

REPORT TO: Audit and Governance Committee

MEETING DATE: 21 September 2021

BY: Service Manager – Internal Audit

SUBJECT: Internal Audit Report – September 2021

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and to provide an update on progress made against the 2020/21 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from the Internal Audit reports issued during the period from July 2021 to September 2021 as contained in Appendices 1 & 2;
 - ii. Internal Audit's progress against the annual audit plan for 2020/21 as set out in Appendix 3.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Non-Domestic Rates Reliefs & Recovery, Partnership Funding, Council Tax Reliefs & Recovery and Scottish Housing Regulator Annual Assurance Statement (see Agenda Item 4).
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.
- 3.3 In addition since the last meeting of the Committee an Assurance review of the Low Income Pandemic Payment Process has been completed.
- 3.4 The main objective of the Assurance exercise 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 exercise is contained in Appendix 2.

- 3.5 As the Assurance exercise is not a complete audit of this emerging process it has not been assessed with an assurance level. However a conclusion on how appropriate the internal control processes are has been provided.
- 3.6 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Non-Domestic Rates Reliefs & Recoveries – Moderate Assurance
 - Partnership Funding – Reasonable Assurance
 - Council Tax Reliefs & Recoveries – Reasonable Assurance
 - Scottish Housing Regulator Annual Assurance Statement – Not graded

Progress Report 2020/21

- 3.7 A progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2020/21.

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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DATE	10 September 2021

Appendix 1 Executive Summary: NDR – Reliefs and Recovery

Conclusion: Moderate Assurance

The internal controls in place for NDR – Reliefs and Recovery are broadly reliable, however there are a number of controls that require to be implemented or improved to provide a fully effective control process, including updating the existing procedures for reliefs and exemptions to provide clear guidance to staff, the existing arrangements in place for monitoring the continued entitlement to reliefs and exemptions, the monitoring of Small Business Bonus Scheme Relief for ratepayers with multiple business premises and the arrangements in place for undertaking quality assurance checks to confirm that reliefs and exemptions have been correctly awarded.

Background

Non-Domestic Rates are levied in respect of all non-exempt commercial properties in Scotland. The amount to be paid is based on the rateable value (as determined by the Assessor) and the poundage rate set each year. Rateable values are regularly reviewed to reflect changes to the property market – the rateable values in Scotland were last reviewed with effect from 01/04/2017.

A number of reliefs and exemptions are available for business premises including Small Business Bonus Scheme Relief, unoccupied property relief and mandatory charity relief. The Scottish Government introduced a number of further reliefs in response to the Coronavirus pandemic for 2020/21 including a 1.6% relief for all Non-Domestic properties and 100% relief for properties in the retail, hospitality and leisure sectors. We note that the Council suspended recovery action in 2020/21 to support businesses during the pandemic and the final notices were subsequently issued in May 2021.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- The existing procedures in place require to be reviewed and updated to ensure that clear guidance is provided to staff on each of the reliefs and exemptions available to ratepayers in Scotland. *Management have agreed to update the existing procedures by February 2022.*
- The monitoring arrangements in place for the award of Small Business Bonus Scheme Relief to ratepayers with multiple business premises require review. *Management have agreed to undertake an annual review by January 2022.*
- There was a lack of quality assurance checks undertaken to confirm that reliefs and exemptions had been correctly awarded during 2020/21. *Management have agreed to undertake checks on a sample of reliefs and exemptions from the automated weekly relief report by May 2022.*
- The existing arrangements in place for monitoring the continued entitlement to reliefs and exemptions require review – in a number of cases no reviews had been undertaken and in other cases the last review was carried out in 2012. *Management have agreed to develop electronic review forms and start the roll out to ratepayers by November 2021.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	14	-	14
Prior report (January 2019)	-	8	-	8

Materiality

The Council has approximately 3,800 commercial properties in East Lothian and the gross amount payable for 2020/21 based on the rateable values of the properties was approximately £41.1 million prior to reliefs and exemptions being applied. The Non-Domestic Rates collection rate for 2020/21 was 98.16% (2019/20 - 99.04%).

Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering Non-Domestic Rates.	Moderate	The Business Rates Section have procedural guidance notes for some reliefs and exemptions, however detailed procedures have not been prepared for all the reliefs and exemptions available, outlining the key eligibility criteria and how to award the relief on the Capita system. There is a timetable for the automated recovery routines in respect of Non-Domestic Rates debt and staff members have work instructions to assist with each stage of recovery. We note that the Council's 2006 Discretionary Rates Relief Policy was reviewed and updated in February 2014, however the updated policy has yet to be formally approved.
2. Adequate procedures are in place to ensure that reliefs and exemptions are correctly applied.	Moderate	We selected a sample of 30 cases where a relief or an exemption had been awarded in 2020/21 and found that in 25 cases the relief or exemption had been properly applied, however in two cases there was a failure to monitor the award of Small Business Bonus Scheme Relief for ratepayers with multiple business premises and for the remaining three cases the ratepayer had either not been awarded the correct category of relief or there was a lack of evidence to support the award. The existing arrangements in place for monitoring the continued entitlement to reliefs and exemptions require review.
3. Adequate arrangements are in place to ensure that quality assurance checks are undertaken on reliefs and exemptions.	Moderate	We found that the Business Rates Section had not undertaken quality assurance checks during 2020/21 to confirm that reliefs and exemptions had been correctly awarded due to the increased work pressures relating to the Coronavirus pandemic. An automated weekly relief report is sent to the Business Rates Section which highlights any changes to reliefs and exemptions for that week, however we found that there was a lack of evidence to confirm that a sample of individual accounts had been checked to the Capita system.
4. Adequate arrangements are in place for the effective recovery of Non-Domestic Rates debt.	Moderate	The Council had to wait for a software update from Capita that would reduce the annual rate poundage by 1.6% and the revised Non-Domestic Rates bills for 2020/21 were issued in December 2020. There was a clear audit trail to confirm that the suspension of recovery procedures had been approved and the final notices were subsequently issued in May 2021. For a sample of 15 arrears cases examined, we found three cases where there was a lack of clear explanations on the Capita system to explain why recovery had been held or why an awaiting further action flag had been placed on the account, and for a further case the ratepayer should have been automatically awarded Retail, Hospitality and Leisure relief for 2020/21.
5. Adequate procedures are in place for making payment arrangements.	Reasonable	For a sample of 15 accounts with NDR arrears, we found that adequate procedures are in place for agreeing payment arrangements with ratepayers. The arrangements sought to clear the total current year debt and had been appropriately monitored to ensure that ratepayers adhered to the repayment plan.
6. Adequate arrangements are in place for monitoring Non-Domestic Rates arrears.	Reasonable	The recovery of current year debt begins after the 30 th September each financial year and we found that the Business Rates Section had reviewed all outstanding debt in 2020/21 both current year and previous years. Monthly reports are not provided to the Business Rates Section to enable staff members to monitor debt, however a full arrears balances report is requested by the Business Rates Section on an ad-hoc basis.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	A clear audit trail exists for all reliefs and exemptions awarded – the Capita system records the type of relief or exemption applied and the effective dates of entitlement.
2.	Adequate procedures are in place for making payment arrangements with ratepayers, which seek to clear the total current year debt.
3.	Adequate arrangements are in place for monitoring Non-Domestic Rates arrears.

Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

Executive Summary: Partnership Funding

Conclusion: Reasonable Assurance

The Council's Partnership Funding process was reviewed in 2018 and the revised approach included new criteria, application, evaluation and awards processes for funding to community groups and voluntary/third sector organisations in East Lothian. We found that appropriate arrangements are in place in respect of the application and assessment process, approval and reporting of awards and the payments process. In addition we found that detailed records are maintained of all applications received and of all stages in the assessment, decision making and payments processes and for the monitoring and review of projects. Areas with scope for improvement include further work on the development of Service Level Agreements (SLAs) and the embedding of the half yearly review and monitoring of projects.

