in Moray. There is a risk that partners may be unable to demonstrate sufficient progress in improving outcomes within challenging timescales.

Immediate priorities and risks

- Developing a strategic approach for the promotion of sustainable development.
- Review of community planning arrangements against the recommendations in *Community Planning: an initial review*.
- Monitoring progress in addressing the lack of affordable housing within Moray and the increasing number of complex issues associated with homelessness.

Longer term considerations

- Translating the objectives and priorities included in the Community Plan into tangible improvements in public services.

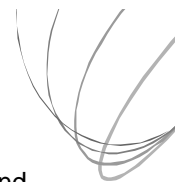


Delivering the 2006-07 audit

Summary Assurance Plan

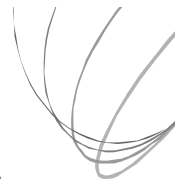
49. Our audit is focused on the identification and assessment of the key risks to Moray Council in achieving its business, operational and financial objectives. We also assess the risk of material misstatement or irregularity in the Council's financial statements. This report summarises the key risks facing the Council and sets out the audit work that we propose to undertake in 2006/07. Our plan reflects:
- the Council's local risks and priorities;
 - current national risks relevant to the Council's circumstances;
 - the impact of International Auditing Standards;
 - our responsibilities under the Code of Audit Practice as approved by the Accounts Commission (Appendix C sets out more detailed information on our responsibilities, approach, quality control and fees); and
 - issues brought forward from last year's audit.
50. Within the strategic risk themes there is a range of more detailed risks and these are included within the Council's 2006/07 summary assurance plan as set out in appendix A. In many cases actions are either planned or already underway within the Council to manage key risks. Details of the management assurances that we have received against each of the risks and the audit work to be undertaken on identified residual risks are also set out in the summary assurance plan.
51. It is in the nature of risk that the likelihood of occurrence is variable – the absence of assurance arrangements does not necessarily mean that identified risks are statements of fact. Councils may also choose to accept, or be unable to mitigate, certain risks.
52. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. Appendix B sets out the qualifications and public sector experience of the core external audit team. As part of the audit process, we seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. The work of internal audit plays a key part in the management assurance framework and specific areas where we plan to place reliance on their work in 2006/07 are as follows:
- debtors;
 - creditors (partial reliance on substantive testing undertaken throughout the year); and
 - statutory performance indicators.
53. Our *Financial Statements Strategy*, which complements this document, sets out our approach to the audit of Moray Council's financial statements. This provides more detail on how we will approach our

audit of the financial statements and the significant accounting or financial risks which we have identified for 2006/07. The Financial Statements Strategy, together with this Audit Risk Analysis and Plan, form our overall strategy for the audit in 2006/07.



Monitoring and reporting arrangements

54. Our risk assessment work has confirmed that the Council has action plans in place to address many of the risks identified. In those cases we will monitor the progress of the management assurances we have received as specified in the summary assurance plan (appendix A). Any significant matters which arise from our monitoring activity will be reported on an exception basis.
55. We also plan to undertake a number of detailed exercises which will result in separate audit reports. In many cases, these are linked with particular risks identified in the summary assurance plan. These areas may be significant with regard to our Code of Audit Practice activities. Alternatively, they may be follow up exercises where we wish to assess progress on previous action plans and/or the exercises may have been agreed at the request of the Council.
56. Matters arising from our audit will be reported on a timely basis during the year and our reports will include agreed action plans. Draft reports will be issued to the responsible director and appropriate senior officer to confirm factual accuracy. In order to minimise the delay between the audit field work and the issue of the final report, responses to draft reports are expected within four weeks of submission.
57. A copy of all agreed final reports will be sent to the Chief Executive, Chief Financial Officer, responsible director, Chief Internal Auditor and Audit Scotland's Public Reporting Group. All formal reports, or a summary thereof, will be made available to the Audit and Performance Review Committee for its consideration.
58. Audit Scotland is conducting a programme of national studies on behalf of the Accounts Commission. Reports summarising the results of these studies will be published and provided to the Council. Current and planned studies include:
 - sustainable waste management (summer 2007);
 - improving the Scottish school estate (autumn 2007);
 - equalities (winter 2007);
 - free personal care (winter 2007/08);
 - civil contingency planning (summer 2008)
 - follow up reports on dealing with offending by young people, community equipment and adaptations and road maintenance (during 2007 and 2008).
59. We will provide a report to the Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an



