Appendix D – Assessment against NAO Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 (control environment / regularity of expenditure / fraud and error sections)

Questions - Control environment
26 Were any changes needed to the design and implementation of internal controls to respond to COVID-19? **• What has been the impact of these changes? How long are these changes expected to last? Are the changes sustainable? How significant are these changes?** **• Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls? Can the negative impact of any changes be reversed?**
Notes: *Changes to the implementation of internal controls in the response to COVID-19 have primarily included:* *- Treasury management - wet ink signatures have been replaced by electronic signatures and email approvals. Specific cost centre set up for Covid-19 related expenditure. Overall, the Council has sought to maintain control without restricting officers from conducting their duties and responding to the pandemic requirements.*
27 Where changes were made to controls, did the organisation understand where there was increased risk because of this? **• Were other controls strengthened to compensate for this?**
Notes: *Notes: As above, no significant changes to controls have been implemented and the associated risks have been assessed and managed, with input from Internal Audit. All authorisations and approvals on the financial system have remained consistent and no increased spend limits have been given to officers.*
28 Has remote working affected the operational effectiveness of internal controls? **• Are any controls only able to be implemented in person, such as those over physical assets?** **• Have changes in personnel performing the controls impacted effectiveness?**
Notes: *The key change in controls arising directly from remote working, which has been increased use of electronic signatures, is detailed above. Other changes have included allowing staff to take equipment home with them to assist with remote working - all of which should have been suitably logged. The Council has sought to adopt a more flexible approach to controls without making significant changes to the control environment.*

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29	**How have IT services performed during the outbreak?**	
	• How has this impacted the effectiveness of controls?	
	• How have cyber security controls been considered?	

Notes:
All relevant Council staff have been enabled to work remotely using a mix of HDC and own equipment to users in a timely and secure manner. Many key controls have continued to operate as business as usual for staff working from home, including access to finance systems and software. Cyber security has remained a key priority during the pandemic and home working arragements have enabled secure and safe access to the Council's network. Communications have been issued to all staff to ensure that vigilience against cyber security attacks remains high.

30	**Where service organisations are used, have there been any changes to the design and implementation of their controls?**	
	• Where relevant, what has been the impact of this?	

Notes:
Any changes to the delivery of contracts are being monitored by the relevant Chief Officer

Questions - Regularity of expenditure

31	**Have there been any significant changes to the organisation's activities during the outbreak?• If so, have the changes required new legislation or changes to delegated authorities?**	

Notes:
The way in which Council services have been delivered has, inevitably, been impacted by the pandemic and additional services have been delivered to support the vulnerable members of the community and local businesses including the delivery of additional support to local businesses through the payment of business grants. Some of these decisions have been made under emergency powers, due to the need to respond but have all been recorded in decision notices.

Appendix D – Assessment against NAO Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 (control environment / regularity of expenditure / fraud and error sections)

32	Has the accounting officer assessed the reasonableness of increased expenditure or new activities in the context of Managing Public Money? • Have ministerial directions been required? Have these been provided? • Are these disclosed transparently in the corporate governance report?
	Notes: *As a result of the pandemic the Council has incurred additional expenditure, such as the support costs for the leisure services contract, and is undertaking new activities, such as the payment of business grants. The additional expenditure forecast as a result of the COVID-19 pandemic is reported monthly to MHCLG and these reports are reviewed by the s151 officer. A new cost code has been set up on the general ledger to identify and monitor additional spend incurred as a result of the COVID-19 pandemic, each type of grant has its own balance sheet code and is regularly reconciled. The Council has faced greater risk in the form of loss of income.*
33	Is there any new expenditure that could be deemed novel and contentious? • How has this been treated?
	Notes: *No payments have been deemed to be novel or contentious.*
34	Has management breached any control totals? • Have there been any other regularity breaches or contentious issues?
	Notes: *In relation to budget allocations, the council's budgetary control framework has continued to operate as usual throughout the pandemic, other than budget overspends have been permitted in relation to the COVID-19 pandemic. The Cabinet have received regular update reports on COVID-19 spend. The 2020/21 Qtr 1 monitoring report was presented to Cabinet in September which included an overview of the Council's position with regard to COVID-19 matters, including expected expenditure and loss of income, this was also presented to Scrutiny. A further budget monitoring report for Quarter 2 will be presented to Cabinet in November which will include an update on the financial position.*

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35	**Have the provisions in Procurement Policy Note 02/2020 been used by management?** **• Has management carried out and documented appropriate due diligence checks on relevant suppliers?** **• Have all other Managing Public Money provisions applied to payments made under the Procurement Policy Note?** **• Has management received open book information from impacted suppliers?**
	No significant support has been agreed under the provisions of PPN02/2020, other than support for the leisure services provider. On 20 March 2020, Market Harborough and Lutterworth Leisure Centres were closed following a period of ensuring social distancing and hygiene requirements were upheld. Following a request from the operator Everyone Active, financial support has been agreed to cover a portion of salary costs not being covered by the government's furlough scheme as well as the costs of two staff members maintaining equipment and providing other essential ongoing work for three months expiring on 30 June 2020. In addition, it has been agreed that management fee has been waived for this period. This decision was taken by the Joint Chief Executive (BJ) in consultation with the Leader and the Deputy Leader, following external advice from the Council's retained leisure consultant and external solicitor. A subsequent report was presented to Council in July when a decision was made to continue to support the leisure contractor until April 21 to ensure we continued to offer a leisure service to our residents. This approach is based on a monthly open book accounting system whereby we agree in advance the amount to be paid and then either debit or credit the account depending on the actual figure. This is signed off by Cllr Whelband and Cllr Hallam each month and reported to members through the councillor newsletter.
Questions - Fraud and error	
36	**What exposure to fraud and error does the organisation have in its responses to COVID-19?** **• Have controls been turned off or reduced?** **• Are there new expenditure or procurement streams, or delivery methods that introduce new risks?**

		Notes: *An additional area of risk arising from the pandemic has been in relation to applications for business grants, with a particular emphasis from Central Government on prompt payment of grants.* *An online form was created by the Revenues and Benefits Partnership to capture information for the Small Business Grant Fund and Retail, Hospitality and Leisure Grant fund. The information was cross checked against the information we held on our systems. A separate online form was created for applications for Discretionary Grants, including full details required for pre-payment checks. Each applicant was asked to provide various supporting evidence. Limited company details were checked against Companies House. Applications were cross referenced against the business rates system to check to see if they had already received a grant from the initial scheme. All grant payments were made by BACS, into the verified business bank account provided.* *Internal Audit will undertake a post-payment check review of business grant payments in due course.*
	36	**How is the organisation managing fraud and error risks?** **• Are they logged, with a monetary estimate of the potential fraud and error exposure?** **• Have options to reduce fraud and error been evaluated? Has management assessed the organisation's risk appetite for losses through fraud and error? Are there any changes to this?**
		Notes: *The risk of fraud is monitored on the Council's risk register under risks with a reference starting "CV" . The risk register is reviewed on a quarterly basis by the Audit and Standards Committee.*
	37	**What processes are in place to measure fraud and error and evaluate the effectiveness of activities to prevent or detect this?** **• How is management using this information to update risk assessments or inform controls?** **• Does management have real-time indicators to support informed decisions on risks?**
		Notes: *Fraud risks will be included by the Internal Audit team as part of annual internal audit assignment planning.*