



Summary of Internal Audit Reports Issued to Date

REPORT OF DAP Partnership Manager
To: Audit & Governance Committee
Subject: Audit Reports Issued to Date
Date: 19 January 2021 **Reference:**

PURPOSE OF REPORT: To provide a summary of the audit reports issued to date to enable members to discuss any matters they wish to raise.

1. INTRODUCTION

The Audit & Governance Committee requested a regular summary of the audit reports issued to ensure there is opportunity to raise any queries on those reports.

Where possible Members are encouraged to raise any significant concerns with the Service Improvement Officer at the time of issue of the report, however this report gives the opportunity for Members as a group to discuss any related matters.

This committee report covers the audit reports issued to date and not previously reported.

2. REPORT

A summary of those reports issued to date and not included in previous committee reports is included at Appendix A.

There are 4 audits to be reported upon:

- Council Tax
- Income Processing
- Procurement
- Covid-19 Business Grants - Post Payment Assurance

3. IMPLICATIONS

Legal Implications

None.

Financial Implications

None.

Human Resources Implications

None.

Sustainability Implications

None.

Equality/Diversity

None.



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Risk Management

The two key outcomes from an audit are the opinion on the audit subject, which indicates the level of assurance that members can take, and the agreed actions to strengthen the control framework. Any agreed actions are evaluated against the corporate risk matrix and the audit reports include those risks that are medium or high. Low risk or housekeeping matters are reported separately and directly to management for them to manage. Progress with implementing actions is reported to the Head of Paid Service (or Senior Management Team) and to the Audit & Governance committee on a quarterly basis.

Compliance with Policies and Strategies

This report complies with the Audit & Governance Committee terms of reference and the Audit Procedures Manual.

Ward Member and Leader Member Views

Councillor Philip Hackett, Chair of Audit & Governance, commented “*The Internal Audits Reports contribute to the Council’s robust governance arrangements.*”

4. CONCLUSIONS

Four reports have been issued since the meeting in September. The opinion for the audits at the time of publication was:

Opinion	Audit
Substantial Assurance ‘A sound system of Governance’	Council Tax Income Processing
Reasonable Assurance ‘Some scope for improvement’	Procurement Covid-19 Payment Assurance

Opinions range from: Substantial Assurance; reasonable Assurance; Limited Assurance; No Assurance.

5. RECOMMENDATIONS

Committee are asked to:

Note the report issued in this reporting period and raise any queries, suggestions or proposals relating to the three internal audits in this report.

SUPPORTING INFORMATION

Consultations: Officer - Steve Hearse; Staci Dorey
 Councillors - Philip Hackett

Contact Officer: David Heyes

Background Papers: Audit files



Summary of Internal Audit Reports Issued to Date

Appendix A

Council Tax – Substantial Assurance (substantial assurance on 6/8 risk areas; reasonable assurance on 2/8 risk areas).

Introduction

The Council Tax came into effect on 1st April 1993, having been introduced by the Local Government Finance Act 1992. The act requires all domestic properties be placed in one of 8 bands, referenced A to H, according to values given them by the Listing Officer, an appointee of The Commissioners of the Inland Revenue, and based on market values as at 1st April 1991. Council Tax revenue contributes to the cost of public services across the region, including those provided by County and District Councils, Police Authority, Fire and Rescue Authority and local Parish & Town Councils.

Torrige District Council is responsible for the billing and collection of Council Tax on behalf of these services and redistributes a proportion of the revenue received to the other 'precepting' authorities. In order to do this the Authority is required to maintain a complete, up to date and accurate database of eligible dwellings. A separate database is also maintained by the Valuation Office Agency (VOA), an executive agency of HM Revenues & Customs (HMRC).

There are currently 32,994 banded properties in the district, of which most are classed as chargeable dwellings. The previous audit of the Council Tax system was concluded in October 2019 at which time an audit opinion of 'Good' was reported.

Risk Description	Level of Assurance
1 The rate of Council Tax not formally approved by members, leading to reputational damage.	Substantial Assurance
2 Inaccurate system configuration, leading to errors or delays during annual billing.	Substantial Assurance
3 Unreliable database information leading to inaccurate billing and a loss of revenue.	Substantial Assurance
4 Ineffective recovery processes resulting in a loss of income.	Reasonable Assurance
5 Fraud, leading to a loss of revenue.	Substantial Assurance
6 Inaccurate financial information resulting in a miss-statement within the Authorities accounts.	Substantial Assurance
7 Non-compliance with key Data Protection requirements leading to a data breach.	Reasonable Assurance
8 Late or inaccurate payment of precepts causing financial strain on precepting Authorities.	Substantial Assurance

Executive Summary

Council Tax Setting

In order to enable timely budget setting and forward planning by all precepting authorities, both the Council Tax base and any proposed changes to Council Tax are required to be reviewed and approved by members in good time.

From a review of published minutes, we confirmed that the Council Tax base had been agreed by Full Council on 9 December 2019, with the proposed 3.06% increase being approved by Full Council on 24 February 2020.

Precepts

A schedule was found to be in place for the payment of major precepts to Devon County Council, Devon & Cornwall Police, and the Devon & Somerset Fire & Rescue Authority. We found that payments in our sample had been processed promptly by the due dates and were for the correct amounts as stated in the original letters from the precepting authority. Parish precepts, which are paid in two instalments, had also been processed accurately and promptly for our sample case.