opinion on those financial statements. An annual report to the Council will also be produced to summarise all significant matters arising from the audit and overall conclusions about the Council's management of key risks. All annual reports produced by Audit Scotland are published on our website (www.audit-scotland.gov.uk).

60. The full range of outputs to be delivered by the audit team are summarised below:

| Planned Outputs 2006/07 Audit | Target delivery Date | Type of work |
|---|-----------------------------|--------------------------------|
| Governance and performance | | |
| Audit Risk Analysis and Plan (ARAP) | 31 March 2007 | Planning |
| PRF Position Statements | 28 Feb 2007 | PRF feedback |
| Affordability of proposed PPP scheme | 31 May 2007 | PPP opinion |
| Review of Internal Audit | 30 June 2007 | Annual Code requirement |
| Governance Report on Internal Controls | 30 June 2007 | Annual Code requirement |
| Statutory Performance Indicators (return) | 31 August 2007 | Annual Code requirement |
| Financial statements | | |
| Financial Statements Strategy | 31 March 2007 | Explanatory document |
| Matters arising from the audit of the financial statements | 30 Sept 2007 | Annual Code requirement |
| Report to Members in terms of ISA 260 | 30 Sept 2007 | Annual Code requirement |
| Independent auditor's report on the financial statements | 30 Sept 2007 | Annual Code requirement |
| Annual report to Councillors and the Controller of Audit | 31 October 2007 | Annual Code requirement |
| Audit opinion on the whole of government accounts | 31 October 2007 | Annual Code requirement |
| Grant Claims | | |
| Audit (Reports) opinions on grant claims and other returns: | As required | Annual Code requirement |

Moray Council 2006/07 - Summary assurance plan

Summary assurance plan - In this section we identify a wide range of operational risks facing the Council, the related management assurances received and the audit work we propose to undertake in the coming years to secure additional assurance. The management of risk is the responsibility of the Council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Supporting political governance

For much of its existence the Council has a history of political turbulence. There is a risk that the recent improvement in political leadership will be offset by the election of a significant number of new councillors who are unaware of, or not engaged with, recent developments in local government. The introduction of proportional representation and multi-member wards presents new challenges for decision making structures and elected members.

| No | Risk | Management assurances | Planned audit action |
|----|--|--|--|
| 1. | The election of a significant number of new councillors who are not aware of or engaged with recent developments in local government, particularly those relating to Best Value and Community Planning presents significant challenges in ensuring that the Council continues to meet its statutory obligations and develops a culture of continuous improvement throughout the organisation. | The Corporate Management Team are preparing an Agenda for the first meeting of the new Council post election which will stress the statutory requirements resulting from the Local Government in Scotland Act 2003, detail the role of the Council and councillors in delivering these, and emphasise the key priorities outlined in the new Community Plan as existing commitments for the Council. | We will monitor the position throughout the year and report progress in the report to members. |

| No | Risk | Management assurances | Planned audit action |
|----|---|---|--|
| 2. | The introduction of proportional representation and multi-member wards in May 2007 may present a risk that the current decision making structures are not the most effective for the new Council. | Consideration is being given to the implications of multi-member wards, and protocols for the effective management of these wards are being prepared. Changes to decision making structures have been approved but are subject to ratification by the new Council post election. | We will monitor the position throughout the year and report progress in the report to members. |
| 3. | The number of new councillors , and new ways of working, present challenges for how the Council supports elected members. There is a risk that councillors' changing support needs are not met. | An induction and training programme has been developed for new councillors. | We will monitor the position throughout the year and report progress in the report to members. |
| 4. | There is a risk that the transition between the outgoing and incoming administrations may lead to disruption to Council business and impact adversely on the Council's ability to deliver its Best Value Improvement Plan. | The induction and training process seeks to support councillors in getting up to speed as quickly as possible. The Agenda being developed for the first meeting of the new Council will also stress to councillors the importance of demonstrating continuous improvement and Best Value in the use of Council resources. | Best Value follow up audit due in summer 2007. We will also track progress throughout the term of our appointment. |



