

**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 16 June 2020  
**BY:** Service Manager – Internal Audit  
**SUBJECT:** COVID-19 Change Control Assurance– June 2020

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit Assurance exercises completed since the last meeting of the Committee in relation to processes that have had significant changes in the control environment implemented as a result of the COVID 19 Pandemic.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the findings and recommendations from the reported exercises attached as Appendix 1.

## **3 BACKGROUND**

- 3.1 Since the last meeting of the Committee Internal Audit Assurance exercises have been finalised for Grant Products and Creditors.
- 3.2 The main objective of the Assurance exercises was to establish if the internal controls in place provide an appropriate control environment. A summary of the main findings and recommendations from the Assurance exercises is contained in Appendix 1.
- 3.3 As the Assurance exercises are not a complete audit of these processes they have not been assessed with an assurance level. However a conclusion on how appropriate the internal control processes are has been provided.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None  
6.2 Personnel - None  
6.3 Other - None

## **7 BACKGROUND PAPERS**

- 7.1 None

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<b>DATE</b>	8 June 2020



## Appendix 1

### East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit
To:	Head of Council Resources – Jim Lamond Service Manager –Revenues and Welfare Support – Kenny Christie Service Manager – Economic Development – Susan Smith
Date:	8 <sup>th</sup> June 2020

#### Grant Products – COVID-19

##### 1. Background

Since March 2020 East Lothian Council have been requested to administer a number of new grant products for Businesses and individuals. In order to provide some assurance over the grant products initial reviews of the control processes have been undertaken for two of the grant products. These products are the Business Support Grants and the Newly Self Employed Grants.

The Business Support Grants are available to the ratepayers of businesses located in a non-domestic property that is on 17 March;

- 1) in receipt of the Small Business Bonus Scheme (SBBS);
- 2) in receipt of Rural Relief; or
- 3) eligible for SBBS but in receipt of Nursery Relief, Disabled Relief Fresh Start or Business Growth Accelerator Relief;

Such businesses can apply to access a support fund and receive a one-off small business support grant of £10,000. This is only available if they were the ratepayer for a premises occupied for that business use on 17 March 2020. A separate one-off grant of £25,000 is available to the ratepayers of businesses in the Retail, Hospitality, Leisure sectors operating in a premises with a rateable value of £18,001 or up to £51,000. A second phase of grants for businesses occupying more than one qualifying non-domestic property has provided different levels of grant funding.

Newly Self Employed Grants provide hardship relief to newly self-employed individuals who have not been able to access support through other schemes. Successful applicants will receive a one-off payment of £2,000. Individuals may only apply once and only in one Local Authority area.

##### 2. Findings

We found that procedures had been put in place providing appropriate segregation of duties between initial assessment and approval for payment. All applications are being reviewed by a senior authorising member of staff prior to payment. Further controls are being implemented within Finance to provide further assurance that duplicate payments are not being made for these grants.

All staff assessing grants have been provided with the guidance documents from the Scottish Government on how the grants should be assessed. Further information has been sought by management where this guidance has not provided clarity in individual circumstances.

Internal Audit has offered guidance on individual applications from a counter fraud perspective when escalated. Advice on eligibility and evidence requirements has been provided and accepted by management as a result of this process.

In addition in order to assess the accuracy of the grant award processes a sample of grants has been selected for both grant products, with the following results:

- A sample of 15 Business Grants awarded, covering both the 1<sup>st</sup> and 2<sup>nd</sup> phase of grants were reviewed and in all cases appropriate assessments have been made with the required evidence provided.
- A sample of 5 Business Grants that have been rejected have been reviewed and in each case the rejection was due to the applicant being ineligible for the grant, under the guidance in place at the time of the assessment.
- A sample of 5 awarded newly self-employed grant applicants were reviewed and in all cases appropriate assessments have been made with the required evidence provided.
- A sample of 5 rejected newly self-employed grant applicants have been reviewed and in each case the rejection was due to the applicant being ineligible for the grant, under the guidance in place at the time of the assessment or that there was a missing item of required evidence.

Whilst assessment and payment control processes are considered adequate there remains a risk of fraud for both of these grant processes. Internal Audit have reviewed two fraud detection systems to establish if they could assist with the risk for these products. Both systems were found not to contain the information required to provide useful fraud detection for the current grant processes at the time of review. However staff members completing grant assessments have been advised to be vigilant for any potentially fraudulent applications and refer to Internal Audit for further review.

