# AUDIT COMMITTEE – 22nd DECEMBER 2020

## Report of the Head of Strategic Support

## Part A

ITEM 7    <u>INTERNAL AUDIT PROGRESS REPORT 2020/21 Q3 (INTERIM)</u>

<u>Purpose of Report</u>

The report summarises the progress against the 2020/21 Audit Plan, outlining key findings from final reports and any outstanding recommendations. In addition this report includes a summary report detailing the assurance work that Internal Audit have performed on the Covid-19 Business Grants to date.

<u>Recommendation</u>

The Committee notes the progress report set out in Appendix 1.

<u>Reason</u>

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

<u>Policy Justification and Previous Decisions</u>

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

<u>Implementation Timetable including Future Decisions</u>

Reports will continue to be submitted to the Committee on a quarterly basis.

<u>Report Implications</u>

The following implications have been identified for this report.

*Financial Implications*

*None*

Risk Management

There are no specific risks associated with this report.

Background Papers:          Final Internal Audit Report

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**Part B**

The details regarding this report are set out in the Appendix.

<u>Appendices</u>

Appendix 1 – INTERNAL AUDIT PROGRESS REPORT 2020/21 Q3 (INTERIM)

# INTERNAL AUDIT SHARED SERVICE

**Charnwood Borough Council**

**Internal Audit Progress Report 2020/21 Q3(Interim)**

**1. Introduction**

1.1     Internal Audit is provided through a shared service arrangement by North West Leicestershire District Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement.  The purpose of this report is to update on Internal Audit activity during 2020/21 up to 11<sup>th</sup> December 2020.

**2       Internal Audit Plan Update**

2.1     Since the last progress report five final audit reports have been issued, one is at report drafting stage and four are in progress. Appendix A shows the current position of the 2020/21 Audit Plan and the executive summaries for the final reports issued are detailed in Appendix B:

- 2019/20 Communications Strategy – Moderate Assurance
- 2019/20 Debtors – Reasonable Assurance *
- 2020/21 Office 365 Security and Remote Connections – Substantial Assurance
- 20/21 Tree Preservation Orders – Reasonable Assurance
- 20/21 Development Management – Substantial Assurance

* new opinion model used from this point as audit report issued by new internal audit team.

The audits did not identify any areas of significant weaknesses which I need to draw your attention to.

2.3     Internal Audit carried out the necessary audit testing in order for the Audit Manager to certify the Disabled Facilities Grant Determination. A number of management actions have been identified to improve the process for 2020/21 certification and for CBC to be able to more clearly demonstrate compliance with the grant conditions regarding capital expenditure.

2.4     Internal Audit have carried out a significant amount of assurance work on the Small Business Grants, Retail, Hospitality and Leisure Grants and Discretionary Grant payments made out by the authority. We continue to provide advisory support and assurance for the range of new grant schemes that have been introduced including Test and Trace Support Payments, Local Restrictions and National Restrictions Grants. Whilst this work has not resulted in an overall opinion report we have prepared a report to summarise our work to help Audit Committee understand the Internal Audit resource commitment into this area and the assurance that can be taken from it (see Appendix E).

**3.0     Outstanding Recommendations**

3.1     Internal Audit monitor and follow up all critical, high and medium priority recommendations. All overdue Internal Audit recommendations are included in Appendix C for information. Internal Audit will continue to follow up these recommendations to ensure they remain relevant and extensions to target dates

have been agreed where appropriate.  There are no areas of significant concern to highlight at this time.


**4.0      Internal Audit Performance Indicators**

4.1      Progress against the agreed Internal Audit performance indicators is included in Appendix D and has improved significantly since the last update report. In agreement with SLT work did not start properly on the 20/21 plan until the middle of Q2 in order to allow services to focus on the business-critical functions during the Covid-19 response and Internal Audit resources were used to develop and deliver the assurance framework for the original Business Grants scheme.

4.2      The external assessment of Internal Audit was carried out w/c 30th November 2020. At the time of writing this report feedback had been provided by the assessor which confirms that we conform with the Public Sector Internal Audit Standards.  The final report will be presented to February 2021 Audit Committee.