Year End Processes

Through discussion and a review of key evidence we confirmed that the end of year process, whereby the current council tax bandings were input to the database and the debit raising undertaken, were completed successfully. Changes to bandings had been cross checked by a number of key staff to help reduce the risk of error. The annual debit raising process was also supported by a number of standard system reports, the figures from which were then populated into the Capita balancing spreadsheet to highlight and explain any variances. A relatively small variance was present this year, explained as being due to an issue with the latest database release. The three affected accounts were traced, and manual adjustments made. The reconciliation sheet had then been duly signed off by the Systems Admin team member responsible for this task.

Annual Billing

In order to test the annual billing process, we used an independent source of address data and selected a random sample of addresses from across the district. For each address, we confirmed that the property existed on the Council Tax database and an accurate and timely annual bill had been generated. Billed amounts agreed in all cases with the approved banding for the year less any deductions for discounts or exemptions. Bills were also sent out at least two weeks before the first instalment due date and copies of the bill and calculation were correctly recorded in the taxpayer's account on Academy.

Billing Adjustments

We also took a sample of accounts where billing adjustments had taken place during the year. These may be due to changes of circumstances, the application/removal of benefits or changes to instalment plans. Supporting notes on the Academy system were reviewed and the bills checked for accuracy, with no issues identified.

Changes to the Property Database

The Valuation Office Agency (VOA) issue frequent 'schedules' to the Authority notifying of changes to the rating list such as additions/deletions or amendments. We confirmed through sampling that these amendments had been promptly and accurately processed on the Authority's Council Tax database. VOA schedules also specify the total number of properties in each band and this enables the Authority to reconcile these figures to those from its own Council Tax database. We confirmed that these reconciliations had been completed throughout the year. As at the time of testing, the latest schedule specified a total of 32,994 properties recorded by the VOA, in contrast with 32,992 recorded by TDC, with a variance of 1 property on each of bands D and A. These variances are historical and identifying the source is difficult as there is no simple way to compare both databases, which often use a different property reference number format. The VOA had also indicated previously that are unable to share their full database with the Authority.

Discounts and Exemptions

We examined a number of accounts with a variety of discounts or exemption types and sought to confirm that full records had been retained, including where necessary evidence to support the eligibility of the customer. Records were found to be sufficient, with discounts having been applied for the correct periods and where necessary inspections carried out.



Summary of Internal Audit Reports Issued to Date

National Fraud Initiative (NFI) Data Matching

As at 28 September 2020, there were 9,901 accounts with Single Persons Discount (SPD) applied. Potential cases where this discount may be incorrectly claimed, either in error or due to fraud, are identified as part of the annual NFI data matching exercise, the results of which are notified to the Authority. We confirmed that these results had been used by the Authority to conduct their own investigations and contact households where any doubt remained as to the legitimacy of the discount. Suitable records had been retained of this work including copies of letters issued and account notes of actions taken. The exercise has resulted in the removal of discount from a number of accounts with an estimated additional income generated of £17,835.32.

Income Posting

Customers have the ability to pay for their Council Tax in a variety of ways including pay-point, by post, online, by cash (pay-point/post office only)/cheque/credit or debit card. Transactions are initially recorded within the Capita cash receipting system before being posted on a daily basis to the Council Tax system. We reviewed a number of Capita system reports, selecting payments made by a variety of methods and traced these through to the individual taxpayer's account within the Council Tax system. In all cases the amounts had been promptly and accurately recorded.

Rejected BACS Payments

Where direct debit payments fail, or do not complete as expected, notifications are received via ADDACS and AUDDIS reports. We reviewed recent examples of these reports and confirmed that they had been processed promptly and appropriate actions had been taken, such as the issue of an adjustment notice to indicate a change of pay method.

Suspense Items

As at 24 September 2020, the Council Tax system suspense account, used as a holding area for unallocated transactions, had a zero balance and there had been no transactions posted to the account during the current year. The suspense account is monitored regularly by the Systems Admin Team.

System Reconciliation

Large amounts of transactional data are transferred between the Authorities financial systems including the cash receipting system, council tax system and general ledger. The reliability and integrity of this information is critical to the Authority's ability to administer and report on Council Tax. We confirmed that a reconciliation comparing control totals across these three systems was carried out on a regular basis by the Systems Admin Team. The reconciliation was up to date, well presented and evidenced, and there were no unexplained variances as at the time of testing.

