
AUDIT PROGRESS REPORT 2020/21

1 PURPOSE OF REPORT

- 1.1 This report provides Members with an update on the work of the Internal Audit team, in terms of progress made against the annual audit plan, and action taken by Service departments in implementing audit recommendations.
- 1.2 Detail of the progress made in delivery of the annual audit plan is provided for at **Enclosure 1**.

2 INTRODUCTION

- 2.1 Internal Audit is a statutory requirement under the Accounts and Audit Regulations. Internal Audit's work is monitored through regular reports presented to this Committee.

3 RISK IMPLICATIONS

- 3.1 Failure to operate a robust assurance process (which includes delivering the Internal Audit Annual Plan) increases the risk that inadequacies in the Council's risk management, governance and control arrangements are not identified and effective remedial action agreed and implemented.
- 3.2 If the Internal Audit Plan is not substantially completed by June 2021, the Chief Audit Executive (CAE) may not be able to give a sufficiently informed opinion on the Council's control environment. The CAE's opinion is a source of assurance for the Annual Governance Statement (AGS), which is also considered by the Audit Committee and is of interest to the external auditor for their assessment of the Council's arrangements to economically, efficiently, and effectively use its resources. The lack of CAE opinion could negatively impact on the AGS and Value for Money assessment.
- 3.3 The main risk to delivering the audit plan is the risk of insufficient resources, this is considered below.

4 RESOURCE IMPLICATIONS

- 4.1 Excluding the CAE (provided by Basildon Borough Council) the audit resource at the commencement of 2020/21 was 2 Full Time Equivalent (FTE) staff. From June 2020 onwards this was reduced to 1 FTE as a member of the team commenced maternity leave.
- 4.2 The Annual Audit Plan for 2020/21 takes into the account the reduced FTE and the possibility of potential resource being made available from Basildon Borough Council in the latter part of the financial year.

5 LEGAL IMPLICATIONS

- 5.1 Under the Local Government Act 1972 (s151) and the Accounts and Audit Regulations, the Council has a responsibility to maintain an adequate and effective Internal Audit function.
- 5.2 The Internal Audit Section works to the statutory Public Sector Internal Audit Standards. This includes the requirement to prepare and present regular reports to the Audit Committee on the performance of the Internal Audit service.

6 PARISH IMPLICATIONS

- 6.1 None.

7 EQUALITY AND DIVERSITY IMPLICATIONS

- 8 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups, as defined under the Equality Act 2010

9 RECOMMENDATION

- 9.1 It is proposed that the Committee **RESOLVES**.
- (1) That the update on delivering the 2020/21 Audit Plan be noted (Enclosure 1).
 - (2) That the conclusions and results from completed audit engagements in Appendices 2 and 3 be noted (Enclosure 1).
 - (3) That the updated status of audit recommendations in Appendix 4 be noted (Enclosure 1).



Naomi Lucas
Assistant Director, Resources

Background Papers: -

None. For further information please contact Jim Kevany on: -

Phone: 01702 318075
Email: James.kevany@rochford.gov.uk

If you would like this report in large print, Braille or another language please contact 01702 318111.

1 DELIVERY OF THE ANNUAL AUDIT PLAN

- 1.1 A table detailing the audit engagements completed in the year to date is provided at **Appendix 1**.
- 1.2 Since the last progress report in November 2020 a further six audit engagements from the 2020/21 Annual Audit Plan have been completed. Three were rated as “Adequate”, two as “Good” and one as “Limited”. These assessments include light touch engagements where specific elements of operations are reviewed and do not reflect the operation as a whole. Work still in progress includes further grants assurance work, payroll, creditors, and procurement audit follow-up work, completion of the performance management audit and elements of data governance work.
- 1.3 The opinion given and the main points arising from the completed audit engagements are summarised at **Appendix 2** and **Appendix 3**. An explanation of the meaning of, and reason for, each assessment (opinion) is provided in **Appendix 5**. This appendix should be read in conjunction with **Appendix 6** setting out the recommendation categories.

CHANGES TO THE PLAN

- 1.4 Attached at **Enclosure No.2** is the revised 2020/21 Audit Plan for Members’ information.
- 1.5 Work is now being directed to those audit areas that are key to the CAE’s annual opinion. It is now unlikely that Basildon Council will be able provide additional resource to perform any audit reviews owing to their security protocols for use of their own hardware which is incompatible with the operation of Rochford’s network portal. Basildon Council is in the process of rolling out new equipment which it is hoped will resolve the matter going forward.

