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**Report to: Audit Committee**

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**Date of Meeting: 03 December 2020**

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**Subject: Internal Audit Update Report**

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**Report by: Internal Audit Manager**

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## **1.0 Purpose**

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

## **2.0 Recommendations**

- 2.1 It is recommended that the Committee notes:

- progress with completing planned 2020/21 Internal Audit work; and
- the outcomes of COVID-19 specific Internal Audit work.

## **3.0 Considerations**

- 3.1 The 2020/21 Internal Audit Plan is included elsewhere on this Agenda. It is presented as indicative and flexible, given that priorities, resource, and Directorate capacity have, and will continue to, 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; and
  - Newly Self Employed Hardship Fund (NSEHF) administration.
- 3.6 In addition, work is ongoing in relation to COVID-19 related transactional testing on goods, services, and expenses.
- 3.7 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.

#### **4.0 Sustainability Implications**

- 4.1. None Noted.

#### **5.0 Resource Implications**

##### *5.1. Financial Details*

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☐

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☐

##### *5.4. Staffing*

#### **6.0 Exempt Reports**

- 6.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☐

#### **7.0 Declarations**

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box ☒)

- Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all ☐
- Our families; children and young people will have the best possible start in life ☐
- Women and girls will be confident and aspirational, and achieve their full potential ☐
- Our communities will be resilient and empowered so that they can thrive and flourish ☐

(2) **Council Policies** (Please detail)

**8.0 Equalities Impact**

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes ☐ No ☐

**9.0 Legality**

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☐

**10.0 Appendices**

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

- Appendix 1: Internal Audit Plan – Progress at 26 October 2020
- Appendix 2: Summary of COVID-19 Related Work

**11.0 Background Papers**

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☐

**Author(s)**

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**Approved by**

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Strategic Director Partnership and Performance	

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

	Client / Directorate	Assignment	Status
<b>Other Client Work</b>			
1.	Central Scotland Valuation Joint Board	Valuation Process	<b>Fieldwork Underway</b>
2.	Clacks and Stirling IJB	To Be Confirmed	Not Started – Timing TBC
<b>Annually Recurring Assignments</b>			
3.	All Directorates	National Fraud Initiative	<b>Ongoing</b>
4.	All Directorates	Continuous Auditing	<b>Ongoing</b>
5.	Place	Climate Change Act Public Body Duties Audit	<b>Fieldwork Underway</b>
<b>Priority Assignments</b>			
6.	Partnerships and Performance / All Directorates	Staff Wellbeing and Support Arrangements	Not Started – 4 <sup>th</sup> quarter 2020/21
7.	All Directorates	Contract Management and Monitoring	<b>Fieldwork Underway</b>
8.	Partnerships and Performance / All Directorates	Capital Planning and Expenditure Monitoring	Not Started – 4 <sup>th</sup> quarter 2020/21
9.	Partnerships and Performance / All Directorates	Corporate Risk Management Arrangements	<b>Fieldwork Underway</b>
<b>Indicative Assignments</b>			
10.	Partnerships and Performance	IT and Information Security Governance	Not Started – Timing TBC
11.	Place / All Directorates	Operational Fleet – Management and Monitoring	Not Started – Timing TBC
12.	All Directorates	Savings Tracking	Not Started – Timing TBC
13.	People	Education Placement Requests	Not Started – Timing TBC

## SUMMARY OF COVID-19 RELATED WORK

Assignment	Directorate	Assurance
<b>Business Support Fund (BSF) Grant administration</b>	Partnerships and Performance	<b>Substantial</b>
Scope	Final Report Executive Summary	
<p>Clackmannanshire Council approved 665 grant applications, resulting in expenditure of c£7.2m.</p> <p>We reviewed the action taken to assess a sample of 31 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 also found to be in place to facilitate the applications assessment and grant payment processes. Appropriate segregation of duties were in place.</p> <p>Our post payment transactional testing involved:</p> <ul style="list-style-type: none"> <li>• getting an overview of the grant application and award process from the staff involved;</li> <li>• ensuring that the Council's log of applications could be reconciled to the information provided on the monitoring return to the Scottish Government;</li> <li>• reviewing the Council's log of application to ensure that no duplicate or fraudulent applications had been processed; and</li> <li>• reviewing the completeness and accuracy of the supporting documentation for a sample of transactions to ensure that: <ul style="list-style-type: none"> <li>• a completed application form had been received;</li> <li>• sufficient documentation was submitted along with the application;</li> <li>• the payee information on the payment file (that is uploaded onto Techone) was accurate; and</li> <li>• no other COVID-19 related support had been received.</li> </ul> </li> </ul> <p>From reviewing the log of applications we also confirmed:</p> <ul style="list-style-type: none"> <li>• the log could be reconciled to the information on the monitoring returns;</li> <li>• no duplicate applications had been processed; and</li> <li>• no payments had been made to bank accounts associated with potentially fraudulent BSF Grant applications that had been identified across Scottish Local Authorities.</li> </ul>	

Assignment	Directorate	Assurance
Newly Self Employed Hardship Fund (NSEHF) administration	Partnerships and Performance	Substantial
Scope	Final Report Executive Summary	
As at 21 July Clackmannanshire Council had awarded 45 NSEHF grants, totalling £90k.	<p>We reviewed a sample of 12 applications and confirmed that:</p> <ul style="list-style-type: none"> <li>• these had been processed accurately and that all required supporting documentation had been submitted; and</li> <li>• appropriate segregation of duties were in place.</li> </ul> <p>From reviewing the log of applications we also confirmed:</p> <ul style="list-style-type: none"> <li>• the log could be reconciled to the information on the monitoring returns;</li> <li>• no duplicate applications had been processed; and</li> <li>• no payments had been made to bank accounts associated with potentially fraudulent Business Support Fund Grant applications that had been identified across Scottish Local Authorities.</li> </ul> <p>Overall, we were content that comprehensive documentation was held to support the decisions reached by the Assessing Officer for each application in our sample, with robust measures also found to be in place to facilitate the application assessment and grant payment processes.</p>	