## 2020/21 AUDIT PLAN AS AT 11th DECEMBER 2020

| Audit Area (Report No.) | Type | Planned Days | Actual Days | Status | Assurance Level | Recommendations | | | | | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | C | H | M | L | A | |
| Disabled Facilities Grant | Certification | 3 | 6 | Completed | Not applicable | | | | | | Planned days exceeded due to completing audit remotely and new queries raised. Actions agreed to help make the process smoother next year. |
| Choice Based Lettings | Audit | 8 | | Scheduled Q4 | | | | | | | Audit brought forward from 19/20. |
| Fire Safety and Management | Audit | 8 | | Scheduled Q4 | | | | | | | |
| Gas Servicing Contract Monitoring | Audit | 8 | | Scheduled Q4 | | | | | | | |
| Asbestos Management | Audit | 8 | | Scheduled Q4 | | | | | | | |
| Development Control | Audit | 10 | 12 | Final Report Issued | Substantial | - | - | - | 1 | 1 | |
| Tree Preservation Orders | Audit | 6 | 11.5 | Final Report Issued | Reasonable | - | - | 1 | - | - | Planned days exceeded as new area for auditor. |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Benefits | Audit | 8 | | Engagement planning | | | | | | | |
| Council Tax | Audit | 8 | | Engagement Planning | | | | | | | |
| NNDR | Audit | 8 | 1 | Engagement plan agreed | | | | | | | |
| Income Collection | Audit | 8 | 1 | Scheduled Q4 | | | | | | | |
| Creditors | Audit | 8 | 1 | In progress | | | | | | | |
| Debtors | Audit | 8 | | Scheduled Q4 | | | | | | | |
| Main Accounting System and Budgetary Control | Audit | 8 | | Scheduled Q4 | | | | | | | |
| Payroll | Audit | 8 | 8.5 | Report drafting | | | | | | | |
| Rent Accounting | Audit | 8 | | Scheduled Q4 | | | | | | | |
| Treasury Management | Audit | 8 | 1 | In progress | | | | | | | |
| Right to Buy | Audit | 10 | 3.5 | In progress | | | | | | | |
| Office 365 Security and Remote Connections (1) | Audit | 18 | BDO Audit | Final report issued | Substantial | - | - | - | 3 | - | |
| Application Controls | Audit | 9 | BDO Audit | In progress | | | | | | | |

| Third Party Supplier Management | Audit | 10 | BDO Audit | Scheduled Q4 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|

**SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 01 JULY 2020 AND 11 DECEMBER 2020**

<u>**COMMUNICATIONS STRATEGY 2019/20**</u>

| ASSURANCE RATING – MODERATE ASSURANCE | CORPORATE SIGNIFICANCE - MEDIUM |
|---|---|

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

**Key Findings**

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Media coverage monitoring has been positive, achieving 96% (against a target of 95%) positive or neutral coverage in 2019/20

- The level of engagement from residents across all social media outlets has increased, with the Council now having a 13% increase in active Twitter use in 2019/20), 82% increase in use of Facebook in 2019/20 and a newly launched Instagram account

- Monthly social media and email alert monitoring reports are produced, providing useful performance information to the Council

- The main social media accounts for the Council are restricted to the Communications team only, allowing them to control any communications via this channel

- The Council has introduced targeted social media communications based on market research and data, allowing them to focus on those most likely to use their services.
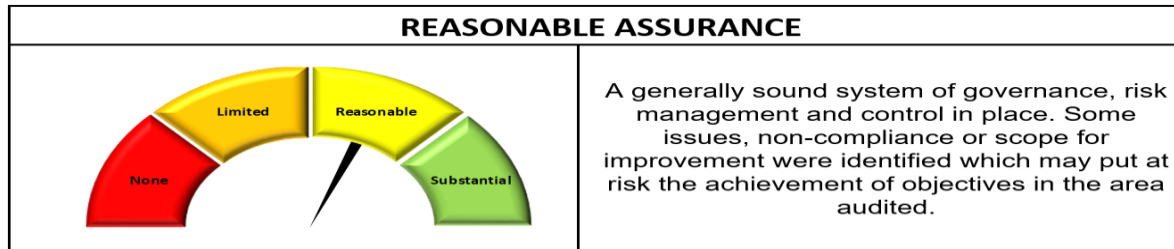
However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- The Annual Communications Report does not refer to the objectives set out in the corresponding strategy, leading to a risk that performance against objectives is not adequately reviewed

- The current Communications Strategy does not refer to Council objectives to detail how it aligns with wider priorities

- There has been a significant increase in the communications work over recent months due to Covid-19. To review performance during this time, it could be beneficial to seek feedback through a survey, to evaluate the work done and gather any recommendations should there be second wave in the future.