2 COUNTER FRAUD ACTIVITY

- 2.1 The Revenues & Benefits service has continued to be heavily involved with this work in 2020/21, processing a range of business grants and dealing with an increased Local Council Tax Support (LCTS) scheme workload as a result of Covid-19. They have been aware of potential fraud risks from these grants, and appropriate verification has been carried out prior to making payments.
- 2.2 As at mid-January 2021 the value of Council Tax identified as recoverable as a result of Revenues & Benefits compliance work, from all sources including LCTS, was £112,000, mainly from identifying unbilled properties and withdrawal of discounts or exemption that no longer apply.

- 2.3 Identification of Housing Benefit fraud falls under the remit of the Department for Work & Pensions, but the Revenues & Benefits Team continues to identify and collect overpayments of Housing Benefit. Amounts identified for recovery by compliance work in respect of Housing Benefits was almost £20,000 as at mid-January 2021.
- 2.4 In conjunction with Essex County Council and data from the National Fraud Initiative (NFI) the Compliance Officer identified just over £20,000 of savings on concessionary fares and parking blue badges to ECC.
- 2.5 Data was submitted in October as part of the NFI biennial exercise across a wide body of public organisations. Data matches produced by this exercise became available to process in late January.
- 2.6 Members should also note that at the Fighting Fraud & Corruption Locally Local Government Fraud Awards 2020, the Council's Compliance Officer, received the Prevent Award, which recognises new or existing innovative collaboration between local authorities or between local authorities and external partners.

3 MONITORING OF INTERNAL AUDIT RECOMMENDATIONS

- 3.1 Recommendations arising from completed audit engagements are shown in **Appendix 4**. This includes the current status of all recommendations that were live at the date of the prior Audit Committee in November 2020 and recommendations raised since that date. There are eight live recommendations of which three have had revised dates since the last Audit Committee meeting for reasons noted in the Appendix. Please note that Covid restrictions have continued since the last Audit Committee date, which has impacted implementation in some cases.
- 3.2 One new recommendation has been raised since the last Audit Committee.

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COMPLETED AUDIT ENGAGEMENTS SUMMARY - APPENDIX 1

AUDIT ENGAGEMENT	CORE ELEMENT OF PLAN	ASSURANCE RATING	REPORTED TO AUDIT COMMITTEE	RECOMMENDATION CATEGORY			
				C	S	M	L
Parameter Input, Billing and User Permissions for Academy Report 1 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Good	28/7/2020	-	-	-	-
Safeguarding Report 2 2020/21	There is a failure of safeguarding arrangements	Good	28/7/2020	-	-	-	-
User Permissions for Dimensions Report 3 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Good	28/7/2020	-	-	-	-
Procurement – Raising Orders Report 4 2020/21	Failure to provide consistent value for money (VFM) across all services or obtain VFM in its procurement	Limited	28/7/2020	-	-	-	-
Housing Benefit Subsidy 2019/20 Initial Testing Report 5 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	No Opinion Given	10/11/2020	-	-	-	-
Elections Financial Administration Report 6 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Adequate	10/11/2020	-	-	2	-

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AUDIT ENGAGEMENT	CORE ELEMENT OF PLAN	ASSURANCE RATING	REPORTED TO AUDIT COMMITTEE	RECOMMENDATION CATEGORY			
				C	S	M	L
COVID-19 Grants, Small Business Grant Fund and Retail, Hospitality & Leisure Grant Fund Payments Report 7 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Good	16/3/2021	-	-	-	-
Homelessness Reduction Report 8 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Good	16/3/2021	-	-	-	-
Risk Management, Service Area Risk Registers Report 9 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Limited	16/3/2021	-	-	-	-
Covid Grants – Local Discretionary Grant Fund Report 10 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Adequate	16/3/2021	-	-	-	-
ICT Security Report 11 2020/21	Failure to ensure Rochford's ICT Estate supports achievement of Business Objectives.	Adequate	16/3/2021	-	-	-	1
Counter-fraud Awareness Report 12 2020/21	Failure to ensure good governance of the Council's activities and delivery of priority outcomes	Adequate	16/3/2021	-	-	-	-

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OTHER WORK UNDERTAKEN		
AUDIT AREA	NATURE OF WORK	REPORTED TO AUDIT COMMITTEE
Local Code of Corporate Governance	Taking lead in reviewing and updating the Council's Local Code of Corporate Governance for approval by the Leadership Team.	10/11/2020
Corporate	Investigation work on behalf of Human Resources. This was not fraud related.	N/A

COMPLETED AUDIT ENGAGEMENTS

HOMELESSNESS REDUCTION

Report 8 2020/21

Audit objective

To assess the effectiveness of the Council's homelessness reduction policies and procedures

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

Business Plan objective Early intervention
 Being financially sustainable

Corporate risk Failure to ensure good governance of the Council's activities and delivery of priority outcomes

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council's activities.

