

Questions - Control environment

26 Were any changes needed to the design and implementation of internal controls to respond to COVID-19?

- What has been the impact of these changes? How long are these changes expected to last? Are the changes sustainable? How significant are these changes?
- Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls? Can the negative impact of any changes be reversed?

Notes: There have been few changes in key financial controls during this period. The changes which have been implemented, in relation to financial controls, have been:

- a specific cost centre set up for Covid-19 related expenditure. This is expected to last for the financial year and risks are being managed by requiring all spend against this cost centre to be approved by the s151 officer (or deputy), as the only budget holders;
- invoices are being paid immediately, rather than in accordance with usual payment terms; and
- during this period, it has been agreed that Council procurement cards can be taken home by officers. This is usually prohibited and cards must be held on Council premises but this control was relaxed in order to support flexible and remote working.

Internal Audit have been notified of both of these changes and assurance can be taken, in relation to both, from the weekly spend reviews that are being conducted by the audit team.

Overall, the Council has sought to maintain control without restricting officers from conducting their duties and responding to the pandemic requirements. To date, no significant issues have been identified from the spend reviews by Internal Audit.

27 Where changes were made to controls, did the organisation understand where there was increased risk because of this?

- Were other controls strengthened to compensate for this?

Notes: As above, no significant changes to controls have been implemented and the associated risks have been assessed and managed, with input from Internal Audit. All authorisations and approvals on the financial system have remained consistent and no increased spend limits have been given to officers.

- 28 Has remote working affected the operational effectiveness of internal controls?**
- Are any controls only able to be implemented in person, such as those over physical assets?
 - Have changes in personnel performing the controls impacted effectiveness?

Notes: Key changes in controls arising from remote working are set out above. Other changes have included allowing staff to take equipment home with them to assist with remote working - all of which should have been suitably logged. The Council has sought to adopt a more flexible approach to controls without making significant changes to the control environment.

- 29 How have IT services performed during the outbreak?**
- How has this impacted the effectiveness of controls?
 - How have cyber security controls been considered?

Notes: The Council's membership of a shared IT service has provided some resilience during this period but it has been acknowledged that other members of the service were not as robustly prepared to support remote working, leading to the diversion of resource to other sites in the early stages of the lockdown. It is, however, noted, that the majority of staff have been able to work remotely throughout this period and have received support in as reasonably timely manner.

Some staff have had to utilise personal equipment for phone calls and remote meeting software. It is recognised that in the longer term that an assessment needs to take place over the equipment that staff need to be able to work effectively in a remote setting without having to use personal equipment.

An assessment of cyber security controls was conducted by the IT Partnership lead in July 2020 and the results have been shared with senior management and Internal Audit.

- 30 Where service organisations are used, have there been any changes to the design and implementation of their controls?**
- Where relevant, what has been the impact of this?

Notes: Any changes in delivery of contracts are being monitored by the relevant Director and should be recognised on risk registers.

Questions - Regularity of expenditure

- 31 Have there been any significant changes to the organisation's activities during the outbreak?**
- If so, have the changes required new legislation or changes to delegated authorities?

Note: The way in which Council services have been delivered has, inevitably, been impacted by the pandemic and additional services have been delivered to support the vulnerable members of the community and local businesses. Some of these decisions have been made under emergency powers, due to the need to respond but have all been recorded in decision notices.

- 32 Has the accounting officer assessed the reasonableness of increased expenditure or new activities in the context of Managing Public Money?**
- Have ministerial directions been required? Have these been provided?
 - Are these disclosed transparently in the corporate governance report?

Notes: The s151 Officer has control of the dedicated Covid19 budget and Internal Audit have conducted weekly 'reasonableness' reviews of all Council spend. Areas of spend, such as homelessness, have been subject to further review to ensure any costs coded to the Covid-19 cost centre are reasonable and not 'business as usual' costs.

The Council has faced greater risk in the form of loss of income than increased expenditure.

- 33 Is there any new expenditure that could be deemed novel and contentious?**
- How has this been treated?

Notes: Where any expenditure has been deemed by senior management as novel or contentious, this has been logged within the decision records and a record is being maintained by the Legal Team. The only supplier who has sought additional support has been the leisure provider.

34 Has management breached any control totals?
• Have there been any other regularity breaches or contentious issues?

Notes: This is interpreted by the Council as 'budget allocations'. The Council's budgetary control framework continues to operate as usual, and has done so throughout the pandemic. An additional 'Covid19 budget' has been allocated and any expenditure incurred against this additional money is subject to review by the Finance Manager and s151 Officer.

A budget update will be presented to Cabinet in September 2020 and will reflect further upon the implications for income and expenditure of the pandemic and any wider budget pressures.

There have been no known breaches of regulations.

35 Have the provisions in Procurement Policy Note 02/2020 been used by management?
• Has management carried out and documented appropriate due diligence checks on relevant suppliers?
• Have all other Managing Public Money provisions applied to payments made under the Procurement Policy Note?
• Has management received open book information from impacted suppliers?

Notes: This has been considered on a case by case basis for relevant contracts and all decisions have been logged, with details of the basis for the decision, and the route by which/by whom it has been approved.

As referred to earlier the council has modified its payment terms to immediate for all payments. specific decision have been made with regard to the underwriting of costs relating to leisure provision which have been captured in decision notices with the longer term support subject to a cabinet decision in September. An open book accounting process is being followed.

Questions - Fraud and error

36 What exposure to fraud and error does the organisation have in its responses to COVID-19?

- Have controls been turned off or reduced?
- Are there new expenditure or procurement streams, or delivery methods that introduce new risks?

Notes: The Council's fraud risks remain generally consistent with those already identified and managed via the Fraud Risk Register. An additional area of risk arising from the Covid-19 response has been in relation to applications for local business grants. The emphasis from government was placed on prompt payment of the grants and post payment assurances. The Council completed fraud risk assessments in relation to the grants in order to identify the key risks, the controls, sources of assurance and residual risk rating. This highlighted some additional actions which were completed in relation to reviewing the outcomes of NFI data matching.

The Internal Audit team has also shared regular updates on national and local scams and fraud attempts during the pandemic with the Council management. This has included some national grant scams and has enabled officers to review their records to ensure no payments have been made to those known, fraudulent accounts/payees.

36 How is the organisation managing fraud and error risks?

- Are they logged, with a monetary estimate of the potential fraud and error exposure?
- Have options to reduce fraud and error been evaluated? Has management assessed the organisation's risk appetite for losses through fraud and error? Are there any changes to this?

Notes: The Council's fraud risk register monitors exposure and evaluates the controls in place to manage the associated risks. The additional risk assessments on the Covid19 grants have been produced separately, using the template provided by government and have been reviewed by the Head of Internal Audit and s151 Officer.

Managers have been given training on 'managing staff remotely' - which will assist in monitoring employee fraud indicators.

37 What processes are in place to measure fraud and error and evaluate the effectiveness of activities to prevent or detect this?

- How is management using this information to update risk assessments or inform controls?
- Does management have real-time indicators to support informed decisions on risks?

Notes: The Internal Audit team consider fraud risks in the scoping of every audit assignment. A quarterly review of the Fraud Risk Register provides assurance over the effective management of the relevant risks. The Covid19 grant specific risks are being monitored and reported upon in the monthly assurance returns to government.