



# **Audit of Covid 19 Grant Payments (Counter- Fraud)**

**Draft Report Issued: 08 September 2022**  
**Director Draft Issued: 26 October 2022**  
**Final Report Issued: 11 November 2022**

## Audit Report Distribution

<b>Client Lead:</b>	Senior Manager – Revenues and Benefits Strategic Advisor - Policy, Performance & Economic Development
<b>Chief Officer:</b>	Chief Officer – Assets Chief Executive
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 28 November 2022 will receive a copy of this report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.*

## 1.0 Background

- 1.1. This report summarises the findings from the audit of Covid 19 Grant Payments (Counter- Fraud). This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 25<sup>th</sup> July 2022.
- 1.2. Since April 2020, BEIS (Department of Business, Energy and Industrial Strategy) has financially supported local businesses adversely affected by trading conditions due to the Covid pandemic.
- 1.3. A total of £65M in payments has been administered by Allerdale Borough Council by the Revenues & Benefits service for mandatory grants and Policy, Performance & Economic Development for discretionary grants.
- 1.4. Government guidance directs Local Authorities on the application and eligibility criteria for the COVID Grants.

## 2.0 Audit Approach

### Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

### Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Senior Manager of Revenues and Benefits and the Strategic Advisor of Policy, Performance & Economic Development. The agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:

- Fraudulent applications for grant payments are processed, paid and remain undetected by the Council, resulting in inappropriate use of public monies.

- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.1 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Covid-19 Grant Payments (Post-event counter-fraud checks) provide **Substantial Assurance**.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	1
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. <b>Information</b> - reliability and integrity of financial and operational information (N/A)	-	-
4. <b>Security</b> - safeguarding of assets (see section 5.4)	-	1
5. <b>Value</b> – effectiveness and efficiency of operations and programmes (N/A)	-	-
<b>Total Number of Recommendations</b>	-	<b>2</b>

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 **Findings Summary (good practice / areas for improvement):**

Revenue and Benefits and Policy, Performance & Economic Development were asked to administer Covid grants for Allerdale Borough Council in addition to their normal duties, while working from home during a pandemic.

A high standard of appropriate counter-fraud checks was in place and documented in line with central government guidance on the minimum assurance checks that should be in place. Payments were made efficiently, at the earliest opportunity to local businesses impacted by the pandemic.

Risk registers were completed at the start of the project, but it is noted these were not updated on an ongoing basis.

A suitable process was in place for the administration of grant payments, with adequate segregation of duties and documentation of the fraud and validity checks performed by the team. It was noted that user access rights to the data are not reviewed on a regular basis (though leavers will lose their over-arching access rights as part of the leaver process)

**Comment from the Chief Officer - Assets**

The content of this report is agreed and accepted.

## 5.0 Audit Findings & Recommendations

### 5.1 Management – Achievement of the organisation’s strategic objectives

- 5.1.1** Initial Risk Assessments required by BEIS were carried out and produced within the agreed timescales by Revenues and Benefits and Policy, Performance & Economic Development. All relevant checks were made in line with government guidance and documented accordingly.
- 5.1.2** Both departments have copies of the BEIS reports retained electronically on Council servers. The BEIS reports were uploaded electronically onto BEIS online database. The BEIS risk assessments have not been reviewed since August 2020 for SBGF and RHGLF, it is likely that the fraud assessments do not include up to date NFI data or fraud risks information. Additionally, a review of the Council’s operational risk registers identified that no service risk register was in place.

**Recommendation 1 – Revenues and benefits should maintain an operational risk register that includes mitigating actions to manage any further significant grant exercises, including a control to ensure any future projects are risk assessed on a regular basis.**

### 5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** Pre-payment approval checks were conducted in line with government guidance. Documentation demonstrating minimum criteria have been appropriately checked for each grant scheme by Revenue and Benefits and Policy, Performance & Economic Development are retained electronically on Council servers.
- 5.2.2** Application details, supporting documentary evidence, payment records and reports are retained electronically on Council servers for each Grant Scheme. It was noted that documentation was not always filed systematically and could be difficult to locate. It would be good practice to simplify the filing process and categorise the documents into clear folders per subject for easier access.
- 5.2.3** Payment information was uploaded to the NFI database to allow validation checks to be carried out on company information. Reports were prepared with risk ratings to identify higher risk of potential fraudulent claims. Reports were reviewed by the Revenue and Benefits and Policy, Performance & Economic Development team. No concerns were identified from information provided, though reports identified where applicants had provided inaccurate information, that has subsequently been corrected.

- 5.2.4** Internal Audit performed additional tests on NFI reports to ensure data matched and adequate reviews had taken place and satisfied all accurate and correct. Although there was evidence of NFI uploads retained electronically on the Councils servers, these were not stored systematically in one location. It would be advisable that for any future NFI documentation should be retained in once clear location to be easily accessible for review.
- 5.2.5** Documents requested by BEIS for each scheme have been provided accordingly within the designatory timescales. To Date, BEIS have not requested for reconciliation to be submitted for the OMICRON HAL Grant Scheme.
- 5.2.6** Segregation of duties were established for each element of the Grants Payment processes. Applications were processed by Revenue and Benefit and Policy, Performance & Economic Development staff members. Supervisory checks were made by the manager of each department and payments were authorised independently by Finance.
- 5.2.7** Post assurance checks were requested by BEIS for a random sample of payments and evidence has been provided within the designated timescales. Clear data capture of what was requested by BEIS and documentary evidence of what was provided to BEIS is retained electronically on Council servers.

### 5.3 Security – Safeguarding of Assets

- 5.3.1** All copies of grant applications, payment records and supporting documentary evidence (scanned where necessary) is retained electronically on Council servers assigned to the Revenues and Benefits and Policy, Performance & Economic Development retrospectively
- 5.3.2** Access to both servers was generally restricted to appropriate officers working for the respective services; however, two officers that had left the Revenue and Benefits service still had access granted to the relevant files. Both officers had their overarching network access removed; however, this identified that access rights are not checked on a regular basis, so internal transfers would retain access to information. It would also be good house-keeping to ensure access rights are removed for all leavers.

**Recommendation 2 – There should be a regular check within Revenues and Benefits to ensure anyone leaving the department has access to all records removed.**

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 - Revenues and benefits should maintain an operational risk register that includes mitigating actions to manage any further significant grant exercises, including a control to ensure any future projects are risk assessed on a regular basis.	M	Potentially a risk may have been addresses as not recorded correctly to confirm outcome	This is accepted. Risk Registers will be maintained on an ongoing basis for any future exercises if necessary	Senior Manager – Revenues and Benefits	Implemented
Recommendation 2 - There should be a regular check within Revenues and Benefits to ensure anyone leaving the department has access to all records removed.	M	Although unlikely, there could be a potential security risk for access to records from outside the department.	Regular check of access rights to be performed.	Senior Manager – Revenues and Benefits	1 December 2022



## Appendix B – Advisory Comments

Ref	Advisory Comment
5.2.4	It would be advisable that for any future NFI documentation should be retained in once clear location to be easily accessible for review

## Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<b>Limited/None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

## Appendix D

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).