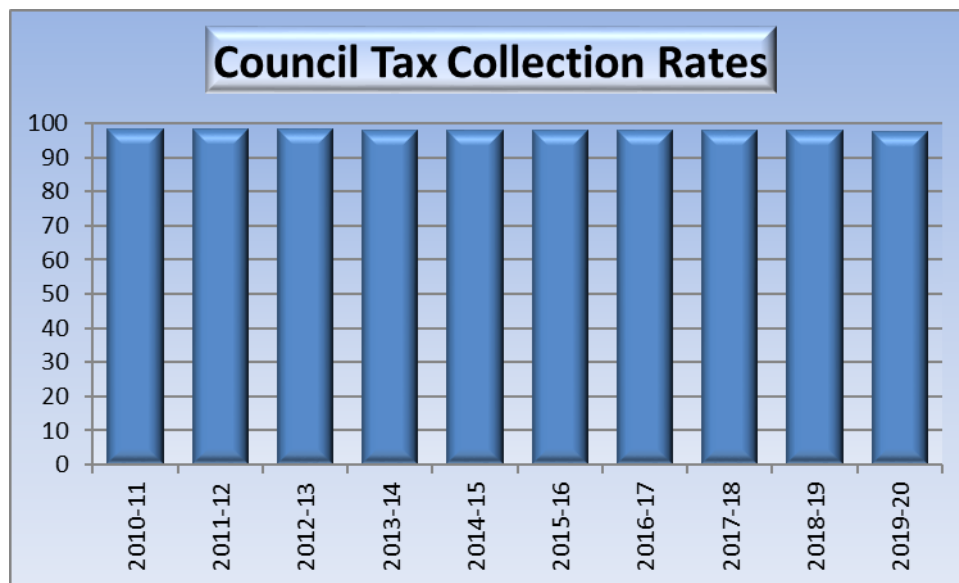
Debt Recovery

COVID19 has impacted on the services ability to undertake recovery actions during the first half of this year. Although 'gentle' reminders are understood to have been issued during July and August, there have been no formal reminders, final reminders, summonses or court sessions. This is likely to have contributed to the slightly reduced collection rate for this year as mentioned below. From discussion with the Council Tax Team Leader, it was indicated that a formal recovery timetable is now being drawn up, as the notification of available court sessions is received. Formal recovery actions are now scheduled to resume during October. As at 28 September 2020, the total debt from prior years stood at just over £2m, up from £1.6m at the same time last year. Whilst this is a considerable sum, it is helpful to view it in the context of the overall collection rates specified below, which have been consistently high for a number of years.

Under certain circumstances recovery actions can be suppressed. We reviewed a list of currently suppressed accounts, of which there were 30, a reduction from 52 at the same time last year. We confirmed that the suppressions were for a fixed and reasonable period only. For two accounts, we reviewed the details within Academy to ensure that suitable account notes explaining the suppressions had been recorded and where necessary, further supporting evidence attached.

Collection Rate Monitoring

We confirmed that statistical data is obtained directly from the Academy system, where it is then entered to the SPAR.net system on a month by month basis. We confirmed that current figures recorded on SPAR.net had been input correctly. The same statistics are also included in the Quarterly Business Report to members. We confirmed that this had most recently been presented to the Internal Overview and Scrutiny Committee on 18 August. As at the end of September 2020, 55.53% of the annual debit had been collected; as compared with 56.43% at the same point last year and against a profiled target of 58.03%. Minor fluctuations in collection rates year on year are expected. When considering the collection rates over several years (based on data taken from SPAR.net), these have dropped slightly but remain consistently high over the period reviewed.



Write Offs

As at 8 September 2020, the following amounts had been written off:

Debt - 28,187.29

Credit balances - 3,236.25

We selected a sample of write offs and reviewed supporting evidence. In all instances we found that the necessary controls had been applied. These include separation of duties between request and authorisation of the write off, completion of a standard header sheet summarising the justification and authorisations for the write off, authorisations conducted at a level appropriate to the value of the write off and write off correctly recorded on the taxpayer account.

Typical reasons for debt write off include insolvency; where the debtor absconds; where the amounts are uneconomical to pursue; and where all other recovery options have been exhausted.

Credit balances tend to occur where a banding reduction has taken place. Where it is not possible to identify the prior occupants and refund the balance, these are then written off.

Documented procedures are in place and include a scheme of delegation for the approval of amounts to be written off.

Refunds

We reviewed the details of a sample of recent refunds, confirming that the accounts were in credit prior to the refund, that separation of duties forms a part of the refund process and that details had been correctly recorded on the taxpayers account.

System Access Controls

Access to the Academy Council Tax system is controlled by the Systems Admin team. Prior to being granted access, new user requests require the approval of a line manager and we confirmed that this was the case for a recent addition. Where the user is from a service area other than revenues, additional justification is required as to why access is needed. We also confirmed that a user account for a recent leaver had been made dormant, preventing it from being used.

We confirmed that group profiles are used, each with its own set of permissions. Users are then assigned to the group that has permissions relevant to their role. Groups include read only/ctax assess/ct all read-write.

Password parameters for the Academy system are adequate, for example with regard to length and complexity, with users required to change their password at regular intervals. Access to the system is only possible from within the corporate network which has separate authentication controls, adding a further layer of security and reducing the risk of unauthorised access.

System Admin Scheduled Tasks

The System Admin team are responsible for overseeing a range of daily, weekly and monthly processes that are run through the Academy System. These include the generation of bills, adjustment notices, reminders, summonses, refunds and low value write offs. We viewed the scheduled task log on Academy to verify that processes were up to date.

Data Protection

The Council Tax team are responsible for the processing of personal data on a day to day basis. To ensure transparency around data protection, a privacy notice has been published on the Authority's website. Team members are also required to undergo a corporate induction programme as well as specific in person and online training sessions covering data protection. Established reporting lines are in place in the event of a data protection breach and this includes notifying the Data Protection Officer.

In respect of data retention, limitations within existing software such as the document management system have prevented the effective removal of expired personal data. This was reported last year and whilst the ICT team are understood to have been in contact with the vendor regarding the issue there is currently no solution. This issue is one that affects many public bodies. but remains an issue, albeit outside of the control of the Authority), however this is something the ICT team are aware of and are understood to have been liaising with the software vendor about.

There are no issues arising from the current audit that require disclosure within the Annual Governance Statement.



Summary of Internal Audit Reports Issued to Date

Income Processing – Substantial Assurance (substantial assurance on 2/3 risk areas, reasonable assurance on 1/3 risk areas).

Introduction

District Councils are responsible for processing income from businesses, householders and other service users. This consists of taxes such as Council Tax and Business Rates, as well as fees and charges for services such as Licensing, Waste, and Car Parks.

Income is processed through the cash receipting system, with transactions then being posted to the general ledger, accounts receivable ledger and relevant service specific databases, such as those used for Council Tax and Business Rates.

Payment options available to service users include bank transfer, card, cash or cheque. From April 2016 however, cash payments are no longer accepted at Council offices but can still be made at post offices and PayPoint locations.

