

The background of the slide features a large, light blue outline of the Coat of Arms of the Government of Nunavut. The crest is a shield divided into four quadrants. The top-left quadrant contains a stylized yellow sun. The top-right quadrant contains a yellow cross. The bottom-left quadrant contains a yellow sailing ship. The bottom-right quadrant contains a yellow eagle with its wings spread. Above the shield is a crown with four yellow flowers. Below the shield is a banner with the text "ANE FOR A'".

Agenda Item 7

Internal Audit Update Report

Falkirk Council

Title: Internal Audit Update Report
Meeting: Audit Committee
Date: 09 November 2020
Submitted By: Internal Audit, Risk, and Corporate Fraud Manager

1. Purpose of Report

1.1 This report provides an update on 2020/21 Internal Audit work.

2. Recommendation

2.1 It is recommended that the Committee notes:

- (1) progress with completing planned 2020/21 Internal Audit work;**
- (2) the outcomes of COVID-19 specific Internal Audit work; and**
- (3) that work continues with Services to ensure the implementation of recommendations that remain outstanding.**

3. Internal Audit Update

3.1 The 2020/21 Internal Audit Plan was agreed by Audit Committee on 24 August 2020. In approving the Plan, Committee recognised that it would be indicative and flexible, given that priorities, resource, and Service capacity would fluctuate and change as a result of COVID-19. A summary of progress with planned work is set out at Appendix 1.

3.2 Since the beginning of lockdown in March, there have been a number of national reports from various sources in relation to the impact COVID-19 has had on the way public bodies operate, the impact of new ways of working on the internal control environment, and the heightened risk of fraud. A good example of this is the '[COVID-19: Emerging Fraud Risks](#)' report issued by Audit Scotland on 23 July.

3.3 Audit Scotland highlight how the risk of fraud and error has increased as organisations become stretched, and as controls and governance arrangements change. It points out that these risks are emerging for a range of reasons including:

- public-sector staff working remotely and under extreme pressure;
- an increase in phishing emails and scams which try to get staff to click on links which allow fraudsters to access public-sector systems; and

- government stimulus packages to support individuals and businesses being provided quickly, possibly with a lower level of scrutiny and due diligence than has previously been in place for similar schemes.
- 3.4 This, and similar reports (from organisations such as Police Scotland, the National Anti Fraud Network, Scottish Government, and the Scottish Local Authorities Investigators Group) has helped to inform the targeting of Internal Audit resource to areas of high risk.
- 3.5 On that basis, Internal Audit have undertaken assurance work in the following areas, with more detail on each of these (along with finalised 2020/21 Planned work) set out at Appendix 2:
- Business Support Fund (BSF) Grant administration;
 - Newly Self Employed Hardship Fund (NSEHF) administration;
 - Data analysis to identify potential duplicate BSF and NSEHF payments;
 - Community Action Fund administration;
 - COVID-19 impact spend; and
 - Processing of Weekly and Urgent Payments during COVID-19.
- 3.6 The bi-ennial National Fraud Initiative (NFI) data matching exercise, which is administered in Scotland by Audit Scotland on behalf of the Cabinet Office, will also help provide some mitigation. The 2020/21 NFI exercise has recently commenced and, as well as the routine data matching around payroll, pensions, housing tenants, Council Tax, Creditors, and Licensing, Councils are being asked to submit data in relation to recipients of Business Support Fund grants. This will allow for the matching of grant recipients across, rather than simply within, Councils, to identify (and investigate) any erroneous or fraudulent claims / payments.
- 3.7 To coincide with the commencement of the 2020/21 NFI exercise, in July 2020 Audit Scotland issued a report [summarising the national findings arising from the previous, 2018/19 exercise](#). This report also highlights the heightened risk of fraud arising as a result of COVID-19. Active participation in the NFI process is well embedded at Falkirk Council, and work in relation to Council Tax Single Person Discount data matches (where electoral roll data suggests multiple occupants at an address) has proved particularly fruitful. As per the Internal Audit Annual Assurance Report considered by Committee in August, 170 instances of wrongly claimed discount were identified, totalling c£110k. Recovery of this amount will be via future Council Tax bills.
- 3.8 As Members are aware, Internal Audit reports routinely include recommendations to management, aimed at improving arrangements for risk management, governance, and control. During 2019/20 Internal Audit made 82 recommendations, with a further 58 during 2018/19. All were accepted by management and were logged on the corporate Pentana system.
- 3.9 As at 26 October 2020, only 1 recommendation remains outstanding beyond its agreed implementation date, and this is set out at Appendix 3.