Background

For many years, the Council's partnership grant funding has supported community organisations in their work to make East Lothian a better place to live, and through Partnership Funding the Council seeks to demonstrate successful partnership working, with the overarching intention of reducing inequalities within and across East Lothian's communities. In recent years a One Council approach to Partnership Funding has been adopted and the Members' Library Report of 15 May 2020 provided details of 2020/21 Partnership Funding of £1,596,459 to community groups and voluntary/third sector organisations operating in East Lothian. The Members' Library Report of 17 May 2021 advised of a further allocation to community groups and organisations for 2021/22 of £1,545,508. In response to the challenges of the Covid-19 pandemic, the report advised that the focus of the 2021/22 funding awards was to be on supporting initiatives which will help to mitigate the adverse impacts of Covid-19.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – Connected Communities**.

- There is a need to further progress work on the development of Service Level Agreements (SLAs) where this has been identified as the most appropriate basis for funding organisations in receipt of regular partnership funding. *Management have agreed to review the process for SLAs by December 2021.*
- There is scope to enhance and embed the half-yearly project monitoring and review of projects, to ensure that this review can feed into the assessment process for the next year's award of Partnership Funding. *Management have agreed to develop procedures for half-yearly reviews by March 2022.*
- There is an opportunity to further enhance controls by undertaking an annual reconciliation of total Partnership Funding awards, as approved and reported annually to the Members' Library, to total Partnership Funding expenditure as recorded in the Council's general ledger. *Management have agreed to prepare a 2020/21 reconciliation by October 2021 and thereafter on an annual basis by June each year.*
- Due to the unique circumstances of the 2020/21 year and as a result of COVID-19 a small number of agreed awards have not been paid due to events or activities not taking place, an additional sum was paid to one organisation and at least one grant was held over to the 2021/22 year. *Management have agreed to prepare a year-end Members' Library report by October 2021.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	6	-	6
Prior report (March 2015)	-	6	-	6

Materiality

The Council has adopted a One Council approach to Partnership Funding. For 2020/21 funding of £2,980,100 was allocated by Communities, comprising:
One Council Partnership Funding – £1,596,459
Community Councils and Local Priority Scheme – £133,641
Budgets allocated to Area Partnerships – £1,250,000