Cash, in the form of entry tolls, is still taken during the summer season at Northam Burrows.

Service areas are responsible for monitoring income levels with the support of the Accountancy Team, who provide periodic budget monitoring reports and budget advice to the services.

Income received from the public forms an essential part of the budget available to the Council to deliver its services.

Assurance Opinion on Risks or Areas Covered - key concerns or unmitigated risks	Level of Assurance
1 Income is not processed securely, leading to loss of income through fraud.	Reasonable Assurance
2 Income is not processed accurately, resulting in misstatements within the accounts.	Substantial Assurance
3 Breaches of personal data may result in financial penalties or reputational damage.	Substantial Assurance

Executive Summary

Control Framework and Delegated Responsibilities

The Council's Constitution includes the Financial Procedure Rules (FPR), establishing delegations to officers and local requirements to establish and maintain financial integrity and accountability for financial administration, including income processing.

The FPR were last reviewed and updated in the early part of 2016 and were formally approved by Full Council in August of that year. The next scheduled review period was April 2018; however this was delayed and a revised FPR is currently awaiting ratification by Full Council.

Capita 360

The cash receipting system is a hosted system supplied by Capita. This was understood to have been procured through the G-Cloud framework and although some supporting contractual documentation is held, this did not include the standard contract in the format required under the framework. This was reported in the previous audit report and will remain an issue until the existing five-year contract expires and an opportunity arises to implement new contractual documentation.

Access to the cash receipting system was found to be suitably restricted with several standard controls in place. Firstly, new users are only provided with access following a request from their line manager or team leader. Next, the level of access provided could be set dependent on the user's role. We did note that there were several users with administrator level access, however valid operational reasons were provided for this. Password authentication settings were also considered and found to be satisfactory, including automated lock out if a certain number of incorrect password attempts are made or if a certain period has passed without the user logging in.

Whilst the use of a cloud-based system such as this brings benefits, there are also additional risk factors and the Council's ability to operate its income system effectively could be compromised by system outages. This does not appear to have been a problem over the last twelve months however, with only two brief periods during which system access was interrupted.

Introduction of Contactless Card Payments

This year has seen the introduction of a contactless card payment system at Northam Burrows. The intention has been to reduce the level of cash handling necessary whilst also providing customers with an improved range of payment options. Technical difficulties with the implementation of this system have been overcome and existing income records and reconciliation processes have been updated and revised by the ICT Business & Projects Officer and Lead Ranger. The updated reconciliation process and supporting records were reviewed and found to be working well.

Paye.net

The Paye.net system is a part of the Capita 360 suite and allows Council officers to take card payments by telephone, via the pay.net web portal. As at the time of testing there were 35 officers with access to the Paye.net system. This is down from the 45 users identified during the previous audit and demonstrates that users who no longer require access are actively removed. Officers who take telephone card payments are also required to sign a security declaration as evidence that they are aware of the correct protocols to use and to reduce the risk of fraud. Historically, the ownership of these declarations has been problematic and so since the previous audit a system for retaining these centrally has been introduced and is working well thanks to the ICT Business and Project Officer. Some gaps in the record remain, notably for users who predate the introduction of the central record, but it is anticipated that these gaps will be addressed in the coming months.

WorldPay

For service areas, including parking and licencing, customer payments made through the website are redirected to WorldPay, an external provider. Daily notifications of payments received are sent from WorldPay to Council officers and we confirmed that current practices ensure transactional data is accurately and promptly received and posted to the financial systems. These processes were found to be working well and a sample of transactions were successfully traced from source, through the cash receipting system and to the general ledger.

Separation of Duties

We confirmed that an appropriate degree of separation of duties is maintained as part of income collection and processing. At Northam Burrows for instance, which is now the only site where significant cash payments are still taken, amounts collected are independently verified and reconciled prior to banking. Other areas where evidence of separation of duties was also found include till reversals, which are independently reviewed and signed off by the Customer Services Supervisor, and refunds, which are actioned following a request from the relevant service area.

Fidelity Guarantee Insurance

We confirmed that the Council has suitable and up to date insurance in place to cover the possibility of internal fraud or dishonesty resulting in financial loss. The level of cover, which is deemed adequate, is set at a single figure which applies to all officers.

Transactional Data

We discussed the processes used to ensure that transactions are posted promptly and accurately from the cash receipting system to the general ledger. This involves the work of multiple teams but is principally overseen by the ICT Business and Project Officer, who is also responsible for scripting many, if not all, of the Host Access routines that are run, and which post transactions between systems. There is thus a heavy reliance on this officer, especially when problems may arise with the system operation, but due to the small size and limited capacity of the ICT team this is an accepted risk. The team leader indicated during discussions as part of the previous audit that he would be able to provide cover for all of the operations undertaken by the ICT Business and Project Officer in the event of a protracted absence. Following our discussions, we selected a sample of income transactions from sources including parking services, WorldPay and Northam Burrows. In each case we were able to confirm that the transactions had been promptly posted to a relevant accounting code.

Suspense Accounts

General ledger account 999 0397 800LDTB is used for transactions imported from the cash receipting system that cannot be correctly allocated, due to missing, incomplete or incorrect account information. We confirmed that the account is monitored on a regular basis by the ICT section and Customer Services Supervisor, who each investigate and re-allocate the transactions to the correct service areas. As at the time of testing all transactions from the 2019-20 financial year had been cleared, with a small number of current year transactions being investigated.