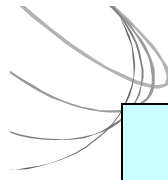
Adopting a strategic framework to deliver change

Overall, there is an absence of a strategic framework to deliver change and set out a vision for the Council in the long term. At present corporate strategies and objectives are not supported by longer term workforce and asset management plans, with risks that the Council is unclear about its long term objectives and how they are to be delivered. The Council has some significant projects underway and, inevitably, any change programme carries risks.

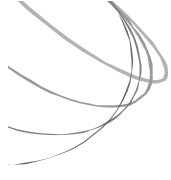
| No | Risk | Management assurances | Planned audit action |
|----|--|---|---|
| 1. | <p>The objectives and priorities included in the new Community Plan have yet to be cascaded through the Corporate Development Plan to Service Plans and individual work plans. There is a risk that without clear linkages between these plans, community planning will not be mainstreamed into Services' day to day activities and will fail to deliver improved public services for the people of Moray.</p> | <p>A draft Corporate Development Plan (CDP) has been prepared based on the objectives and priorities included in the Community Plan.</p> <p>Meetings are being held with managers to raise awareness and agree the priorities to be included in the CDP. These priorities are being fed into the service planning process and the Corporate Management Team are certain that clear linkages will be achieved.</p> <p>Once completed, these priorities will feed into the 2007/08 Service Plans which will be submitted for Committee approval in June 2007.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |



| No | Risk | Management assurances | Planned audit action |
|----|--|--|---|
| 2. | <p>There is limited long term planning (e.g. at least 20 years) which restricts the Council's ability to prioritise expenditure to meet its longer term objectives. There are risks that:</p> <ul style="list-style-type: none"> the Council fails to project the longer-term implications of previous spending decisions, for example PPP, thus restricting the achievement of objectives beyond the three-year budgeting horizon; ring fenced or specific initiatives fail as they are not supported by exit strategies should funding be withdrawn; the absence of an asset management plan makes it difficult for the Council to have a capital expenditure strategy which is affordable, prudent and sustainable. For example, the backlog in property repairs and maintenance is expected to cost around £3 million over the next 5 years but funding options have yet to be fully considered. | <p>The longer term financial implications of the proposed PPP scheme have been projected as part of the Council's modelling of the affordability of the scheme.</p> <p>The Council considers the implications of ring fenced funding as part of the financial planning process. The outcome will vary depending on whether it has been possible for the Council to gradually withdraw from support, it fits with the local priority (funding will then be continued by the Council) or there is no local fit (Council involvement will be terminated).</p> <p>A corporate asset management framework is in place which aims to integrate asset management with financial planning. Assets have been classified into six categories. Plans for two of the categories (Housing & Schools Estates) have already been prepared. Plans for the remaining categories are in the process of being prepared.</p> | <p>Our review of the affordability of the proposed PPP scheme will be reported in May 2007. We will monitor the position on all these areas throughout the year and report progress in the report to members.</p> |
| 3. | <p>Moray Council faces particular challenges with regard to its workforce especially given its remote, rural location and the limited employment opportunities available for potential employees' partners. Generally there is a need to 'sell' the area as well as the post to attract potential candidates.</p> <p>The Council is developing a workforce strategy although the process has been significantly delayed due to the diversion of resources to resolving issues relating to single status. Information is also being gathered on the age profile of senior staff to aid succession planning. In the absence of such a strategy, there is the risk that the Council does not have a corporate approach to workforce planning and therefore staff resources are not deployed effectively to deliver quality services.</p> | <p>The Council has agreed a corporate approach to workforce planning with links to the financial and service planning processes to ensure staff resources match priorities and funding. We aim to pull together the corporate workforce strategy by 31 December 2007. Community Services have already prepared a departmental strategy.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |