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible and appropriate Council policies, procedures and guidance are in place for Partnership Funding grant awards.	Reasonable	The Council's Partnership Funding process was reviewed in 2018 and the Members' Library report of 16 October 2018 provided details of the review of the "One Council Partnership Grants Fund" funding process, including new criteria, application, evaluation and awards process for funding to community groups and voluntary/third sector organisations in East Lothian. We found that the Council's website clearly details the updated Partnership Funding process, including initiatives/activities the Council will seek to support and the application and assessment process.
2. A clear and consistent approach is in place for the approval and reporting of Partnership grants awarded.	Reasonable	A clear and consistent approach is in place for the approval of Partnership Funding grant awards by the of Head Communities, under delegated powers, and for an annual report to the Members' Library, which provides details of organisations applying for funding, the previous year's award (if any), grant amount applied for, amount awarded (or if the application was declined), geographical area covered by the application, ELC strategic priorities covered by the application and the purpose of the grant. We note however that there is scope to prepare a year-end Members' Library report to advise of any ad-hoc or exceptional changes to Partnership Funding payments during the year.
3. An application process is in place for all organisations seeking Partnership grant funding.	Substantial	An annual application process is in place for organisations seeking Partnership Funding. The application form, which is available on the Council's website, requires applicants to provide a range of information including activities and items to be funded, Council Plan and LOIP priorities the project will support, how the impact of the funding will be evidenced, additional sources of funding applied for and details of any other income received from ELC.
4. A clear and transparent assessment process is in place, and is consistently applied, for all funding applications received.	Reasonable	A Council Officer Assessment Panel has been established, comprising of relevant Council officers from service areas across the Council, and the Panel met to consider applications received for 2020/21 funding. Detailed meeting notes were maintained for each application considered including name of the organisation applying for funding, amount applied for, previous year's funding awarded (if any), lead service, comments from Panel members and the Panel decision. Several organisations receive regular annual partnership grant funding and it was proposed that these are separated out from the annual grant application process and funding be awarded on a three-year basis linked to a Service Level Agreement (SLA), however further progress on the development of SLAs is required.
5. Appropriate arrangements are in place to ensure that all Partnership grant payments made are accurate and are in accordance with the approved amounts.	Reasonable	Arrangements are in place to ensure that all Partnership grant payments made are accurate and are in accordance with the approved amounts. A detailed payments record is maintained, including organisation name, creditors ID, amount approved (or if declined), payment amount (nil if declined), payment date, payment reference and repayment amount (if relevant). We note that there is an opportunity to further enhance controls by undertaking an annual reconciliation of total Partnership Funding awards, as approved and reported annually to the Members' Library, to total Partnership Funding expenditure recorded in the Council's general ledger.
6. Appropriate monitoring and review processes are in place to ensure that all Partnership Funding awarded is achieving the desired outcome/impact.	Reasonable	Appropriate monitoring and review arrangements are in place to ensure that the desired outcome/impact is being achieved – lead services are identified to facilitate ongoing/regular dialogue and involvement with the funded partners throughout the year and End of Project Reports are required from all organisations in receipt of funding. These reports are not received until after consideration of the next year's application/award and there is scope to enhance and embed the half-yearly project monitoring and review of projects and use of the funds awarded, to ensure this can be fed into the assessment process for the next year's award of Partnership Funding.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	The Council has clear, accessible and appropriate Council policies, procedures and guidance in place for Partnership grant funding awarded to third sector/voluntary organisations, and all relevant details are provided on the Council's website.
2.	A clear and consistent approach is in place for the approval of Partnership Funding grant awards by the Head of Communities and for the reporting to the Members' Library of annual awards made.
3.	The service area maintains a detailed monitoring spreadsheet (One Council Partnership Funding Log) of all applications received for Partnership Funding, including details of the Date Application Received, If Application is above 5k/below 5k, Funding Applied For, Previous Year's Funding Awarded (if any), Accounts Received, Constitution Received, Other Supporting Documentation Received, Date Acknowledgement Sent, Lead Service, Amendments Received (if any), Funding Approved or Declined, Decision Comments, Approved Amount, Lead Manager, Decision Notice Issued Date, Grant Acceptance Received Date, Grant Payment Date, Total Paid, Amount Remaining (if any), Amount Repaid (if any) and Comments.
4.	A Council Officer Assessment Panel has been established to consider all applications for Partnership Funding received, which comprises of relevant Council officers from service areas across the Council. A record was maintained of officers attending the meetings and where officers were unable to attend, there was evidence of email responses being provided for consideration at the meetings. Detailed meeting notes were maintained for each application considered including the Name of organisation applying for funding, Amount applied for, Previous year's funding awarded (if any), Lead service, Comments from Panel members and Panel decision. We found that there was a clear rationale for all award decisions reached.
5.	Appropriate arrangements are in place to ensure that all Partnership grant payments made are accurate and are in accordance with the approved amounts. A detailed record is maintained of all payments made and for a sample of organisations awarded Partnership Funding in 2020/21 and 2021/22 we confirmed that grant payments made were in accordance with the approved grant awards. In addition for a sample of organisations whose applications had been declined, we confirmed that no payments had been made. We note that in 2020/21, three awards totalling £10,262 (for £7,312, £2,450 and £500 respectively) were not paid due to the projects/activities not going ahead due to Covid-19.
6.	Monitoring and review processes are in place to ensure that all Partnership Funding awarded is achieving the desired outcome/impact. For each award a lead service and manager is identified and remitted to monitor the operation of each partner and to ensure funds are used appropriately in the course of the financial year or the term of the Service Level Agreement, in the case of longer funding awards. All organisations awarded funds are required to provide an annual report on the use of the funds awarded and the achievement of the outcomes contained within their original application.

Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

Executive Summary: Council Tax – Reliefs & Recovery

Conclusion: Reasonable Assurance

The Council has appropriate processes and procedures in place to ensure that appropriate reliefs are allowed to be offset against Council Tax and that arrears can be recovered. During the period since the Covid-19 pandemic was announced there has been an increase in applications for Council Tax Reduction and also an increase in arrears. However, during this period Council Tax staff have been involved in the delivery of additional funding being provided by the Scottish Government which has resulted in lower levels of monitoring of arrears.

