

REPORT TO THE AUDIT COMMITTEE – 20 MAY 2021

INTERNAL AUDIT - COVID-19 ASSURANCE

1. Reason for Report / Summary

- 1.1 This report advises the Committee of work carried out by Internal Audit in support of the Council's handling of Covid 19 business support grants.

2. Recommendation

The Committee is recommended to:

2.1 Review, discuss and comment on the issues raised within this report and the attached appendices

3. Purpose and Decision Making Route

3.1 Purpose

- 3.1.1 Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Board. In Aberdeenshire Council, this is the Audit Committee. This report helps satisfy the requirement.

3.2 Decision Making Route

- 3.2.1 The results from individual audit activities detailed in Section 4, below, have not previously been considered by this, or another Committee, with the exception of any outputs relating to audits contained in the Aberdeenshire Integration Joint Board Internal Audit Plan. In such cases, the output will have been considered by the Aberdeenshire Integration Joint Board Audit Committee prior to being considered by this Committee.

4. Discussion

- 4.1 The Internal Audit Plan approved by the Audit Committee on 21 May 2020 included an allocation of time for providing assurance in relation to Covid-19. The work detailed below has been completed.

- 4.2 The Council has administered various business support grants using Covid 19 funding including:

- Small Business Grant Fund
- Retail, Hospitality and Leisure Grant Fund
- Strategic Framework Business Fund
- Discretionary Business Fund

- Newly Self-Employed Hardship Fund
- Taxi and Private Hire Driver Support Fund

- 4.3 In respect of each of the above funds, Internal Audit's support and advice has been offered, and considered by the Services administering these grants on behalf of the Scottish Government. In order to provide this advice, Internal Audit has reviewed various aspects of Service proposals for controls over the grant application and payment processes, and has therefore obtained assurance over their development, implementation and application.
- 4.4 Assistance has also been provided through Internal Audit review of final stage appeals where grants have been rejected. These reviews indicated an appropriate degree of scrutiny, challenge where appropriate, and provided assurance that decisions had generally been made in line with the requirements set out by the Council and Scottish Government.
- 4.5 Internal Audit's work in supporting the Council's response to potential fraud identified in grant applications has also supported adjustments to procedures to identify and challenge such instances prior to payments being made. This is further discussed in a separate paper on the Audit Committee's agenda.
- 4.6 Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund**
- 4.7 These grants, intended to support specified businesses registered for non-domestic rates at a specified point in time, and in receipt of specified rates relief, were administered by Finance.
- 4.8 5 appeals were reviewed by the Chief Internal Auditor, and in each case the Service's decision was upheld. This indicates a high degree of compliance with the Scottish Government's requirements.
- 4.9 Strategic Framework Business Fund**
- 4.10 These grants, intended to support hospitality and retail businesses required to significantly restrict their business operations, and thereafter to temporarily close, due to Covid 19 restrictions, were administered by Economic Development in conjunction with Finance.
- 4.11 Weekly meetings have been attended by Internal Audit to provide support and input regarding the checks and standard of evidence required to demonstrate that applications are valid and meet the Scottish Government's conditions. Where considered proportionate this advice was taken on board and has been incorporated into the grant application, review and decision making processes.
- 4.12 Applicants rejected at the application stage may appeal and provide further evidence to the Service, and a Manager independent from the original decision maker reviews the evidence and concludes whether or not a grant should be provided. Where the applicant is still not successful, this decision may be appealed again: The Chief Internal Auditor (Interim) has facilitated an independent final stage appeals process,

in which the decisions made are reviewed against the original evidence available to the Service, and the Scottish Government's eligibility criteria for the fund.

4.13 Of 16 final appeals reviewed to date by the Chief Internal Auditor (Interim), the original decision was upheld in 13 cases. This indicates a high degree of compliance with the Scottish Government's requirements. In all cases it was evident that the Services processing the grant applications and appeals had provided an appropriate degree of challenge where required.

4.14 Discretionary Business Fund

4.15 These grants, intended to support businesses experiencing a loss of income due to Covid 19 restrictions, but which were not supported by another scheme, were administered by Economic Development in conjunction with Finance.