VAT

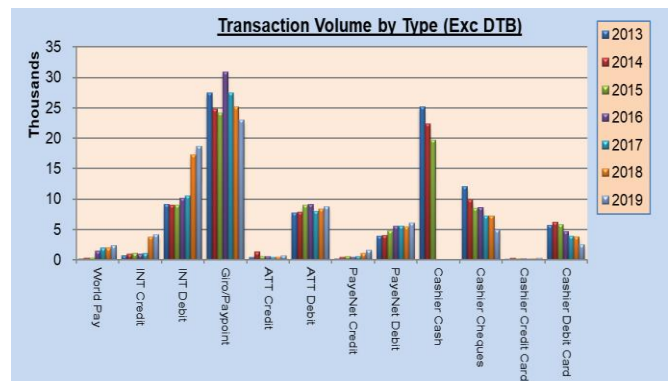
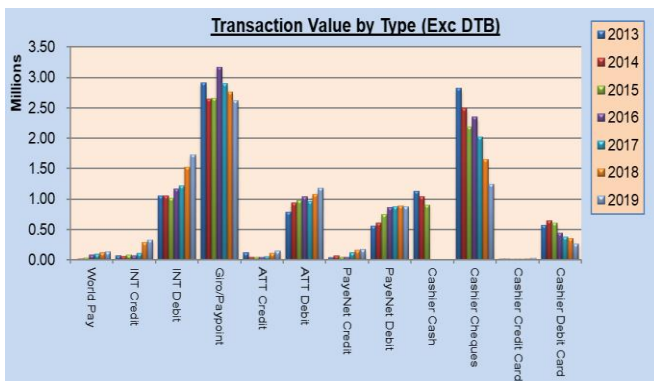
We confirmed that suitable processes exist for the handling of output tax. Our transaction sample included income from different sources, in respect of different services and for both vatable and non-vatable supplies. In each applicable case the VAT had been promptly and accurately allocated to the correct accounting code, 999 0345.

Transaction Reconciliations

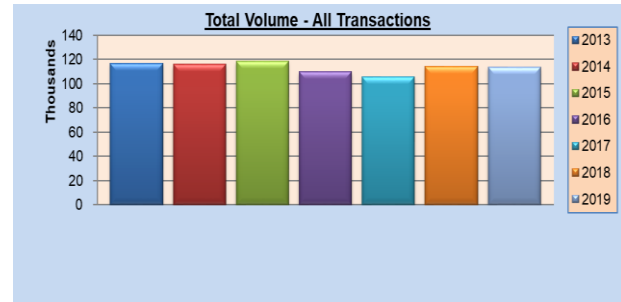
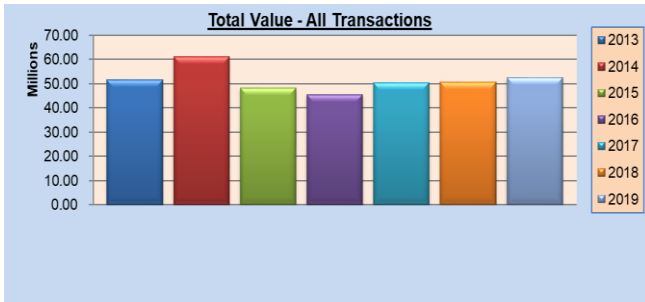
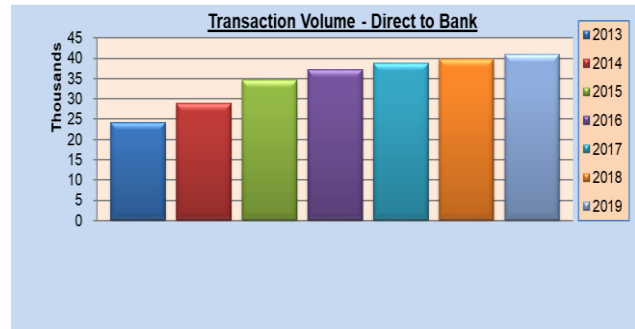
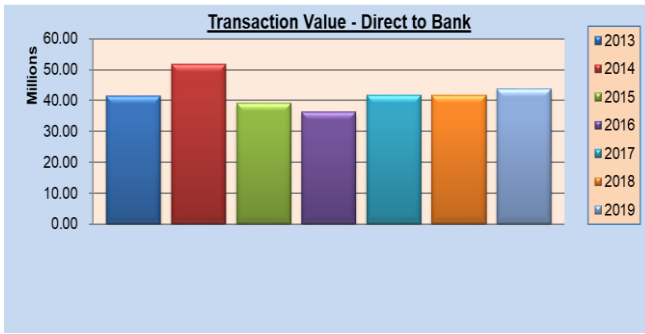
We confirmed that transactional data has been regularly imported from the cash receipting system to the general ledger. This is a multi-stage activity involving the Customer Services Supervisor and the Accountancy team, with control total checks being made and evidenced to ensure the accuracy of this process. Daily balancing is also undertaken by the ICT Business & Projects Officer and this was found to be up to date and well evidenced. Such activities are designed to promptly identify and correct any variances that may arise.

Income Trends

The following charts are included for informational purposes and provide a year by year comparison of the value and volume of different payment types along with total transaction volumes and values for the last six years. Direct to bank (DTB) income, including CHAPS and direct debit payments, are shown separately.



Summary of Internal Audit Reports Issued to Date



DTB transactions aside, we can see that post office/PayPoint payments account for a significant proportion of the volume and value of income received. Cheque payments continue to decline, but still account for a reasonable amount of income, at £1.9m during 2019-20. Internet card payments continue to increase in popularity and the sharp increase during 2018-19 was maintained during 2019-20. Cash payments are no longer accepted directly unless under exceptional circumstances and this is reflected by their almost total absence from 2016 onwards.