- 3.10 Over the remainder of 2020/21 Internal Audit will continue to progress the programme of work set out at Appendix 1. As previously advised, however, this is subject to change, and resource will be directed to where it adds most value.

4. Implications

Financial

- 4.1 There are no financial implications.

Resources

- 4.2 There are no resource implications.

Legal

- 4.3 There are no legal implications.

Risk

- 4.4 The role of Internal Audit is to provide Audit Committee with assurance on the Council's arrangements for risk management, governance, and control. Recommendations made by Internal Audit aim to reduce or mitigate risk to which the Council may be exposed.

Equalities

- 4.5 An equality and poverty impact assessment was not required.

Sustainability/Environmental Impact

- 4.6 A sustainability / environmental assessment was not required.

5. Conclusions

- 5.1 To date, the Internal Audit team's focus has been on providing assurance on COVID-19 related risk. This will continue as required, and work will also be progressed on the assignments set out in the Internal Audit Plan 2020/21 agreed by Audit Committee in August 2020.

Internal Audit, Risk, and Corporate Fraud Manager

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Date: 26 October 2020

APPENDICES

- Appendix 1: Internal Audit Plan – Progress at 26 October 2020
- Appendix 2: Summary of COVID-19 Related Work and Finalised 2020/21 Planned Work
- Appendix 3: Internal Audit Recommendation Outstanding Beyond Agreed Implementation Date

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- None.

INTERNAL AUDIT PLAN 2020/21 – PROGRESS AT 26 OCTOBER 2020

Planned Assignments (as per 2020/21 Internal Audit Plan)			
	Client		Days Allocated
Other Client Work			
1.	Clackmannanshire Council (including Central Scotland Valuation Joint Board and input to Clackmannanshire and Stirling Integration Joint Board)		186 Days
2.	Falkirk Community Trust		40 Days
3.	Falkirk Integration Joint Board		30 Days
4.	Falkirk Pension Fund		25 Days
5.	Strathcarron Hospice		15 Days
6.	Reciprocal Review with West Lothian Council		5 Days
	Service	Assignment	Status
Annually Recurring Assignments			
7.	All Services	Consultancy Work and Income Generation	Ongoing
8.	Internal Audit	Public Sector Internal Audit Standards – Self Assessment	Not Started – February 2021
9.	All Services	Continuous Auditing	Ongoing
10.	All Services	National Fraud Initiative	Ongoing
11.	Development Services	LEADER Grant Audit	Fieldwork Underway
12.	Development Services	Climate Change Act Public Body Duties Audit	Not Started – November 2020
13.	Corporate and Housing Services	Scottish Housing Regulator – Annual Assurance Statement Audit	FINAL REPORT ISSUED
14.	All Services	Work on Recommendations Outstanding	Ongoing
Priority Assignments			
15.	All Services	Savings and Transformation Tracking	Fieldwork Underway

Planned Assignments (as per 2020/21 Internal Audit Plan)			
16.	All Services	Staff Wellbeing and Support Arrangements	FINAL REPORT ISSUED
17.	Corporate and Housing Services	Housing Property – Contract Management and Monitoring	Not Started – Timing to be confirmed
18.	Development Services	Waste Management – Contract Management and Monitoring	Fieldwork Underway
Indicative Assignments			
19.	Corporate and Housing Services	Office 365 – Project Management and Roll Out	Not Started – 4 th quarter 2020/21
20.	All Services	Contract Management and Monitoring	Not Started – Timing to be confirmed
21.	Corporate and Housing Services	IT and Information Security Governance	Not Started – 4 th quarter 2020/21
22.	Development / All Services	Operational Fleet – Management and Monitoring	Not Started – Timing to be confirmed