Inclusion of the Business Grants into the NFI data matching is being pursued and East Lothian Council will participate in this matching exercise later in the 2020/21 financial year.

### **3. Conclusions**

Based on our review and limited testing of grants at this point in time, controls are operating in an appropriate manner for both Grant products reviewed. Further review of grants processes will be considered as part of a revised audit plan to be presented to the September Audit & Governance Committee. Grants guidance and eligibility criteria are continuing to change and evolve and further grants will be paid during the 2020/21 financial year.

In order to further examine the fraud risk in these products Internal Audit will assist with the inclusion of the Grant products in the NFI data matching and report on the progress of these matches when they are available.



## East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit Peter Moore, Senior Auditor
To:	Sarah Fortune, Chief Operating Officer Finance
Date:	8 <sup>th</sup> June 2020

### Creditors – COVID-19

#### 1. Background

Internal Audit were asked to review the processes being put in place to allow payments to continue being made with staff working from home during the COVID-19 pandemic. As part of this exercise a review was undertaken of the implementation of recommendations made as part of the Creditors audit carried out as part of the 2018/19 audit plan.

#### 2. Findings

We found that procedures had been put in place across services to allow the authorisation of invoices to take place without the need for staff to be in the office. Arrangements have been put in place to enable invoices received in the office to be scanned onto a shared area which allows staff processing the invoices to access them remotely. Managers are supplied with an electronic batch header and a smart list report for authorisation. Once authorised the electronic authorisation together with either the 'smartlist' report for batches or the electronic invoice for manual payments should be sent to the Creditors team for payment. Where possible suppliers are being requested to supply invoices electronically. We were informed that a number of suppliers and areas within the Council continue to provide the Creditors with manual records rather than electronic.

We selected a sample of invoice batches and manual payments that had been processed before and after the revised procedures were introduced and we found that in all cases the appropriate procedures had been followed. In all cases we found that an appropriate member of staff had authorised the payment and the required documentation was sent to the Creditors Team.

From a sample of 53 invoices selected we found a number of cases where the date of payment did not agree with the date of the invoice. We sought to confirm why these discrepancies had arisen:

- in 24 cases we were informed that the supplier had not submitted the invoice at the time the goods and services were received;
- in 13 cases the wrong year had been input, we were informed that Great Plains retains the invoice date and staff had not amended this to the actual invoice date;
- in 8 cases the date input resulted in the invoice appearing to have been paid in advance;
- in 7 cases the invoice had been mislaid by the service resulting in late payment;
- 1 invoice that had previously been in dispute for a period of time.

We carried out an analytical exercise to identify potential duplicate payments and from this five duplicate payments were identified:

- in three cases the duplicate payment was identified and a refund has been received;
- in the other two cases we were informed that a refund was still to be sought.

The 2018/19 audit report contained 11 recommendations and of these four had been implemented before the final report had been issued and of the remainder four had been fully implemented. In one case consideration is being given to having Great Plains adapted to ensure the creditor reference is not retained. We have been informed that a duplicate checking report has now been put in place but this has yet to be run. We were also informed that batch checking report is still being developed.

### **3. Conclusions**

Based on our review, we found that the procedures implemented as part of the Covid 19 working from home preparation have been working satisfactorily in ensuring that payments continue to be made to suppliers. Cases were identified where the quality of data entered by services was not accurate which would impact on the Creditor Team KPI for payment of invoices. Internally there are a few cases where hard copy payment requests are being sent to Finance rather than being submitted electronically.

Progress with implementing the recommendations from the previous audit report has been good however, mechanisms to identify potential duplicate payments are still being developed and require finalisation.

### **4. Recommendations**

**Recommendation 1:** Management should ensure that all invoices and requests for payment are received electronically.

Management Response:

Agreed – A reminder will be issued to all services involved to utilise the electronic processes that have been put in place during June 2020.

**Recommendation 2:** Management should remind services that the accuracy of data input is required in all creditor fields entered and can have an impact on monitoring the payment of invoices.

Management Response:

Agreed – A reminder of the importance of correct data input across all creditor data will be issued during June 2020.

**Recommendation 3:** Management should work towards the implementation of the final three Internal Audit Recommendations previously made in September 2019.

Management Response:

Agreed – Progress on these recommendations is already being made and they will be completed by September 2020.