Data Protection

Personal data collected during income processing tends to be minimal, however any breach or loss of personal data would nevertheless carry with it the potential for reputational damage. We confirmed that a number of standard controls were in place to mitigate the risk of data loss and ensure compliance with the Data Protection Act 2018. These included officer training, privacy notices relating to services, IT system security and regular backups of business data.

There are no issues arising from the current audit that require disclosure within the Annual Governance Statement.



Summary of Internal Audit Reports Issued to Date

Procurement – Reasonable Assurance (substantial assurance on 6/6 risk areas; reasonable assurance on 1/6 risk areas; limited assurance on 1/6 risk areas)

Introduction

Procurement is an essential activity that helps Local Authorities deliver front line services and achieve strategic goals. Each year, Local Authorities in England spend around £55 billion on goods, works and services. Procurement Fraud is also a recognised concern, with the Fraud Landscape Annual Report 2018 citing a range of between 0.5% and 5% estimated fraud and error, which would equate to between £275 million and £2.75 billion per year.

The National Procurement Strategy for Local Government in England has been produced by the Local Government Association and was last updated in 2018. The Strategy builds on the previous iteration and establishes three 'themes' which it believes to be the priorities within Local Government for the next four years, namely:

- showing leadership
- behaving commercially
- achieving community benefits

The strategy also identifies the following four 'enablers' which are key to success:

- developing talent
- exploiting digital technology
- enabling innovation
- embedding change.

Torrige have a small, central Property and Procurement team, selected members of which are responsible for supporting the Authority's procurement activities. Payments during the 2019-20 financial year in respect of general invoices, was £8.6m.

Assurance Opinion on Risks or Areas Covered - key concerns or unmitigated risks	Level of Assurance
1 Poor governance of procurement activities could lead to unfair, unlawful or inconsistent practices.	Reasonable Assurance
2 If formalised contracts are not in place this may reduce the ability to resolve disputes and lead to poor performance.	Substantial Assurance
3 If Value for money is not achieved, this may adversely affect the budget position.	Limited Assurance
4 If counter fraud processes are not present, supplier or employee fraud may go undetected.	Substantial Assurance
5 Failure to undertake procurement in a transparent and open manner may cause reputational damage.	Substantial Assurance
6 Failure to adopt modern procurement processes and systems may create inefficiency and affect the delivery of front-line services.	Substantial Assurance

Executive Summary

Governance Arrangements

We were able to confirm that procurement activities are formally established and approved by way of Strategies, Policies and Procedures.

The Devon Districts Procurement Strategy (DDPS) is a document that has been drawn up to facilitate a collaborative approach to procurement within the County. The latest iteration runs from 2019-2022. Although not all the aspects of the national strategy are reflected within the DDPS, where actions are included these were found to correlate quite well, examples being contract management and engagement with SME's. The Audit & Governance Committee recommended that the DDPS be formally adopted at their meeting on 28 July 2020.

The Council's Constitution, as located on the website, contains both the Financial Procedure Rules (FPR) and Contract Procedure Rules (CPR), both of which are fundamental to the governance of procurement. These documents were due for review and update in 2018, however this process remains ongoing. Proposed revisions were submitted to the Audit & Governance Committee in July 2020 but have yet to be ratified by Full Council. This is currently scheduled to take place in December.

A seemingly comprehensive range of guidance, procedures and templates were also found to be available to staff via the procurement toolkit found on the Intranet. Although some of these documents were found to be several years old, it was indicated that they were remained current and accurate.

Members of the team we spoke to during the audit demonstrated a sound knowledge of the procurement practices and had a good awareness of current regulations. The designated 'Buyer' within the team is also a member of the Chartered Institute of Procurement and Supply (CIPS).

Evidence was also provided of recent training courses covering procurement which been provided to officers within service areas. This included separate sessions for managers (budget holders) and requisitioners.

Formalised Contracts and Contract Monitoring

Section 16 of the CPR sets out the standard documentation that should typically be retained when entering into a contract. Through sampling we confirmed that contract documentation existed in each case, although in one instance we noted that the final contract had not been signed by the supplier. Through discussion it was indicated that copies of all key contracts are held centrally, either as a digital record within the corporate file servers or in the secure strong room at Riverbank House.

The National Procurement Strategy 2018 includes references to contract monitoring and performance, which are to a lesser degree mirrored in the Devon Districts Procurement Strategy 2019-22. In practice, the ability to actively monitor and report on supplier performance has been restricted by the limited resources available to the central procurement team. Going forward, the introduction of a new Contracts Officer may well enable this are to be developed more fully.

Achieving Value for Money

The following chart is included for information and context, showing as it does the total value of transactions occurring each year as a result of procurement activities.



Processes were found to be in place to help ensure that procurements offer value for money. The CPR for instance establishes thresholds for expenditure, which determine whether it is appropriate to obtain quotations, formal tenders, or apply EU procurement rules.

We selected two recent purchases of between £30k and £50k, in order to confirm that an appropriate number of quotations had been sought. In each case, three quotations had been obtained and considered prior to a final decision. We noted that the cheapest quotation in each case was not the one selected, however there were valid reasons for this, in one case involving environmental considerations, in the other concerning the comprehensiveness of the quotations received.

Next we considered two procurements in excess of £50k but below the threshold at which EU requirements would apply. In such cases a formal tendering exercise is normally required under the CPR. In one instance, formal tenders had indeed been obtained and assessed, in the second instance the contractor was selected directly using an established framework. With this approach, the framework provider has already carried out any necessary vetting and agreed price limits with the contractors. Using such direct award options are valid and can offer a more convenient and expedient procurement option, although the Authority may not achieve the very best in terms of value for money, without some form of mini competition using selected framework contractors.