One medium priority and two low priority recommendations were made and agreed.

| Recommendation | Priority | Response/Agreed Action | Officer Responsible | Implementation Date |
|---|---|---|---|---|
| 1.1 The Annual Communications Report should refer to the strategy, for example detailing the original objectives and under each stating what has been done that year to achieve the objective, supporting figures and performance statistics and a reflection on the performance. | Medium | Review the annual Communications report to more closely reflect the Communications Strategy | Communications Manager | March 2021 |
| 2.1. The Communications Strategy should be reviewed and the team should ensure their objectives and actions link to the wider Council objectives. The Council should ensure all objectives are clear and measurable. | Low | Develop a new communications strategy which clearly links communications objectives to corporate objectives | Communications Manager | March 2021 |
| 3.1 The Communications team should consider sending out a feedback survey, both internally to staff and externally to service users to establish how they found the communications received during and relating to the Covid-19 pandemic. | Low | Carry out a survey of residents and other stakeholders about the Council's external communications during the pandemic as well as a survey for staff and members about internal communications | Communications Manager | November 2020 |

## DEBTORS 2019/20

| REASONABLE ASSURANCE | |
|---|---|
|  | A generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |

## Key Findings

Areas of positive assurance identified during the audit:

- Outstanding debt is effectively monitored and reminder letters are issued in accordance with the Debt Recovery Policy.
- Invoices and credit notes were raised accurately and in a timely manner, as per the service areas instructions.
- There are adequate controls in place to ensure all income due is received and payments are posted accurately to accounts, in a timely manner.
- All write offs of debt were made with appropriate justification and appropriate approval, in accordance with the Financial Procedure Rules.
- Reconciliations between the debtor's system and the general ledger are undertaken on a regular basis.
- Exception reports are produced and reviewed and where appropriate action is taken in a timely manner.
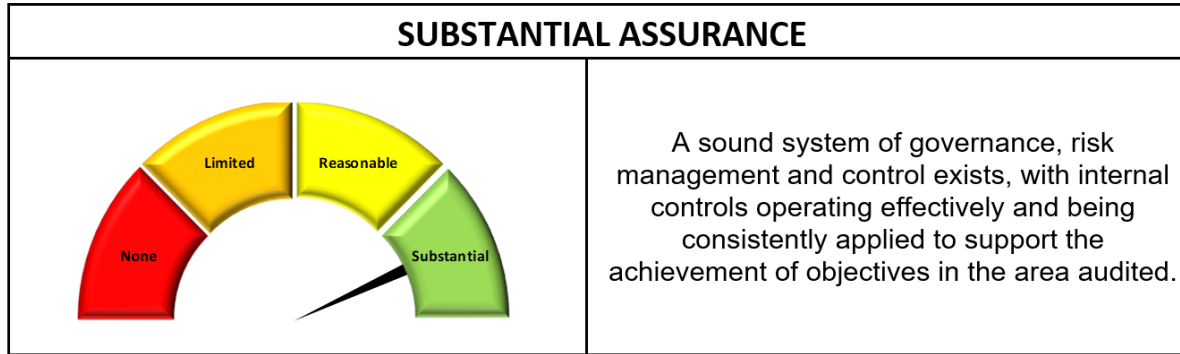
The main areas identified for improvement are:

- The Debt Recovery Policy needs updating to ensure that it is aligned to the Financial Procedure Rules and contradictions within the policy are removed.