| No | Risk | Management assurances | Planned audit action |
|----|--|---|--|
| 4. | <p>The Council has some significant projects underway, such as a major programme for flood alleviation and proposals to restructure the schools estate. Any significant change project carries with it risks that expected benefits are not delivered, or that they are only delivered at greater time and cost. The Council may not have the capacity to deliver all the planned projects at the pace required. A focus on major change projects is also likely to limit the ability of individuals to manage 'business as usual'.</p> | <p>The delivery of major projects is included in the Council's Corporate Risk Register and project management arrangements are regularly reviewed by the Corporate Management Team.</p> | <p>We will monitor the progress on significant change projects throughout our audit appointment.</p> |



Using performance to drive service improvement

The Council does not yet have a fully effective performance management system in place and has been slow to develop public performance reporting. In order to claim efficiencies under the Efficient Government initiative the Council needs to demonstrate that services have been maintained or improved, presenting a challenge to evidence the links between resources and performance.

| No | Risk | Management assurances | Planned audit action |
|----|---|--|--|
| 1. | <p>The Council has recognised the need to have an integrated corporate performance management system and has recently refined the performance measures for each of its activities. In the absence of a fully effective performance management system, there are risks that:</p> <ul style="list-style-type: none"> • performance is not systematically monitored and followed up by services to ensure that corrective action is taken. As a result, the effectiveness of strategies and policies cannot be demonstrated and service provision may be ineffective or inefficient; • performance measures and monitoring are focused on process rather than outcomes for service users; • performance indicators used to measure performance are not appropriate or are unreliable and distort the perception of underlying performance or customer satisfaction; • measured performance does not demonstrate continuous improvement. | <p>Performance is systematically monitored by management teams, service committees, and the audit & performance review committee.</p> <p>Work will continue on refining the performance management system to ensure that robust measures are in place for all areas of service.</p> <p>This area will be highlighted to Members as a key area requiring their involvement and in particular the involvement of the new Service Committee Chairs.</p> <p>Statutory Performance Indicators (SPIs) are reviewed by Internal Audit prior to publication.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> <p>We will assess the reliability of SPIs and the arrangements in place to publish in accordance with statutory requirements.</p> <p>We will review action taken to address areas of poor performance and/or where these are below comparator authorities.</p> |



| No | Risk | Management assurances | Planned audit action |
|----|---|---|---|
| 2. | <p>In order to claim efficiencies under the Efficient Government initiative, the Council needs to demonstrate that service outcomes have been maintained or improved. There are risks that:</p> <ul style="list-style-type: none"> • the performance management system cannot transparently evidence the link between resources and performance to demonstrate that outputs and outcomes have been maintained or improved; • efficiency programmes are not appropriately targeted at those activities with the most scope for efficiency gains and service improvements in both the short and long term. | <p>The production of the Council's first annual efficiency statement will identify what additional work is required to be able to demonstrate that service outcomes are being maintained/improved.</p> <p>Efficiency reviews are currently being undertaken of three of the Council's activities (car parks, administration services, out of area placements). A further six activities have been chosen for review in the future. These reviews are expected to produce some 'quick wins'. The Council is also involved in longer term projects such as the provision of shared services and improved procurement practices.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |
| 3. | <p>Local authorities have a duty to report the outcome of their functions to the public. The Council has yet to publish its 2005/06 Public Performance Report which consists mainly of statutory performance indicators already in the public domain. More work is required to develop a fully coherent approach to public performance reporting across the Council. Without this, there is a risk that balanced and timely performance information is not provided to local communities and individuals.</p> | <p>The Council acknowledges that the 2005/06 public performance report consisted mainly of statutory performance indicators. Consultation is currently underway with the citizens' panel as to what future reports should look like including content, layout and style of reporting.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |



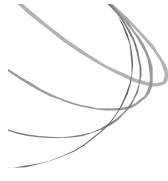
Demonstrating good governance

Key elements of the Council's corporate governance framework have yet to be fully developed. In their absence, there are risks that the Council's system of internal control may not be operating effectively, that key risks are not identified and addressed, and that there may be disruption to services in the event of system failure. The Council also faces significant risks to its reputation should it fail to deliver its flood alleviation schemes before more major flooding occurs.

| No | Risk | Management assurances | Planned audit action |
|----|---|---|---|
| 1. | <p>Internal audit plays a key role in governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. A preliminary review of the Council's internal audit arrangements for 2006/07 has identified that only limited time was spent on the review of the controls in operation within the Council's core financial systems. There are risks that insufficient evidence is available to support the independent assurance provided annually by the Chief Internal Auditor and that the Council's system of internal control may not be operating effectively.</p> | <p>Previous audits of core financial systems by both internal and external audit have yielded little in the way of recommendations to improve these systems.</p> <p>The Council has many priorities to address and considers there are other risks that Internal Audit should look at in order to support the organisation in meeting its statutory responsibilities.</p> | <p>We will review the Council's Internal Audit arrangements as part of the 2006/07 audit (report 30 June 2007).</p> |
| 2. | <p>Risk management is an essential component of the governance framework in any well-managed organisation. Although a risk management policy and corporate risk register have been in place for some time, the Council acknowledges that more needs to be done to embed risk management throughout the organisation. In the absence of a fully embedded process, there is a concern that the Council has not identified or managed all of its key risks.</p> | <p>Services are currently developing their service risk registers and the corporate risk register is being reviewed and updated.</p> <p>As part of the financial planning process for 2007/08, a risk assessment was undertaken for each of the Council's eighty activities.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |



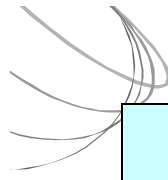
| No | Risk | Management assurances | Planned audit action |
|----|---|---|---|
| 3. | <p>Following a series of floods in Moray, the Council has committed to an ambitious programme of flood alleviation schemes. Although steady progress is being made, the lengthy legal process means that it will be a number of years before all the works are completed. In the meantime, the Council faces ongoing risks to its reputation, to the smooth running of Council business and to the sustainable development of the local economy should more serious flooding occur.</p> | <p>Progress is regularly monitored for each of the schemes and reported to the Flood Alleviation Sub-Committee.</p> <p>Interim earth works have been undertaken in key areas.</p> <p>Arrangements are in place to provide emergency accommodation for residents made homeless as a result of future flooding.</p> <p>Regular training is provided for Emergency Planning Co-ordinators. The Emergency Planning Officer has been tasked with arranging a workshop to test the response from the Co-ordinators.</p> | <p>National study on civil contingency planning due for publication in summer 2008. We will also track progress throughout the term of our appointment.</p> |
| 4. | <p>Business continuity planning should minimise disruption to important systems caused by major failures or disasters. Some time ago the Council established a Business Continuity Task Group and appointed a Business Continuity Officer. The Group has not met for some time and the Business Continuity Officer has resigned and will not be replaced. In the absence of a clear approach to business continuity and disaster recovery, there is a risk that the Council would not be able to deliver services in the event of system failure due to inadequate business continuity arrangements.</p> | <p>The Head of Direct Services has contacted the members of the Business Continuity Task Group to ascertain progress made to date with a view to reconvening the group in the near future.</p> <p>ICT are discussing the potential for introducing reciprocal arrangements for disaster recovery with neighbouring authorities.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |



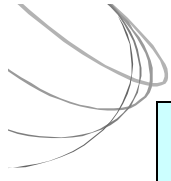
Funding sustainable services and performance improvement