Audit Opinion

Our opinion is expressed on the scale of assurance as set out below:



Good	Adequate	Limited	None
✓			

We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Risk area	Assurance Level	No. of Recommendations
Policies and Procedures have not been updated in line with the Homeless Reduction Act (HRA) 2017	Good	None
Failure to implement the requirements of the HRA resulting in targets not being met and homelessness failing to reduce across the district.	Good	None

Executive Summary

The Housing Options Team has positively embraced the requirements of the Homeless Reduction Act. Relevant strategies have been put in place with early assistance of the East of England Local Government Association and positive feedback from the Ministry of Housing, Communities and Local Government. A series of protocols have been created across Essex, catering for a range of homeless scenarios. Internal procedures have been put in place.

A sample of 15 cases from 2020, handled by the team, was reviewed to ensure they met the criteria of the Rochford policies, met the needs of the applicants and did so in a timely manner. There were no significant matters arising. It was apparent from the testing that there is no one size fits all approach to homelessness with circumstances, priorities and needs varying considerably amongst applicants.

During the year to date of testing, 24 cases of homelessness were addressed with provision of accommodation or arrangements made with landlords, with an average of 81 individuals or families in temporary accommodation each month.

Testing covered the initial stages of the COVID-19 pandemic to the period before the Countywide inclusion in Tier 2 and subsequent second lockdown. During this period, the Government requirement of placing all rough sleepers into accommodation was achieved. There has been an increase in potential homeless cases, which is likely to increase further as the financial impacts of the COVID-19 become fully known with ultimate reduction in job support schemes and the removal of the moratorium on rent arrear evictions.

It is worth flagging that whilst the homeless process has been assessed as good there is a finite number of properties available to the Team to deal with any increased case load.

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RISK MANAGEMENT, SERVICE AREA RISK REGISTERS

Report 9 2020/21

Audit objective

To review the existence and effectiveness of a sample of mitigating actions for key risks. Half of the Service Area Risk Registers (SARR) were reviewed in 2019/20

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

Business Plan objective

All priorities

Corporate risk

Failure to ensure good governance of the Councils activities and delivery of priority outcomes

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council's activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out below:



Good	Adequate	Limited	None
		✓	

We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Risk area	Assurance Level	No. of Recommendations
Stated mitigating controls do not exist or are not implemented effectively	Adequate	None – See Executive Summary
Relevant risk registers are not reviewed or updated in line with changing circumstances	Limited	None – See Executive Summary

Executive Summary

This review is the second part of a two-year programme to review service area risk registers. The outcome, from 10 SARR reviewed, is similar to that of 2019/20.

Risks, controls, and residual scoring for service areas generally appear relevant and well considered and this is the underlying basis for the “Adequate” assessment in the risk area testing. However, the following comments from 2019/20 remain relevant:

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- Comments that have previously been added to SARR's for consideration either by Internal Audit or the Principal Performance Business Support Officer (PPBSO) have not been actioned by the reviewing officer.
- Some SARR's contain controls that are no longer relevant and potential controls have not been included. However, the absence of these controls is not significant in assessing the residual risk.
- The likelihood and impact assessments may require reappraisal for certain risks, given current circumstances within the service area.

Risk registers should be routinely updated every six months, January & July, and when there is a change of or a new risk. Registers should be kept up to date to reflect current circumstances. Of the 10 sampled, 7 were reviewed in January and just 1 in July. 3 have not been reviewed since July 2019. There does not appear to be any effective diary process in place for officers responsible for managing SARR. Of the 13 SARR reviewed last year, 10 were reviewed in January 2020, and none in July. 3 remain unchanged from July 2019.

During this period there have been significant changes in circumstances with the COVID-19 lockdowns and a general shift to working from home, all of which presented new challenges. These have generally not been included in the SARR. This applies equally to those SARR that were reviewed in 2019/20.

However, the fact that these risks are not included does not mean that they have not been recognised and addressed. The process of documenting arising risks and relevant mitigating controls provides evidence that the matters have been considered and assessed, and potential gaps in control can be more easily identified.

The failure to review SARR regularly means that there is no certainty that risks and controls are re-evaluated to reflect current circumstances and this is the rationale behind the "Limited Assurance" assessment. It must be acknowledged that many operational procedures are long established, and the nature of the underlying risks are relatively static, but 2020 has shown that circumstances can change substantially in a short period of time.

Details of all comments and queries raised have been shared with the PPBSO to raise with responsible officers for the next due review. This report has been shared with the Leadership Team. The next scheduled update for SARR is January and these points should be taken into consideration by that time.

There are no specific recommendations arising from this review. The outcome of the January update will be followed up by Internal Audit.