Background

Under section 1 of the Local Government Finance Act 1992 each Council can levy and collect a council tax. During the Coronavirus pandemic the DWP recommended that all authorities adopted the principles of Trust & Protect, which allowed some relaxations on checking applications for financial support supported by access being to DWP and HMRC systems, this process was implemented appropriately and applications accepted without fully validated evidence have been marked for future review. Following discussions by the Scottish Local Authorities Directors of Finance group the decision was taken that during the periods of full lockdown recovery actions would be suspended, this has been enacted by East Lothian Council in accordance with this decision. The suspension of recovery action along with the economic effects of Covid-19 has led to an increase in the level of Council Tax arrears. Resources within the Council Tax teams have been focused on providing advice and assistance with Council Tax reliefs and payment arrangements.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager - Revenues**:

- Evidence should be retained to verify applications for Single Person Discount. *Management have agreed to develop a process to ensure that evidence is retained by May 2022.*
- Regular checks should be carried out to confirm that claims for Single Person Discount continue to be valid, these have not been carried out during the Covid-19 pandemic due to staff carrying alternative work relating to grant funding. *Management have agreed to put a strategy in place to ensure these checks are carried out by March 2022.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	2	1	3
Prior report	N/A	N/A	N/A	N/A*

Materiality

In 2020/21 the Council raises £58.585 million of its income from Council Tax, which equates to 21% of its taxation and non-specific grant income. At 31/03/20 arrears amounted to approximately £2.6 million but at 31/03/21 this had risen to approximately £3.8 million.

* This control review is new and no prior report exists for comparison

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant and appropriate Council Tax policies and procedures are in place.	Reasonable	In addition to the procedures and processes normally in place for Council Tax, during the 2020/21 financial year further guidance and procedure documents were put in place to allow council tax to be collected as a result of the Covid-19 pandemic including procedures on financial support.
2. Procedures are in place to confirm details provided for CTR applications, taking into account revised legislation and guidance during 2020/21.	Reasonable	As recommended by the DWP the Council adopted the Trust & Protect principle which reduced the level of checking that was required and verification carried out at a later date. From the sample of 30 reliefs reviewed only 2 cases related to taxpayers who were not on any form of benefit and therefore further income verification documentation was required. These have been appropriately flagged for further review. In all other cases verification could be carried out via one of the DWP systems.
3. Processes are in place to confirm the accuracy of applications for single person discount	Moderate	From a sample of 30 cases we found that evidence to confirm an application for single person discount was only available in 16 cases. We found that there is not a consistent approach to the checking of continued eligibility for single person discount.
4. Procedures are in place to monitor arrears.	Reasonable	Processes are in place to ensure that regular reports are produced of accounts that are in arrears and as part of this process the appropriate letters are automatically produced. Where appropriate payment arrangements are put in place to recover the arrears and for a sample we confirmed that these arrangements are monitored and where the arrangement is defaulted further action is taken to recover the arrears. A "Hold" can be put on an account to halt any recovery action and we were able to confirm that with the exception of some historic cases where benefit exceeds liability these were all for valid reasons.
5. Procedures are in place to instigate recovery action in accordance with procedures as revised by guidance throughout 2020/21.	Reasonable	Processes are in place to instigate recovery action where this is required, however a decision was taken to halt recovery action at the Final Notice stage during periods where Scotland was in lockdown as a result of the Covid-19 pandemic. In addition Council Tax staff have been involved in the delivery of additional funding streams provided by the Scottish government and this has resulted in lower levels of monitoring than would normally be expected. For a sample we confirmed that in all cases the appropriate recovery action was being taken.
6. Processes are in place carry out quality review checks for discounts and exemptions	Reasonable	Processes are in place to ensure that checks are carried out on the validity of discounts and exemptions being granted, we confirmed that these were being carried out on a sample basis.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	Following discussions by the Scottish Local Authorities Directors of Finance group the decision was taken that during the periods of full lockdown recovery actions would be suspended, this has been enacted by East Lothian Council in accordance with this decision. Recovery action was therefore not taken on Council tax between March 2020 and June 2020 and November 2020 and March 2021.
2.	Policies and procedures have been put in place to ensure compliance with legislation and process change throughout 2020/21 including procedures concerning providing financial advice during the pandemic.
3.	Procedures are in place to ensure that regular reports are produced to monitor accounts with arrears on a monthly basis.
4.	Procedures are in place to seek recovery of defaulted payments, via monthly issue of reminder notices when required.
5.	Procedures are in place to seek payment of defaulted payments via an agreed payment arrangement schedule, staff monitor payment arrangements on a monthly basis.
7.	Quality assurance checks are carried out on a regular basis to confirm the accuracy of discount and exemption calculations and ensure consistency of staff application of procedures in these areas.
8.	Procedures are in place to ensure that applications for Council Tax Reduction are fully verified, this can be done by reference to external DWP and HMRC systems in most cases and where further evidence is required this will be requested when appropriate to do so.

Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.



Appendix 2

East Lothian Council Assurance Review

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Sarah Fortune, Executive Director of Resources Kenny Christie, Service Manager – Revenues & Benefits Linda Ritchie, Team Leader – Benefits Chris Hall, Team Leader – Revenues & Systems Development Dawna McPherson – Performance & Business Development Officer
Date:	September 2021

Low Income Pandemic Payments (LIPPs)

1. Background

As part of the Scottish Government Budget 2021/22, the First Minister announced that a one-off £130 Low Income Pandemic Payment would be made by 31 October 2021 to households who are either:-

In receipt of Council Tax Reduction for at least one day during the period 1 April 2021 to 30 April 2021.

OR

Were exempt or had no liability for Council Tax during the month of April 2021, for one of the following reasons:

- Living in temporary accommodation, including a refuge
- Home is unoccupied because you were being cared for or are caring for someone else
- All members of the household were care leavers, under 18 or severely mentally impaired.

East Lothian Council's Revenues and Benefits Team have identified approximately 7,500 households within East Lothian who are entitled to this payment and will be contacting each qualifying household to arrange for payment to be made. Internal Audit have completed a review of the application process.

2. Findings

Internal Audit sought to review the grant application process in place. The Revenue and Benefits Team have created a master spreadsheet of all households which meet the criteria identified above from the Capita Council Tax system. Each household will be contacted during July to October 2021 and requested to apply for the £130 payment. Contact has been made to households who provided email addresses by email initially and a request made to apply for the payment via an online application form. Applicants can request the payment to be made directly to the applicant's bank account or added to their council tax account. When payment is due to be made to a bank account then evidence via a bank statement is requested to prove that the bank account provided on the application form is that of the appropriate applicant. The Scottish Government guidance for this payment is that no

account should be taken of the arrears position with the Council of the household when making the payment, accordingly this is the case.

Those with email addresses were contacted initially however, these households only account for 30% of the total. Letters are then being sent to the remaining 70% of households we believe to be eligible. The option of contacting the Council by phone to have an application form completed on the applicants behalf with evidence being posted in or scanned at a local office is in place. Regular reports are being run to identify if there are any further households that have now become eligible for this payment due to a change in Council Tax status that is being retrospectively applied, any newly eligible individuals will then be contacted to complete an application.

Procedures for this temporary payment scheme have been put in place and reviewed by Internal Audit. Internal Audit then reviewed 30 applicants, including 15 from payment files and 15 who had been emailed, to ensure that applications were being processed in accordance with these procedures, the following are the key findings from this testing:

- When payments have been made to individuals they have been made to the bank details provided in the application and backed up by the evidence provided. Applications are being received in the name of the individual recorded on the Council Tax system or there is a suitable reason why not that has been evidenced, such as joint bank accounts being held for spouses or financial advocacy organisations managing client's funds.
- In 6 cases the evidence of the bank account being used to make a payment is an online screen shot from a mobile banking application. These screen shots do not contain an address of the individual and often no name details on the account. Most mobile phone banking applications do not allow for customers to download bank statements, which require use of the online banking platform on a PC or laptop. In these cases whilst there is no evidence that these bank details do not belong to the applicant, it is not clear either that they are in the name of the applicant. In all 6 cases payments have been made direct to the applicant's requested bank details.
- In 4 of the 6 cases where screen shots from a mobile banking application have been accepted further evidence of address has been requested, Council tax letters being accepted in 2 cases and other letters with no clear date on the image of the letter accepted in another 2 cases. No further evidence was requested in the remaining 2 cases.
- In 3 cases the bank statements accepted as evidence were in excess of 6 months old at the time of application with the oldest being a bank statement from August 2019.
- In 2 cases requests have been made to add the £130 figure to the household Council Tax account. It is currently indicated that this will be completed at the end of this application process in late October 2021.