SUMMARY OF COVID-19 RELATED WORK AND FINALISED 2020/21 PLANNED WORK

Assignment	Service	Assurance
Business Support Fund (BSF) Grant administration	Corporate and Housing / Development Services	Substantial
Scope	Final Report Executive Summary	
<p>During the period 24 March 2020 to 10 July 2020 (when the scheme closed to new applicants), Falkirk Council approved 2,169 grant applications, resulting in expenditure of c£24.3m.</p> <p>We reviewed the action taken to assess a sample of 40 grant applications, and the validity of the decisions reached by the Assessing Officers on each occasion.</p>	<p>Comprehensive documentation was held to support the decisions reached by the Assessing Officers for each application in our sample, with robust measures in place to facilitate the application assessment and grant payment processes. These measures included, for example:</p> <ul style="list-style-type: none"> the issue of emails by the Revenue and Benefits Manager (RBM) to Assessing Officers in a timely manner advising of changes to the grant eligibility criteria; the development, and regular update, of a Grant Support Database by the RBM setting out the data held by the Council for each non-domestic property in the Falkirk Council area as at 17 March 2020 (eg, liable ratepayer, rateable value, property description (as per the Valuation Roll), type of rates relief received, and any previous grant payments). This database provided a single point of reference for Assessing Officers when considering whether an applicant satisfied the grant eligibility criteria; an independent review by the Ratepayer Grant Team of the Assessing Officer's decision to reject any grant applications, and the establishment of an appeals process for those applicants who remained dissatisfied with the decision to reject their application; and the use of scheduling software to generate management information reports on a daily basis setting out instances where: more than one grant payment had been requested or made for a property; grant payments had been requested or authorised for an individual / property not listed on the Grant Support Database; and applicants had received grant payments from both the BSF and Self Employed Hardship Fund. Anomalies highlighted in these reports were primarily investigated by the RBM, and the appropriate corrective action taken (eg, duplicate grant payment requests cancelled). <p>We did, however, identify one area where there was scope for further improving the existing framework of control.</p> <p>The validity of the decision to reject a grant application was subject to review by an independent Officer, however, no formal independent checks were automatically undertaken on the validity of the decision to approve a grant application. In our opinion, the risk of invalid grant expenditure could have been further reduced through the introduction of a formal independent checking regime for positive grant decisions.</p>	

Assignment	Service	Assurance
Newly Self Employed Hardship Fund (NSEHF) administration	Corporate and Housing / Development Services	Substantial
Scope	Final Report Executive Summary	
<p>Between 30 April and 18 August 2020, 145 grants were awarded, totalling £290k.</p> <p>We reviewed the action taken to assess a sample of 13 grant applications, and the validity of the decisions reached by the Assessing Officers on each occasion. We also looked at the process for investigating potential duplicates.</p>	<p>Documentation was held to support the decisions reached by the Assessing Officers for each application in our sample, with robust measures also found to be in place to facilitate the application assessment and grant payment processes. This included a member of the Corporate Fraud team reviewing the applicant's bank statements to authorise all payments prior to the release of monies to the applicant.</p> <p>In addition, management information was generated on a daily basis setting out grants awarded and any exceptions / anomalies.</p>	

Assignment	Service	Assurance
Data analysis to identify potential duplicate BSF and NSEHF payments	Corporate and Housing / Development Services	Substantial
Scope	Final Report Executive Summary	
<p>The data analysis software used by Internal Audit to analyse creditor payments was applied to Business Support Fund Grant and Newly Self Employed Hardship Fund payments, to identify any duplicate payments.</p>	<p>We were able to provide substantial assurance. Only two instances were identified where recovery or amendment was required, and the Revenues and Benefits Manager has taken action to address these.</p>	