One medium priority and three advisory recommendations were made.

| Recommendation | Priority | Response/Agreed Action | Officer Responsible | Implementation Date |
|---|---|---|---|---|
| The policy is reviewed and updated to ensure consistency and accuracy. | Medium | Agreed. | Head of Financial Services | Dec-20 |
| For debt recovery to be more effective; management should consider changing the invoice request process to include a request for documentation that supports the supply of goods/services, aligning processes with the Debt Recovery Policy | Advisory | Discuss with the Head of Customer Experience the options within Lagan to change the process. | Head of Financial Services | Nov-20 |
| Cancellation requests are retained on the finance system to eliminate the need for a cancellation control sheet. | Advisory | Agreed. | Income Assistants | Sep-20 |
| Management explore methods of making the reconciliation process electronic. | Advisory | Agreed. | Head of Financial Services | Sep-20 |

## 2020/21 OFFICE 365 SECURITY AND REMOTE CONNECTIONS

<table>
<tr><td colspan="2" align="center"><strong>SUBSTANTIAL ASSURANCE</strong></td></tr>
<tr><td></td><td>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</td></tr>
</table>

## Key Findings

Areas of positive assurance identified during the audit include:

- Internal MS Teams meetings authenticate against the established active directory (AD) which is managed by the ICT team. External meetings can be held but they are only admitted to the lobby and have to be authorised by the meeting organiser.
- Review of meeting ID logs showed all were unique. Default settings for Zoom enforce video off for all participants – this can only be controlled by the meeting organiser. All meetings now require a waiting room and are passcode enabled.
- The procedure for setting up new users with an account on the active directory and assigning them an email account has been defined and is up to date.
- All administrators have been set up with separate accounts (i.e. administrative and standard) in line with best practice.
- Our review of domain admin listings showed all individuals who had been assigned domain administrator privileges in the active directory had a valid business need for their access.
- It was confirmed that HR standardised forms had been completed documenting line manager approval for all sampled.
- Dual factor authentication is used for remote working.
- Backups are run using a cloud hosted application, so all backups are held offsite in a secure data centre. The solution is segregated from the Council's main corporate network. Backups are also made to tape media and stored offsite.
- All backups were ran successfully for the week reviewed. All backups were completed in a timely manner based on the retention cycle referred to in the backup policy.

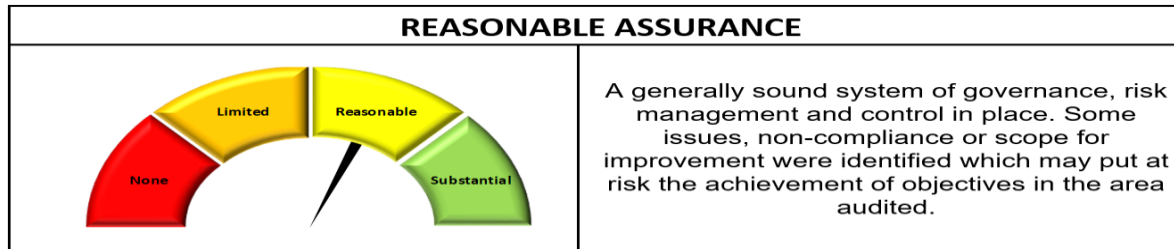- Confidential and personal data is prevented from being sent.

The main areas identified for improvement are:

- Phishing exercises and standard user training.

- Staff awareness of local backup limitations and the need to store information securely (not locally) could be improved.

Three low priority recommendations were made.

| Recommendation | Priority | Response/Agreed Action | Officer Responsible | Implementation Date |
|---|---|---|---|---|
| The suppliers of the phishing and leadership awareness service should be asked to include the ability to train standard users where exceptions are identified from the phishing exercise. | Low | Agreed | ICT Service Delivery Manager | Dec-20 |
| Management should also look to utilise the free email security training provided by the National Cyber Security Centre. | Low | Agreed | ICT Service Delivery Manager | Dec-20 |
| Management should emphasise to staff the importance of not saving data locally on dual access machines, through official notices and training. | Low | Agreed | ICT Service Delivery Manager | Dec-20 |

## 2020/21 TREE PRESERVATION ORDERS

| REASONABLE ASSURANCE | |
|---|---|
|  | A generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |

## Key Findings

Areas of positive assurance identified during the audit:

- The location of Tree Preservation Orders (TPO's) is made available to members of the public through GIS mapping and orders are made available for public inspection, in accordance with legislative requirements.
- Procedures in place for making and confirming orders are in line with legislation and government guidance.
- There are clear written procedures and flow charts in place as to what happens with potential enforcement cases.
- Unauthorised work on trees/woodlands with TPO's or within conservation areas is dealt with appropriately.
- There are adequate procedures in place for dangerous trees to ensure works are carried out in accordance with Regulation 14 of the Town and Country Planning Regulations 2012 and to ensure trees with TPO's are considered where planning permission is being deliberated.
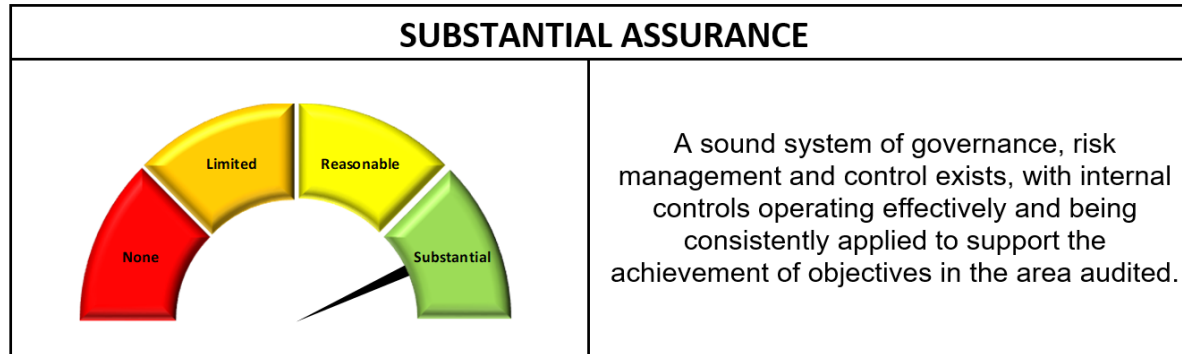
The main areas for improvement are:

- The introduction of procedures to monitor the replacement trees process.

One medium priority recommendation was made

| Recommendation | Priority | Response/Agreed Action | Officer Responsible | Implementation Date |
|---|---|---|---|---|
| a) A procedure is put in place to monitor the replacement of trees.<br>b) Follow up action is undertaken in line with that procedure to ensure that where enforcement action is required this can be undertaken within the timescales prescribed by legislation. | Medium | Agree to establish a procedure and cascade to the relevant staff. | Head of Planning and Regeneration and Team Leader Natural and Built Environment. | December 2020 |

## 2020/21 DEVELOPMENT MANAGEMENT

| SUBSTANTIAL ASSURANCE | |
|---|---|
|  | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |

## Key Findings

Areas of positive assurance identified during the audit:

- Appropriate measures have been put in place in response to COVID-19 and the current public health guidelines and the council have adapted well to ensure these have not hindered the planning process.
- National fees and charges have been set in accordance with legislation and pre-application advisory fees have been appropriately approved in accordance with the Council's Constitution.
- There are robust procedures in place for the processing and approval of applications and processing of appeals ensuring that all are processed in accordance with the Town and Country Planning Legislation.
- Positive progress is being made through the improvement of software and initiatives to improve procedures to ensure compliance with General Data Protection Regulations.
- There are adequate procedures in place for the processing of refunds.
- Performance data is accurately collected and reported as required.
- All decisions are authorised under delegated authority and this is reflected on the officer's report and on SharePoint.

The main area identified for improvement is:

- The review of actual income received to income shown as received in the planning system (M3).

One low priority recommendation and one advisory was made.

| Recommendation | Priority | Response/Agreed Action | Officer Responsible | Implementation Date |
|---|---|---|---|---|
| Reconciliations between the planning system and the general ledger are completed on a quarterly basis for income received to ensure all income has been received and accounted for. | Low | A new report has been designed and the team are in the process of writing a new procedure.<br><br>The new procedure will be implemented in January 2021 and reconciliations will be undertaken weekly. | Customer Support & Technical Officer | January 2021 |
| Fees should be reviewed annually and the review documented and relevantly approved.<br><br>Officers to be advised even if there has been no change to the fees, this still needs to be documented and approved. | Advisory | Undertaking a review of non-statutory fees currently.<br><br>Decisions will be recorded through delegated decision. | Group Leader Development Management | April 2021 |

