

### 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: Changes in controls and ways of working have been logged and a record made of when and by whom these were approved. The decision log, incorporating key decisions, has been shared with Members. These decisions have been subject to review and when it has been possible to reinstate controls this has been implemented and logged accordingly.*

*A specific log of changes in key financial controls has been maintained and regularly reviewed. These have primarily included:*

- *increasing the approval rights of the Finance Manager to assist in approving invoices where budget holders have been unable to do so. This was agreed by the s151 Officer and Internal Audit were informed. This has subsequently been reviewed in July 2020 and it is proposed that the Finance Manager will now be removed from all non-corporate cost centres and will remain as additional approver for corporate items (Pensions/HMRC etc.);*
- *Auto approval of staff expenses was implemented in March 2020 (up to £100) when an issue with line manager approval was identified. This was approved by the s151 officer and has since, in July 2020, been revised to £50 and logged and approved as such;*
- *Council tax and business rate debt collection was suspended in March 2020 on agreement of the s151 Officer, following national advice. Two soft reminders were then issued in June/July, statutory reminder to be sent Mid July (revised reminder letter) with call backs scheduled for people who make contact.*

*All of these decisions were logged, as above, and available to Internal Audit as part of weekly assurance reviews (detailed further below). Audit testing during 2020/21 will seek to provide assurances that the risks have been suitably managed and controls re-implemented in a timely and effective manner. Changes in wider internal controls will be reviewed in ongoing audit coverage, in line with areas of risk identified. This includes, by way of an example, consideration of any changes in controls in issuing/monitoring of direct payments as part of the planned Direct Payments audit.*

*Internal Audit have also been notified of additional grant funding, such as bus operator grants, and will review compliance with the relevant terms before certifying the claim during 2020.*

**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: Compensating controls have included weekly assurance reports by Internal Audit. These have involved a review of all Council spend and orders placed (based on an assessment of reasonableness and compliance with expected controls i.e. orders raised and approved); a review of the decision tracking log; and a review of additional payroll payments. Any areas of potential concern or where further investigation may be required were highlighted to the s151 Officer.*

*The Finance Manager has also been responsible for conducting additional checks.*

**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 due to physical controls and changes in service have included suspending car parking charges and the associated cash collections. Again, this has been logged and is subject to review.*

**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: It has been recognised that the IT service has provided strong performance throughout the pandemic in enabling all relevant Council staff to be able to work remotely whilst offices have been closed. This has included a significant peak in workload during difficult times to issue new hardware to users in a timely and secure manner.*

*Many key controls have been able to operate as business as usual, as the access to finance systems and software has been readily available for those working from home.*

*Cyber security controls remain a key priority and the home working arranges via secure portals/devices have supported safe access to the network.*

**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 Strategic Director.*

**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?

*Notes: 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 shared with councillors and subject to formal approval, in line with standard delegations, wherever time has allowed.*

**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 Finance Manager has control of the dedicated Covid19 budget and Internal Audit have conducted weekly 'reasonableness' reviews of all Council spend. Decisions made by management, whether direct or indirect financial implications apply, have been logged and a record of implications for contracts, billing and controls has been maintained and shared with the Portfolio Holder. An overview of the work of Internal Audit during this time will be shared with the Audit and Risk Committee. Where necessary, the Council has used emergency powers and, if so, this has been logged in decision tracking but where an opportunity to seek formal approval via usual delegations has been available this has been sought (i.e. leisure service contract decision will be subject to Cabinet review).*

**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 tracking record and subject to transparent approval. An example would be potential additional payments to the leisure services provider. Where some local authorities have made these payments under 'emergency powers', RCC has logged this on the decision tracker and will be taking the decision to Cabinet for formal agreement in September 2020 before any monies are paid. Assurance is also gained from the weekly review of all Council spend/orders raised/payroll which has been conducted by the Internal Audit team. This has been based on a consideration of reasonableness and any spend which appears potentially unusual or contentious has been highlighted in a memo to the s151 Officer for further review.*

**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. A budget monitoring report was presented to Cabinet in June 2020, in line with usual procedure, and included an overview of the Council's position in relation to Covid19 matters - this included expenditure incurred and expected and the impact of the MTFP of lost income/additional expenditure incurred as the Council has adapted its service offer.*

*A further 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. An example relates to the collection of parking penalty charges notices. It was requested by the contractor that they be paid for average of last 3 months collections approx. £1k per month. This was agreed in principle and the PPN02 requirements for open book accounting were highlighted - evidence not yet required but expectations have been set. A decision on the leisure service provider, given the potential value, will be subject to formal approval by Cabinet in September 2020 and appropriate due diligence.*

### **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 remains 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.*

- 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. An annual audit of the Fraud Risk Register provides assurance over the effective management of the relevant risks. This is reviewed by the s151 officer on a regular basis and by the Audit and Risk Committee on a yearly basis. The Covid19 grant specific risks are being monitored and reported upon the in the monthly assurance returns to government.*