Assignment	Service	Assurance
Community Action Fund administration	Corporate and Housing Services	Substantial
Scope	Final Report Executive Summary	
<p>The Community Action Fund was set up as an emergency response measure to help community groups and voluntary organisations support people in their community who were affected by Covid-19.</p> <p>The budget of £113,487 was made up of funds that were previously allocated from the Health and Social Care Partnership (HSCP) to the Council to enhance health and wellbeing within communities, from the community grants budget, and from the Fairer Falkirk (Holiday Food Initiative) budget.</p> <p>A total of 64 applications for grants from the Covid-19 Community Action Fund were received, with a total of £95,184 requested and £53,616 awarded.</p> <p>We reviewed the supporting documentation that was available for all 64 applications.</p>	<p>We found that:</p> <ul style="list-style-type: none"> • an application form was available for all approved applications and for 20 of the 23 refused applications; • the intended use of the grants by the various organisations (as noted on their application forms) was appropriate for all approved applications and complied with the criteria for making payment. A valid reason for refusing applications has also been recorded; • supporting emails regarding the decisions that were made by the assessment group were available for all applications approved or refused. From reviewing these emails, we were content with the level of scrutiny that the applications were subjected to by the assessment officers and the independent approval of these decisions by the Democratic Services Manager helped to prevent invalid grant expenditure being incurred; • all approved applications were appropriately authorised by the Democratic Services Manager and there was supporting documentation available for the 38 CHAPS or Integra payments that were made (no grant payment was made for 1 approved application as the organisation failed to confirm their bank details); and • more than one application was submitted by 8 organisations (of these 17 applications: 11 were approved, 5 were refused, and 1 was withdrawn), however, we did not find any duplicate applications or payments. <p>We did, however, identify one area where there was scope for further improvement. If an organisation fails to return an 'End of Award' report (which includes receipts, and details how the grant money was spent), and then applies for a subsequent grant, their application should not be processed until the outstanding End of Award report is completed and returned. End of Award reports had only been submitted for 8 of the 38 grant applications paid out.</p> <p>We were content that where more than one application was submitted that an End of Award report had been requested and provided before a second grant was paid.</p>	

Assignment	Service	Assurance
COVID-19 impact spend	Corporate and Housing / All Services	Substantial
Scope	Final Report Executive Summary	
<p>A new detail head was created in the ledger in March 2020 (4999 – Coronavirus Impact) to capture the costs associated with Covid-19. At that time, Services were asked to scan and attach any invoices that were to be charged to this detail head.</p> <p>Internal Audit reviewed the creditor invoice payment transactions that had been coded to detail head 4999 (excluding grant payments) on two occasions to ensure that adequate supporting documentation was available, and that the expenditure had been appropriately authorised.</p>	<p>As at 10 June 2020, 336 creditor invoice payments had been processed through detail head 4999. These transactions had been appropriately authorised, and we initially found that supporting documentation was available as attachments on Integra for 233 of the 336 payments (69.35%).</p> <p><u>Internal Audit Action Taken:</u></p> <ul style="list-style-type: none"> • Of the 103 payments (with a total value of £524,744) where there was no available supporting documentation, we contacted the authoriser of 33 Social Work transactions (with a total value of £363,330). They have now attached supporting spreadsheets and payment vouchers to Integra for 31 of them, and have processed a correction journal for one transaction. This authoriser has also added relevant supporting documentation for one other payment; • We contacted the authoriser of 3 transactions (with a total value of £133,730) to request that supporting documentation for these payments is attached to Integra. We were advised that these transactions had been cancelled and replaced with one invoice for the total amount, with a copy of the invoice being available on Integra; • We noted that 31 of the 103 payments (with a total value of £7,298.36) were generated from a feeder system (Housing Repairs Interface or Profess (Procon) Feeder – Roads) and information on the authorising officer for these payments was not available; and • We reviewed the remaining 36 transactions on Integra and found that the invoices had now been attached for two payments and that one payment has been cancelled. <p>As a result of these actions, supporting documentation is now available as attachments on Integra for 267 of the 336 payments (80%), with 4 payments being cancelled and 1 miscoding being corrected. The 31 feeder system payments represent 9% of the total.</p>	

Assignment	Service	Assurance
Processing of Weekly and Urgent Payments during COVID-19	Corporate and Housing / All Services	Substantial
Scope	Final Report Executive Summary	
<p>The Creditors team established a temporary process in March 2020 for the submission of urgent and weekly payment forms, which included accepting an email in place of the authorising officer's signature.</p> <p>We reviewed all urgent and weekly payments that were processed via Integra during April and May 2020.</p> <p>We also tested to ensure that no duplicate payments had been made, that appropriate supporting documentation was available for these payments, and that the expenditure had been appropriately authorised.</p> <p>We expanded our review (from the week ending 22 April 2020) to include centrally scanned payments.</p>	<p>There were 207 urgent and 4 weekly payments (with a combined gross value of £2,479,115), as well as 1,196 centrally scanned payments (with a gross value of £12,036,906) made during this period.</p> <p>From the total of 1,407 transactions, there was one potential minor duplicate payment (with a gross value under £500).</p> <p>For the 1,196 centrally scanned payments, we reviewed a random sample of 120 and found that for all of them, adequate supporting documentation was available on Integra and that the expenditure had been appropriately authorised.</p> <p>In relation to the 211 urgent and weekly payments, we also found that the expenditure had been appropriately authorised (with a small number of exceptions), with adequate supporting documentation available on Integra (a copy of an email authorising the payment or a signed request form).</p> <p>Our review, covering the nine weeks ending Wednesday 27 May 2020 has, therefore, found that the temporary arrangements that were put in place by the Creditors team for processing urgent and weekly payments had worked effectively.</p>	