| Report | | Recommendation | | Priority | Officer Responsible | Target Date | Internal Audit Comments |
|---|---|---|---|---|---|---|---|
| 2019/20 Audit Reports | | | | | | | |
| SSR05/19 | Voids Management | 1.2 | Monitoring of compliance levels of staff should be increased to help mitigate instances of incomplete data via senior office spot checks.<br><br>N.B Written guidance on key register codes and process for recording keys register dates already in place (last revised October 2019) | Medium | Housing Needs Manager | ~~Jun-20~~<br><br>Extended to Oct-2020 | Follow up in July 2020 found that the implementation of the recommendation had been delayed due to the pressures on the service created by Covid-19.<br><br>At the time of writing this report, no response had been provided to the Internal Audit follow up emails in November and early December. |
| KFSS02/19 | Creditors | 2 | The production and independent review of an exception report in relation to amendments to standing data is put in place. | Medium | Head of Finance/Senior Payments Officer | Sep-20 | In progress – the possibility of these exception reports is being explored with the system provider. Internal Audit will follow up again in December 2020. |
| SSR04/19 | RR - Materials Ordering and Stock Control | 1.1 | Management should ensure that there are written procedures in place for stock materials handling and stock control, which give guidance to staff on van stock takes, processing job orders, the goods returns process | Medium | Principle Officer – Repairs and Maintenance | Oct-20 | Follow up at end of October found that some written procedures had been produced however these procedures have not yet been rolled out - defer follow up for two months to allow implementation. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | and updating the Service Connect system. | | | | | |
| | | 2 | The Repairs and Maintenance department should document and implement data quality guidelines which lay out the approach to ensuring data across systems is based on accuracy, completeness, consistency, uniqueness, and timeliness within which data quality is managed.<br><br>This would ensure clarity around the process to be followed and prevent inconsistencies to ensure that a standardised approach has been adopted for Repairs Master Data. | Medium | Principle Officer – Repairs and Maintenance | Oct-20 | Follow up at end of October found that some written procedures had been produced however these procedures have not yet been rolled out - defer follow up for two months to allow implementation. |
| | | 3 | Management should update the van stock process and communicate it to all operatives. In addition, the stock spreadsheet should be updated and reviewed on a regular basis | Medium | Repairs and Investment Manager | Oct-20 | Follow up at end of October found that some written procedures had been produced however these procedures have not yet been rolled out - defer follow up for two months to allow implementation. |
| | | 4.1 | The returns procedure should be documented and distributed to operatives. | Medium | Principle Officer – Repairs and Maintenance | Oct-20 | Follow up at end of October found that some written procedures had been produced however these procedures have not yet been rolled out - defer follow up for two months to allow implementation. |

| | | 4.2 | Management should put procedures in place to monitor stock usage levels (e.g. highlighting unusual items being procured and excessive amounts of spending by a particular operative). | Medium | Principle Officer – Repairs and Maintenance | Oct-20 | Follow up at end of October found that some written procedures had been produced however these procedures have not yet been rolled out - defer follow up for two months to allow implementation. |

APPENDIX D

**INTERNAL AUDIT PERFORMANCE INDICATORS**

| PERFORMANCE MEASURE | POSITION AS AT 11th DECEMBER 2020 | COMMENTS |
|---|---|---|
| Delivery of 2020/21 Audit Plan | 25% | A further four audits are in progress and three are at the engagement planning stage. |
| Percentage of Client Satisfaction with the Internal Audit Service | 100% | Based on two returns for 20/21. |
| Compliance with the Internal Audit Standards | Conforms | Inspection took place w/c 30th November 2020. Feedback provided which confirms that we conform with the Public Sector Internal Audit Standards with only two recommendations to address minor points. Final report will be presented to February 2021 Audit Committee. |
| Compliance testing of completed recommendations | 100% | Follow up testing is up to date however some delays in implementation of recommendations due to Covid-19. |

# Business Grants Assurance – Progress Report December 2020

## 1. Introduction

1.1     The purpose of this report is to provide assurance following the work undertaken by Internal Audit to ensure that business grants have been administered by Charnwood BC in line with government guidance.