The Council is facing considerable financial pressures in the coming years. There is a risk that it will be unable to resource sustainable services and performance improvements while meeting new demands for its services. The Efficient Government initiative has incorporated some efficiency savings into annual financial settlements, presenting an ongoing challenge as efficiency savings are likely to take some time to be fully realised.

| No | Risk | Management assurances | Planned audit action |
|----|--|---|---|
| 1. | <p>Equal pay legislation requires equitable wages for equivalent jobs. Although the Council has agreed settlements for single status and equal pay, a number of appeals have been received. It is estimated that considerable resources will be required to deal with them although a reliable estimate is not yet available. There are risks that:</p> <ul style="list-style-type: none"> the financial implications of settling single status appeals could adversely affect service delivery; potential industrial relations disputes lead to failure in service delivery and achievement of corporate objectives; significant numbers of revenues staff leave the employment of the Council resulting in a loss of experience and decrease in performance. | <p>As part of the 2007/08 budget, the Council agreed that the cost of dealing with Single Status appeals will be funded from reserves.</p> <p>Increased sickness absence levels have been detected and these will continue to be monitored in line with the absence management policy.</p> <p>Individual staff performance continues to be monitored through the employee appraisal system.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |
| 2. | <p>The introduction of age discrimination legislation from October 2006 presents risks that pay and benefits conditions which are linked to length of service could give rise to indirect age discrimination and consequent financial risk.</p> | <p>The revised pay and benefits conditions resulting from the single status agreement have been designed to ensure compliance with the age discrimination legislation.</p> | <p>We will monitor the position throughout the year and report progress in the report to members</p> |
| 3. | <p>The increased demand for out of area placements and demographic pressures of an ageing population are putting significant pressure on the social work budget and requiring better use of resources. There is a risk that the Council cannot sustain the budget pressures currently being experienced.</p> | <p>Regular monitoring reports are submitted to the Community Services Committee.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |



| No | Risk | Management assurances | Planned audit action |
|----|--|--|---|
| 4. | <p>The Council is facing considerable financial pressures in the years ahead, particularly in relation to the major capital expenditure commitments associated with the flood alleviation schemes and improvements to the School Estate. At present, it is unclear how the Council will balance its budget beyond 2007/08. There is a risk that the Council will be unable to sustain the current level of services in the future.</p> | <p>There is a long legal process to be completed before Flood Prevention Orders are granted providing access to Scottish Executive funding for flood alleviation schemes. The Council has obtained an Order for Lhanbryde and is progressing applications for a further three areas.</p> <p>The proposed PPP scheme to improve the School Estate has been submitted to the Scottish Executive for level playing field support. A response is awaited.</p> | <p>National study of improving the Scottish school estate planned for publication in autumn 2007. We will also track progress throughout the term of our appointment.</p> |
| 5. | <p>The Council has recognised the need for policy led budgeting and has recently improved its approach to annual budgeting. Further work is required to fully integrate financial planning with community and corporate planning arrangements and improve councillors' engagement in the process. In the absence of fully integrated financial planning, there are risks that the:</p> <ul style="list-style-type: none"> • objectives set out in community and corporate plans are unrealistic, with insufficient resources to meet all of their aims; • allocation of resources is not targeted at community and corporate objectives, with the funding of services not matching agreed priorities; • prioritisation of services is not undertaken to evaluate the options for reduction or cessation of certain activities, with the result that the performance of other services is detrimentally affected. | <p>In the Council's view, the process adopted in recent years enables a policy led approach to financial planning.</p> <p>It is acknowledged that there is a need to take a longer term view and to further integrate the financial planning process with corporate and community planning arrangements, and this, and other key issues, will be highlighted to new councillors as part of the initial training sessions in the first few weeks after the election.</p> <p>It is planned to refine the financial planning process during 2007 in an attempt to remove the focus from the annual budget meeting and establish an ongoing commitment to integrated financial planning.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |



| No | Risk | Management assurances | Planned audit action |
|----|--|---|---|
| 6. | <p>The Efficient Government initiative has incorporated some assumed efficiency savings into annual financial settlements, presenting an immediate challenge as efficiency gains through service redesign are likely to take longer than one year to be fully realised. There are risks that failure to achieve the level of savings anticipated may:</p> <ul style="list-style-type: none"> • increase financial pressures; • impact on the quality of services provided; • lead to loss of credibility with the Scottish Executive and the public. | <p>The Council, in conjunction with six neighbouring local authorities, has made a bid to the Efficient Government Fund for funding to conduct a feasibility study into the provision of joint financial systems.</p> <p>Efficiency reviews are currently being undertaken of three of the Council's activities (car parks, administration services, out of area placements). A further six activities have been selected for review in the future.</p> <p>The Council's procurement system and practices have been assessed against the recommendations included in the McClelland report. An additional Procurement Officer has been appointed and regular reports are made to the Policy & Resources Committee. The procurement strategy will be finalised by July 2007.</p> | <p>We will monitor the position throughout the year and report progress in the report to members.</p> |

Effective community planning

Increasingly the Council is dependent on partnership working to deliver service improvements and promote sustainable development. There is a risk that partners are unable or unwilling to work effectively in a joined-up manner and do not achieve best value in the use of public resources.

| No | Risk | Management assurances | Planned audit action |
|----|---|---|--|
| 1. | The Council has a formal duty to facilitate and maintain community planning . The Best Value audit concluded that the Community Planning Partnership needed to be more effective in collectively tackling some of the major issues affecting Moray. The partnership published a new Community Plan in September 2006 which sets out measurable targets for improving public services in Moray. There is a risk that partners may be unable to demonstrate sufficient progress in improving outcomes within challenging timescales. | Community Planning structures are well established and will be a key feature of the members' training programme. Progress has already been made against some of the key targets (for example, affordable housing). | We will monitor the position throughout the year and report progress in the report to members. |
| 2. | Sustainable development is an important issue for Moray. The economy relies heavily on the local RAF bases for jobs and a skilled workforce for local hospitals and Council offices. RAF families also make up a significant proportion of the school roll in many local schools. Although recent uncertainty about the future of the RAF bases has been lifted, there are risks to the sustainability of the economy and local communities should there be job losses in the future. | The RAF bases are now secure in the longer term. The Council recognises that future redevelopment of RAF Lossiemouth carries new risks regarding potential increased demand for building services provided by construction firms. | We will monitor the position throughout the year and report progress in the report to members. |
| 3. | There is a lack of affordable local housing in Moray and an increasing number of complex problems associated with homelessness. While the local housing strategy covers these concerns, there is a risk that the Council and its partners will not be able to provide the level of service necessary to meet demand. | The Council continues to work closely with Communities Scotland and Registered Social Landlords to maximise investment in the provision of new affordable housing. Monitoring is undertaken on an annual basis by the Council and Communities Scotland. | We will monitor the position throughout the year and report progress in the report to members. |



Audit Team

Summarised curricula vitae for each core team member are set out below:

| Name | Qualification and public sector experience |
|---|--|
| Lynn Bradley (Director & appointed auditor) lbradley@audit-scotland.gov.uk 01355 619200 | CPFA 6 years public sector audit experience. |
| Fiona Kordiak (Assistant Director & engagement lead) fkordiak@audit-scotland.gov.uk 0131 625 1967 | CPFA 19 years public sector audit experience. |
| Maggie Bruce (Senior Audit Manager & lead contact) mbruce@audit-scotland.gov.uk 01463 713500 or 07879 633665 | CA 17 years public sector audit experience. |
| Jim Convery (Lead Auditor) jconvery@audit-scotland.gov.uk 01463 713500 | CA 22 years public sector audit experience. |
| Helen Cobb (Senior Auditor) hcobb@audit-scotland.gov.uk 01224 346250 | CA 7 years public sector audit experience. |
| Grietje Menger (ICT Senior Auditor) gmenger@audit-scotland.gov.uk 0131 625 1755 | CISA 3 years public sector audit experience. |

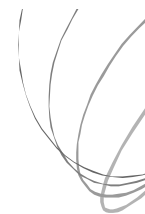
Overall, the audit team bring wide experience of local government and the public sector.