3. Conclusions

Based on our review of the processes in place, the controls in place for this payment are working appropriately in accordance with the instructions provided by the Scottish Government in most cases. However, there is a need to clarify further the evidence requirements with staff completing these reviews and a requirement to continue to monitor implementation through the process. Consideration should also be given to applying funds to Council Tax accounts on an earlier basis when this has been specifically requested. Concern remains on the inherent fraud risk with this payment scheme given the large number of potential applicants and the speed of implementation.

4. Recommendations

Recommendation 1: The procedures in place for staff processing LIPP's payments should include a requirement to request that, when screen shots are used of mobile banking applications, staff should request that applicants include enough information to confirm that those bank details are registered in the applicant's name. In addition a further piece of evidence to provide proof of address will be required.

Management Response and Timescale:

Agreed, revised guidance has already been put in place for applications to confirm that a name and address will be required on evidence and staff will be reminded of the requirements for this in processing applications.

September 2021

Recommendation 2: The procedures in place for staff processing LIPP's payments should state both to applicants and staff that all evidence, including bank statements, should be within 6 months of the application being made. In addition the date of the evidence should be clearly identified in any images provided.

Management Response and Timescale:

Agreed, staff will be advised of this requirement when processing applications from now on.

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Recommendation 3: Consideration should be given to adding LIPP's payments to the Council Tax accounts of households, where this has been requested, on a monthly basis and not just at the end of the payment process.

Management Response and Timescale:

Agreed, consideration will be given to this within the resources available in the systems team.

September 2021

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Housing Rents	We will examine the processes and controls in place for the billing and reconciliation of housing rents.	November 2020	Completed
Payroll Systems	We will review the procedures in place for ensuring the accuracy and completeness of payroll information and overall payments being made to staff following the implementation of the new payroll system in 2019/20. This review will be subject to discussion with Audit Scotland to prevent duplication of assurance resources.	June 2021	Completed
Council Tax	We will now focus Council Tax audit work on granting of reliefs and recovery processes.	June 2021	Completed
Non-Domestic Rates	We will now focus our audit work on granting of new Non-Domestic Rates reliefs and recovery processes.	June 2021	Completed
EU Exit	We will review the actions identified to mitigate the risks of EU exit and examine the reported progress on implementation of these actions.	November 2020	Completed
Section 75 (Developer Contributions)	Section 75 payments (developer contributions) bring significant funds to the Council for infrastructure projects. We will examine all control aspects of the Section 75 process.	November 2020	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Homelessness Assessment & Housing Allocation	We will review the processes in place for the assessment of homelessness, provision of preventative advice and allocation of temporary accommodation and housing rents following recent changes.	June 2021	Deferred to 2022/23, due to legislation implementation dates.
Cyber Security	We will examine the evidence of compliance with appropriate cyber security standards including ISO27001, International Standard for Information Security and the Scottish Government Cyber Resilience Strategy for Scotland, Public Sector Action Plan.	June 2021	Completed
School Excursions	Review of the control processes in place to ensure security of funding and reduction of risk for the arrangements for School Excursions.	June 2021	Deferred to November 2021
COVID Lessons Learned	Internal Audit will review progress on implementation of mitigation actions as part of a lessons learned exercise for the COVID-19 pandemic.	February 2021	Completed
Residential & Non Residential Care Charges	We will review the controls in place for charging for residential & non-residential care to ensure that all charges are being made and collected in accordance with policy.	November 2020	Completed
Fleet Management	We will review the arrangements in place for the replacement, purchase, disposal and maintenance scheduling of vehicles through the new fleet management system.	February 2021	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Following the Public Pound	This audit rolled over from the 2019/20 audit plan and will review controls around a selection of organisations receiving Community Partnership Funding.	June 2021	Completed
Risk Management	We will select a sample of High risks from both the Council's Corporate Risk Register and service area Risk Registers and will review the adequacy and effectiveness of the risk control measures in place.	February 2021	Completed
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework.	November 2020	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	June 2021	Completed