1.2     In response to the Coronavirus, Covid-19, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors.  The support took the form of two grant funding schemes consisting  of either the **SBGF** (a one-off grant of £10,000 available to small businesses) or the **RHLGA/B** (a grant based on rateable property value, connected to unique properties operating for the purposes of retail/leisure/hospitality, of either £10,000 or £25,000 depending upon the rateable value in question). To ensure that these payments were made as quickly as possible to support struggling businesses (as requested by central government) minimal pre-payment checks were carried out by Charnwood BC for the SBGF and RHLGA/B payments.

1.3     In addition to the above funding, the Government announced further funding (**Discretionary Grant Fund**) aimed at small businesses with ongoing fixed property-related costs, but that were ineligible under the other two schemes, with the onus on prioritising businesses in shared spaces, regular market traders, small charity properties that would meet the criteria for Small Business Rates Relief, and bed and breakfasts that pay council tax rather than business rates. However local authorities were able to choose to make payments to other businesses based on local economic need and the allocation of funding was at the discretion of the local authority. Businesses applying for the Discretionary Grant Fund had to provide supporting evidence which was assessed by a grants review team using the Charnwood BC Discretionary Business Grant Fund Policy.

1.4     Internal Audit completed the Business Grants Assurance Fraud Risk Assessment and in line with the level of fraud risk identified for each grant scheme, have undertaken a comprehension risk-based review of all grant applications paid in relation to the COVID19 outbreak.

**It should be noted that in the interests of preventing fraud only a high-level overview of our work has been provided in this report.**

## 2. SBGF and RHLGA/B

2.1     Our analysis has been performed in four stages:

**Stage 1** – A preliminary analysis which consisted of checks on duplicate information within each grant application and other observations as necessary, including local knowledge, to determine if the payments we identified required further investigation from a fraud and error perspective.

**Stage 2** – A check through the government's Spotlight system on all applications by incorporated entities where companies/charities are tested against seven key criteria:

- Entity formed >6 months

- Entity dissolved/wound up

- Entity voluntary insolvency 2018

- Entity with a single Director

- Entity with two Directors

- Accounts not filed

- Accounts overdue

At this stage we have focused on Spotlight output where entities were either subject to striking-off order, those that had been dissolved at the time the grant was made or those that had account submissions that were overdue.

**Stage 3** – A bank account check through National Fraud Initiative/ Experian, on all successful applications that had not previously provided bank information, to ensure that bank accounts were matched to the applicant, accounts were open, and no other anomalies were identified.

**Stage 4** - Pre-payment assurance checks during the final stages of the grant period to prevent incorrect payments being made. The reduced number of grant applications made it possible to introduce this to the process and included checks as identified in stage 1 and 2 but, additionally grant applicants were required to provide evidence with their application.

2.2     Table 1 below shows a summary of the numbers of SBGF and RHLGA/B grants reviewed by Internal Audit and those flagged for further investigations.

## Table 1 SBGF & RHLGA/B

| | SBGF | RHLGA/B | TOTAL |
|---|---|---|---|
| **Total Applications Paid and Reviewed** | **1905** | **624** | **2529** |
| **Preliminary Analysis findings:** | | | |
| Suspicious duplicate claims | 9 | 0 | 9 |
| Business conducted not in line with grant conditions | 17 | 1 | 18 |
| Other concerns | 21 | 22 | 43 |
| **SUM OF FLAGGED APPLICATIONS (PERCENTAGE OF TOTAL APPLICATIONS)** | **47 (2.5%)** | **23 (3.7%)** | **70 (2.8%)** |
| **Spotlight Analysis findings:** | | | |
| Total processed | 1047 | 455 | 1502 |
| Entity dissolved/wound up pre-2019 | 0 | 0 | 0 |
| Entity dissolved/wound up post-2019 | 5 | 1 | 6 |
| Entity subject to strike-off order | 4 | 3 | 7 |
| Other concerns | 6 | 6 | 12 |
| **SUM OF FLAGGED APPLICATIONS (PERCENTAGE OF TOTAL APPLICATIONS)** | **15 (1.4%)** | **10 (6.5%)** | **25 (1.7%)** |
| **NFI/Experian Analysis findings:** | | | |
| Total processed | 1279 | 228 | 1507 |
| Bank account flagged by Experian | 114 | 6 | 120 |
| Existence flagged by Experian | 29 | 9 | 38 |
| Other flags | 66 | 17 | 83 |
| **SUM OF FLAGGED APPLICATIONS (PERCENTAGE OF TOTAL APPLICATIONS)** | **209 (16%)** | **32 (14%)** | **241 (16%)** |
| **Pre-Payment Findings:** | | | |
| Total processed | | | 72 |
| Passed for payment | | | 20 (28%) |
| Potential Fraud (attempted) | | | 24 (33%) |
| Not eligible | | | 28 (39%) |