Meeting the Code of Audit Practice

Our responsibilities

1. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance, regularity and the organisation's use of resources. In doing this, we aim to support improvement and accountability.
2. In carrying out our audit, we seek to gain assurance that Moray Council:
 - has good corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability;
 - has made proper arrangements for securing best value in its use of resources and is complying with its community planning duties;
 - proactively manages and reviews its performance in line with its strategic and operational objectives;
 - has a system of recording and processing transactions which provides a sound basis for the preparation of financial statements and the effective management of the Council's assets and interests;
 - has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption;
 - prepares financial statements which present fairly the financial position at 31 March 2007 and income and expenditure for the year then ended; and
 - complies with established policies, procedures, laws and regulations.
3. The Local Government in Scotland Act 2003 created new arrangements for the audit of best value. Best value audits are based on a cyclical approach and involve a detailed review of the Council by a specialist team every three years, with checks on ongoing progress in intervening years. An initial best value audit of the Council has been conducted and the results reported in February 2006. A further follow up review by the best value team is planned for summer 2007. The principles of best value are central to our audit approach and the local auditor is a member of the best value team to ensure that local knowledge is communicated to the rest of the team. We will continue to monitor progress made by the Council on its improvement plan through the annual audit process.



Our approach

4. The key features of our risk-based audit approach include:
 - integration of audit work on financial statements, performance and corporate governance;
 - an increased focus on key business, operational and financial risks;
 - a more streamlined financial statements audit which maximises assurance from existing control processes; and
 - development of tailored reviews of the Council's priorities and risks.
5. Our preliminary audit work has involved us in assessing the significant risks facing the Council. This assessment is based on the likelihood of the risks occurring and the impact they could have on the delivery of the Council's corporate objectives, delivery of services and the overall financial position. We have also considered the adequacy of the arrangements in place to address the identified risk and the extent to which these reduce the risk to an acceptable level.

Quality Control

6. We are committed to ensuring that our audit reflects best practice and demonstrates best value to Moray Council and the Accounts Commission. We operate a strong quality control framework that seeks to ensure that the Council receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client (for Moray Council this is Fiona Kordiak) who is responsible for quality control.
7. As part of our commitment to quality and continuous improvement, we may seek your views from time to time. We would be grateful for any feedback on our services.

Fees and resources

8. Our fee for the 2006/07 audit of Moray Council is £263,170, comprising a local audit fee of £184,470 and a fixed charge of £78,700. Our fee covers:
 - all of the work and outputs described in this plan;
 - a contribution towards the costs of national performance studies, statutory reports by the Controller of Audit and the work of the Accounts Commission;
 - attendance at the Audit and Performance Review Committee and other key meetings;
 - access to advice and information on relevant audit issues;
 - access to workshops/seminars on topical issues; and
 - all travel and subsistence costs.



9. In determining the fee we have taken account of the risk exposure of the Council and the management assurances in place including the level of reliance we can place on the work of internal audit. We have assumed receipt of the draft accounts and working papers by 30 June 2007. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work.
10. An additional fee will be required in relation to any work on PPP or other significant exercises not within our planned audit activity.
11. Lynn Bradley, Director of Local Government, is the appointed auditor for all local authorities audited by Audit Scotland. In practice, this is operated by delegating management and certification responsibilities to Assistant Directors. For Moray Council, the Assistant Director is Fiona Kordiak.
12. The local audit team will be led by Maggie Bruce, who will carry out the day to day management of the audit and will be your primary contact. Details of the experience/skills of our core team are provided at Appendix B. The core audit team will call on other specialist and support staff, as necessary.