The standard template available to officers when assessing tenders shows that not only cost but also quality is considered, with each given a relative weighting. Good practice is for these assessments to be carried out by more than one officer and the results discussed, however this had not been applied in our sample transaction, due to time limitations and officer availability.

Working in partnership with other organisations can also be an effective means of achieving value for money. The Devon Districts Procurement Strategy is one example of where Torrige have come together with neighbouring Authorities to form a set of common goals, support initiatives such as sustainability and to co-ordinate procurement activities.

A Devon & Cornwall Procurement Group also meets periodically to discuss emerging issues and potential opportunities. We confirmed that a representative from Torrige is actively involved with this group, who most recently met in September 2020.

Counter Fraud Activities

Several existing controls were confirmed to be in place which are intended to reduce the risk of fraud and corruption, these include:

- Up to date policies and guidance covering Fraud and Corruption, which are made available and awareness maintained through staff newsletters;
- Maintaining a complete record of procurement activities, by way of the Authority's e-procurement system, online contracts portal and network file servers;
- Enforcing a separation of duties such that no single officer can undertake all steps in the procurement process;
- Matching of invoices to authorised purchase orders;
- Corporate requirement to declare potential conflicts of interest, including a question on this in the annual appraisal checklist.

Transparency in Procurement

Transparency is important in providing stakeholders with assurance that procurement activities are legitimate and offer value for money. We confirmed that a register of contracts is published online. The method of publication (via the pro-contracts portal) has changed since the previous audit but the resulting information was found to be readily available and appeared complete, as evidenced by the inclusion of recently finalised contracts.

We also confirmed that, in accordance with the requirements of the Local Government Transparency Code 2015, details of all expenditure over £500 and all purchasing card expenditure is published in a standard format on the Authority's website. As of the time of testing, data up to and including August 2020 was available.

The use of waivers was also reviewed, where formal tendering exercises are not carried out in instances where the CPR would normally require them. Waivers are used only as exceptions and we confirmed that, for a sample of cases, they had been independently assessed and authorised at a senior level. A documented procedures and standard forms are used in this process and an annual report listing all waivers completed in the previous year is presented to the Audit & Governance Committee, most recently in July 2020.

Where formal tendering is required, the Authority in most instances make use of a 'restricted' tender process, limiting the number of tenders invited to a select few contractors. Whilst this may be viewed as somewhat less transparent and more open to potential fraud or favouritism, it is also a more efficient process with less administrative overheads, which is an important consideration for the small Procurement team who are operating with limited resources. On balance, the use of restricted tendering is considered a reasonable option.

Use of Technology

The NPS lists 'exploiting technology' as an enabler of effective procurement. Torrige make good use of IT systems for procurement. An online purchasing system can be used by authorised staff to requisition many standard items and this includes a workflow for the authorisation process. Separation of duties is built into the system to ensure that any purchase requests raised by one officer are forwarded to the appropriate budget holder for authorisation.

The Pro Contract portal is used for higher value purchases where it is necessary to seek formal tenders. The system can be used to publish contact opportunities during open tendering or for information exchange between the Authority and selected contractors during both open and restricted tendering. A full audit trail is generated within the system. The Pro Contract system is linked to the 'Supplying the South West' procurement portal and to the 'Contracts Finder' web sites. This ensures that tender opportunities as well as details of awarded contracts are publicised and can be viewed freely. We verified by searches online that recent procurement exercises had been listed.

The Authority does not have an e-invoicing system and there are no current plans to implement one. E-invoicing is considered the next step for organisations wishing to introduce more automation, reduce the amount of manual input and cut risks associated with input error and fraud. From prior discussions with the System Administrator the option has been considered but would not be cost efficient for Torrige at the current time.

There are no issues arising from this review that require inclusion within the Annual Governance Statement.



Summary of Internal Audit Reports Issued to Date

Covid-19 Business Grants – Post Payment Assurance – Reasonable Assurance (reasonable assurance on 1/1 risk areas).

Introduction

As a part of its response measures designed to tackle the impact of the COVID 19 pandemic, the UK Government introduced emergency relief measures and grants that would be made available to businesses.

Fixed grants were made available to those businesses most affected, with discretionary grants available to businesses not eligible for the fixed grants.

As at the end of September 2020, corresponding with the latest published figures, £11.1bn in Retail, Hospitality & Leisure Grant Fund payments have been paid nationally (£27.2m by Torrige), as well as £562m in Discretionary Grant Fund payments (£1.2m).

This audit review does not form part of the original planned audit work for the 2020-21 financial year but has been prioritised due to the high value of payments being administered and the potential for fraud.

Assurance Opinion on Risks or Areas Covered - key concerns or unmitigated risks	Level of Assurance
1. If emergency business grants are not administered securely, this may provide opportunities for fraud.	Reasonable Assurance
<i>These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed</i>	

Executive Summary

Small Business and Retail, Hospitality and Leisure Grants

The overall approach taken to the disbursement of these grants has enabled them to be processed quickly, but perhaps not as securely as possible.

Staff from a range of service areas were initially drafted in to assist with the process, including ICT who setup the online forms and extracted the application data prior to validation, Business Rates who undertook the checking and validation of claims and System Administrators who helped with processing the payments. The use of these teams to carry out each part of the process seemed a logical choice and no doubt helped with the speed of processing.

Awareness of the grants was initially raised by way of a press release, followed by a mailshot to registered businesses who were deemed to qualify for the grant. In many instances, bank details for eligible businesses were not previously held. Where this was the case, the business was requested to supply details of their bank account through the online application form. Supporting evidence, such as a bank statement, was not, however, required, which may have increased the opportunity for fraud. Nationally, there have been cases where fraudsters have attempted to submit applications using false bank account details.