Assignment	Service	Assurance
Scottish Housing Regulator – Annual Assurance Statement Audit	Corporate and Housing / All Services	Substantial
Scope	Final Report Executive Summary	
<p>The Head of Housing and Communities is required to submit an Annual Assurance Statement to the Scottish Housing Regulator. The Statement should provide assurance that the Council's Housing Service is compliant with all relevant requirements of Chapter 3 of the Regulation of Social Housing in Scotland.</p> <p>The Statement is required to be submitted by the end of October each year and prior to that requires to be approved by the Council's Executive.</p> <p>Internal Audit:</p> <ul style="list-style-type: none"> • reviewed the completeness and accuracy of submitted information; • ensured that the performance information reported was underpinned by adequate and robust supporting documentation; and • checked the accuracy of all numerical information and percentages. 	<p>We found that performance and numerical information reported was accurate, and agreed to supporting documentation. We were content, therefore, with the standard and outcome statements that were submitted to the Executive and then to the Scottish Housing Regulator in October 2020.</p>	

Assignment	Service	Assurance
Staff Wellbeing and Support Arrangements	All Services	Substantial
Scope	Final Report Executive Summary	
<p>A Wellbeing Strategy and Action Plan was agreed by the Executive on 29 October 2019. These set out a plan to further embed and mainstream the Council's approach to staff wellbeing, both operationally and culturally. A Wellbeing Group was also established to oversee implementation of the Strategy.</p> <p>The COVID-19 pandemic accelerated the need to ensure that staff are appropriately supported. While the actions taken were different to those set out in the Action Plan, they were in line with the sentiment and ethos of the Strategy.</p> <p>This review covered the governance, oversight, and decision-making structure around staff wellbeing. It also examined the steps being taken across all Services to ensure that momentum is not lost, and that revised actions were being planned and delivered to build on work undertaken during COVID-19.</p>	<p>As a result of Covid-19, wellbeing actions have been undertaken that are different from those that were anticipated when the Wellbeing Strategy and Action Plan was approved in October 2019. These actions include the considerable work involved in not only developing a comprehensive wellbeing section on the Council's website (containing a wide range of information and guidance), but also providing advice and support to Council Services and employees. Part of this role included conducting risk assessments to ensure a Covid-19 safe workplace.</p> <p>Although the agreed Wellbeing Strategy Action Plan actions have not all been progressed (with work on the majority of them on hold due to Covid-19), it has been evident that, across all Services, the commitment to staff wellbeing and the culture of support has continued. For example, support as part of the re-opening of schools, and the establishment of an Employee Assistance Programme to support mental wellbeing. Mental health first aiders in the workplace have also been trained, and the Occupational Health Service, including physiotherapy services for musculo skeletal support, has continued.</p> <p>In addition, to meet the hygiene and safety requirements related to Covid-19, Children's Services have recruited additional temporary employees to deliver an enhanced cleaning regime across all Council premises. The Workforce Plan notes that measures to ensure the safety and wellbeing of employees (such as ensuring appropriate physical distancing, conducting risk assessments, and providing protective equipment) "are likely to continue for many months to come".</p> <p>The Council has adapted to a changing environment and has taken steps to continue to support the wellbeing of its employees during Covid-19. On that basis, we provided substantial assurance in relation to the governance, oversight, and decision-making structure around staff wellbeing, and the actions that have been taken to date</p>	

Internal Audit Recommendation Outstanding Beyond Agreed Implementation Date

Sickness Absence

IA-1920-19.01		The Managing Sickness Absence Policy and Procedure should be reviewed and updated by Human Resources	
Priority	1		
Agreed Action		Recommendation Accepted The Managing Sickness Absence Policy will be reviewed.	
Latest Update		Updating of the policy is currently delayed due to COVID-19 work taking priority.	
Officer Responsible		Tracey Gillespie, Human Resources Manager	
Implementation Date		30-Apr-2020	11-Sep-2019