4.16 The Service approached Internal Audit for advice on the checks and standard of evidence required to demonstrate that applications were valid and met the Scottish Governments conditions. Where considered proportionate this advice was taken on board and incorporated into the grant application and review process.

4.17 Applicants rejected at the application stage were able to appeal and provide further evidence to the Service, and a Manager independent from the original decision maker reviews the evidence and concludes whether or not a grant should be provided. Where the applicant is still not successful, this decision may be appealed again: The Chief Internal Auditor (Interim) facilitated an independent final stage appeals process, in which the decisions made were reviewed against the original evidence available to the Service, and the Council's eligibility criteria for the fund.

4.18 Of 3 final appeals reviewed by the Chief Internal Auditor (Interim), the original decision was upheld in 2 cases. In all cases it was evident that the Services processing the grant applications and appeals had provided an appropriate degree of challenge where required.

4.19 Newly Self-Employed Hardship Fund

4.19.1 These grants, to be administered by Local Authorities, were put in place by the Scottish Government to help support eligible individuals who became self-employed after 6 April 2019 and were facing hardship as a result of a loss of business due to Covid-19. A grant of £2,000 was available on receipt of a valid application. Within Aberdeenshire Council, the grants were administered by Economic Development.

4.19.2 Internal Audit undertook a specific piece of work to review the evidence held by the Council in relation to a random sample of 40 paid grants and undertook additional testing to confirm the data held. Queries were raised in relation to 13 of these and the Service provided further clarification or was able to demonstrate that other evidence had been considered in determining eligibility which had not been loaded onto the system in relation to 8. In these cases, it was recommended that the evidence be added to the system for completeness. The Service has agreed to do this.

- 4.19.3 However, in 5 cases Internal Audit testing suggested that the applicant may have been trading as self-employed before 6 April 2019, had other employment, or had other funds to meet basic needs. The Service confirmed that determinations had been made in accordance with Scottish Government guidance which included a “self-declaration principle” and the standard of evidence required. In view of Internal Audit’s findings, the Service discussed the cases with the Scottish Government and, as the applicant had signed a declaration confirming their understanding that their claim may be subject to audit and if anything was found to be incorrect they may have to repay the grant, it was agreed that these cases would be reviewed further by the Service.
- 4.19.4 In conclusion, payments made to most of the sample tested were found to be appropriate although some further evidence to support the payments needs to be added to the system. Some cases were reviewed further by the Service as a result of additional evidence identified by Internal Audit.
- 4.19.5 Four cases were identified where grant applications had been submitted by employees of the Council, and Internal Audit considered that the declarations signed by the applicant were false. These have been referred to the employing Service to review further through the Council’s Disciplinary Policy. Employing Services have confirmed that they are reviewing the referred cases and HR&OD will assist in ensuring that there is consistency in the approach and outcomes.

4.20 Taxi and Private Hire Driver Support Fund

- 4.21 These grants, intended to support taxi and private hire drivers experiencing a loss of income due to Covid 19 restrictions, were administered by Legal & People.
- 4.22 The Service approached Internal Audit in advance of rolling out the scheme for advice on the checks and standard of evidence required to demonstrate that applications were valid and met the Scottish Government’s conditions. Where considered proportionate this advice was taken on board and incorporated into the grant application and review process.

5. Council Priorities, Implications and Risk

- 5.1 The work of Internal Audit covers all of the Council’s Priorities. It aims to provide assurance over the adequacy and effectiveness of the Council’s framework of governance, risk management and control, which underpin the delivery of all priorities.
- 5.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial		X	
Staffing		X	
Equalities		X	
Fairer Scotland Duty		X	
Town Centre First		X	
Sustainability		X	
Children and Young People's Rights and Wellbeing		X	

- 5.3 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 5.4 There are no staffing or financial implications arising directly from this report other than those implicit in the improvement of internal controls recommended in the Internal Audit reports.
- 5.5 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management.

6. Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 6.2 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

CHIEF INTERNAL AUDITOR

Report prepared by Colin Harvey, Chief Internal Auditor.
30 April 2021.