The online application form itself was deemed to be comprehensive, including many mandatory fields and additional optional fields to be completed where relevant. One mandatory field which helped ensure a certain degree of security was the business rates account reference number, as this information would not generally be available to third parties other than the business itself. The application forms also opened with a statement warning the applicants against making knowingly false claims and that any claims made could be subject to future investigation. The inclusion of a check box

whereby applicants would need to confirm that they have read and understood this statement was, unfortunately, not included.

Initial checks were carried out on application data to remove duplicates prior to passing to the Business Rates team for validation. Duplicates did not necessarily indicate attempted fraud but could simply be a case of the applicant being overly enthusiastic with the submit button and clicking it multiple times.

The principal means by which applications were validated was through cross checks to account details held on the Business Rates system, combined with local knowledge gained through daily dealings with the business sector. If applications were able to pass these checks and met the eligibility criteria as stipulated in the government guidance, the applications were approved. Due to time constraints and limited resources there were no quality control cross checks during the validation process.

Grant payments were processed as 'refunds' from within the business rates system, as opposed to using the separate creditors system. Again, this is considered a logical and efficient choice and helped ensure that payments could be processed as promptly as possible. By using this payment method, the transaction is automatically recorded on the business rates system under the appropriate account. The process also requires that the payment is requested by one officer and then reviewed and approved by a second officer at team leader level or above, providing a good level of separation of duties.

The 'Spotlight' tool is an online resource provided by the Cabinet Office which can be used to cross check several databases as part of the validation process for grant claims. The tool was made available to Councils earlier this year as an optional resource but was not initially employed by Torrige as part of their pre-payment checks. The audit team have registered and used the tool as part of our post payment assurance, with the results being duly considered. The number of applications we were able to run through this tool was restricted as only those with a valid company registration number, around 20% of the total, could be uploaded.

We selected a sample of payments and viewed the corresponding records within the business rates system. In each case we were able to confirm that the correct amount had been promptly paid and the relevant transactional information recorded. In one instance we noted the applicant had claimed falsely, due to them having left the business premises shortly before the relevant date. This only came to light once the correct applicant later submitted a valid claim and further investigations were undertaken by the business rates team. This highlights one of the difficulties faced by Councils in administering these grants, however in this case the original applicant was invoiced for the grant paid and this has now been recovered.

Discretionary Grant Payments

For businesses affected by COVID19 but who were not eligible for previous grant types, a discretionary scheme was established. These businesses would not generally have been recorded within the business rates system and as such the Council often had little or no prior information to assist with validation and verification. As a result, a Devon wide process was developed with input from several Councils and was adopted by Torrige. The process includes guidance, standard questions for applications and templates for prioritising and scoring results.

Discretionary grants have been administered primarily by the North Devon Plus team, however significant support was provided by the ICT Business & Project Officer by creating the online application forms and carrying out the initial processing of incoming data prior to validation. To the credit of the North Devon Plus team, additional improvements were made to the Devon wide process, one example being the addition of new tabs within the scoring matrix which were then used to evidence calculations, validation and QC checks.

Summary of Internal Audit Reports Issued to Date

Applicants were required to submit a range of supporting evidence for claims which included bank statements and copies of financial accounts. Validation checks were recorded using the enhanced template documents and quality control checks were carried out by an independent team member for all claims. Discretionary grant payments were processed via the creditors system, with all payments subject to a final check and authorisation by the Finance Manager.

We reviewed the supporting evidence for a sample of ten applications and in each case found that they had been processed appropriately and all relevant supporting documents retained. Overall, the process used for the discretionary grants was found to be robust and whilst it is largely impossible to avoid the risk of fraud altogether, the processes employed contributed to the minimisation of this risk.

Pre and Post Payment Assurance Work

Guidance issued in June by BEIS required Councils to draw up pre-and post-payment assurance plans in respect of each of the grant funding streams. From our discussions with officers it was clear that although a defined process was applied in each case, the assurance plans themselves were not formally documented in the way specified by the guidance.

The Council have nevertheless conducted their own pre-payment checks (as outlined above) and post payment assurance work. Post payment checks have included uploading payment data to the National Fraud Initiative database, where it was then possible for additional cross-checking to be completed, including validation of bank account details. Further work is needed to conclude this exercise, however from discussion with the Finance Manager it was indicated that no cases of fraudulent activity were identified from the exercise so far.

Central government requires Councils to provide weekly and monthly updates through the DELTA system. Through discussion and sampling, we confirmed that these returns had been submitted on time by members of the Accountancy team. Data published online shows that as of September 2020, the Council had managed to pay 2,471 separate hereditaments out of an estimated 2,515 who were eligible. Of the initial allocation of £34.8m, £27m had been distributed.

Instances of Fraud

We did not find evidence of widespread fraud during our testing, however some isolated occurrences of potential or attempted fraud have been identified by the service area. An attempt at tenancy fraud, where an applicant claims to be running a business from a vacant property, was spotted by a team member without any payment being made, and a second case, already referred to above, involved an application from a business owner who had left the registered premises a few weeks prior to the eligible date. As further or extended grant schemes are introduced, the Council must ensure that it remains vigilant against the risk of fraud and that suitable validation and assurance checks are maintained going forward. Regular fraud bulletins from organisations such as the National Anti-Fraud Network (NAFN) are received by key officers and help them to maintain an awareness of current and emerging fraud tactics employed nationally.

No issues were identified that require inclusion in the Annual Governance Statement.