## 3.    Discretionary Grant Fund

3.1    Internal Audit reviewed the assessment decisions made by the grant review team and any discrepancies were passed back to the team to follow up.  As not all applicants would receive a grant a random sample of applicants was initially selected to ensure consistency in the application of the discretionary policy.

3.2    Following the ratification of applications, all that had been passed for payment were reviewed for eligibility and assurance purposes by Internal Audit prior to the payment being made.

3.3    Internal Audit reviews of grant awards were carried out in 2 stages:

**Stage 1** – A preliminary analysis which consisted of checks on duplicate information within each grant application and other observations as necessary, including local knowledge, to determine if the payments we identified required further investigation from a fraud and error perspective. We also reviewed evidence provided by applicants to verify the assessed level of grant awarded and checks performed by the grant review team.

**Stage 2** – A check through the government's Spotlight system, as detailed previously.

3.4    Table 2 below shows a summary of the work undertaken by Internal Audit on the Discretionary Grant Fund.

**Table 2 Discretionary Grant Fund**

| | |
|---|---|
| **Total Applications Received** | **357** |
| **Total Grants Awarded** | 169 |
| **Preliminary Analysis findings:** | |
| Further Review | 78 (34%) |
| Satisfactory | 153 (66%) |
| **SUM OF APPLICATIONS REVIEWED** | **231** |
| | |
| **Spotlight Analysis findings:** | |
| Total processed | 268 |
| Entity dissolved/wound up pre-2019 | 0 |
| Entity dissolved/wound up post-2019 | 1 |
| Entity subject to strike-off order | 0 |
| Other concerns | 46 |
| **SUM OF FLAGGED APPLICATIONS** | **47 (17.5%)** |

**4. Summary**

4.1 The assurance work has largely been completed now and the additional checks undertaken by Internal Audit have ensured that the government requirements in administering the grants have been met to date. There are just 13 grant payments that are still under review. It should be noted however that the National Fraud Initiative will be undertaking data matching across the grants payments and these results are expected to be available by 31st March 2020. Time will be allocated for Internal Audit to review these matches in the 2021/22 audit plan.

4.2 The investigation work has all been undertaken by Internal Audit and where errors or frauds have been identified Internal Audit have taken direct action with the applicants to recover the payments and liaise with the relevant agencies. Those that were paid and subsequently found to be ineligible that have not repaid their grant following requests from Internal Audit have been passed to the debtors team to invoke their debt recovery processes and continued non-payment will lead to escalation to central government in line with government guidance.

4.3 Table 3 gives a summary of outcomes from the post payment assurance work on SBG and RHLGA/B by Internal Audit.

| | NUMBER | VALUE | VALUE AS A PERCENTAGE OF TOTAL PAID |
|---|---|---|---|
| **INITIALLY IDENTIFIED AS REQUIRING FURTHER INVESTIGATION*** | 168 | £2,055,000.00 | 6.7% |
| | | | |
| **PROBABLE FRAUDS** | 17 | £185,000.00 | 0.6% |
| | | | |
| **PROBABLE ERRORS** | 40 | £670,000.00 | 2.2% |
| | | | |
| **STILL UNDER REVIEW** | 13 | £145,000.00 | 0.5% |
| | | | |
| **RECOVERED/ IN RECOVERY PROCESS** | 33 | £420,000.00 | 1.4% |
| | | | |
| **REPORTED FOR FURTHER ACTION/ PROSECUTION** | 2 | £35,000.00 | 0.1% |

*note that some payments flagged at more than one stage therefore only counted once in this table.