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ICT SECURITY Report 11 2020/21

Audit objective

To provide a non-technical overview to assess actions to raise awareness of risks of cyber security and preparedness to withstand cyber-attacks.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

Business Plan objective

Effective use of ICT underpins all of the Council's objectives

Corporate risk

Failure to ensure Rochford's ICT Estate supports achievement of Business Objectives.

Council held data is lost, disclosed, or misused to detriment of individuals as result of inadequate protection

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council's activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out below:



Good	Adequate	Limited	None
	✓		

We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Risk area	Assurance Level	No. of Recommendations
Policies and procedures for use of ICT are not accurate or effective	Adequate	1 Low Priority
Staff are not aware of risks and nature of potential cyber attacks	Adequate	None This relates to training provided. However, see text
There are ineffective controls over who has access to the RDC Network and how access is made	Adequate	None

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Risk area	Assurance Level	No. of Recommendations
Back-up routines for RDC data are not effective	Adequate	Limited Testing None
Firewalls & malware protection systems are not effective	Adequate	Limited Testing None
Data security of RDC or third-party organisations where RDC data is domiciled is not effective	Adequate	Limited Testing of Some Areas None
RDC or contractor business continuity / resumption arrangements are not robust	Adequate	Limited Testing of Some Areas None

Executive Summary

This review is non-technical and is based on discussion with ICT staff and reference to available data relating to physical security of the Council's ICT Network. As some aspects have not been technically tested, it is not appropriate to assess those areas above adequate.

There are a range of policies and procedure documents concerning ICT Security. An Information Management Policy document was updated in 2019. This is a public document, viewable via the website. Nine of the named officers with responsibility for information assets are no longer with the Council and several others are no longer in the reporting line shown. This document requires an update in respect of this element only, the rest of the document is current and relevant. The rest of the supporting policies and procedures were last updated in 2013. They are considered to be generally fit for purpose but do ultimately require an update to reflect current and proposed changes in the way the Council works. The policy on passwords has been superseded by a system enforced security standard. Work is under way on a revised Acceptable Use policy, which details what can and cannot be done using Council ICT assets, and this is an over-arching document across the range of policies. An Agile Working Policy document is nearing completion that includes security and health & safety outside of the office environment and will replace the existing version about using RDC kit outside of the office, which was written when working from home was an exceptional matter.

The risk "*Staff are not aware of risks and nature of potential cyber-attacks*" is assessed as Adequate. The ICT Team has been pro-active, during the year, in promoting fraud awareness both in use of "all-staff" emails and blogs on the Intranet. However, during an email phishing exercise, in the Autumn, 10% of 172 staff emailed opened a link on an external email and entered data. Had this been a genuine malicious email the Council's network would probably have been compromised. Due to the level of awareness information seen, a recommendation is not warranted. The 17 members of staff have been reminded of their responsibilities and were required to

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attend additional training. The outcome of the test has been made known to all staff. Further phishing exercises will be carried out by the ICT Team.

There was a significant improvement in the number of users that no longer had need of access or were not recognised by the Auditor in testing; 21 against 103 raised in 2019/20. Of these 18 have since been deleted or diarised for deletion. 3 remain active.

The Council remains non-compliant with the Public Sector Network (PSN) standard. Government guidance is to move to use the internet, in particular the use of cloud data management and secure systems such as O365, a policy which the Council has implemented.

All staff have Council issued laptops which requires a secure access process to enable use of the key operating applications. There are industry standard malware protections on laptops and servers with appropriate firewalls and filters that can minimise risk of network compromise. Council data is regularly backed up by Jisc, the Council's contractor.

Measures are in place for staff laptops, if lost or infected, to be immobilised remotely to protect the rest of the network. Members have either Council issued kit or can use their own devices to access emails via Office 365, outside of the Network.

A review of the websites of Jisc, cloud providers or operational system hosts confirm they all hold at least the ISO27001 security accreditation, with Microsoft, our main cloud provider, holding two further ISO accreditations.

Use of the Cloud and hosting has improved the resilience of the systems with major organisations having several options to maintain service. The rollout of staff laptops has been a key element of staff being able to work from home in such numbers due to Covid-19 restrictions. There have been disruptions due to the Portal access, but trials are imminent for a newer, but still secure, access, which should reduce the number of disconnections.

Work to enhance robustness in the local ICT infrastructure, referred in prior audit work, has still to be completed, although interim work has stabilised the issues that caused downtime in 2018/19. Delays have been due to Covid-19. It is anticipated that this work will be completed by the end of March 2021. Once that has been done the Council will then be in a position to carry out a penetration test, which will provide a technical picture of the security of the ICT structure. The penetration test is an outstanding audit recommendation.

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COUNTER FRAUD AWARENESS

Report 12 2020/21

Audit objective

To assess whether counter fraud arrangements in place are effective.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

Business Plan objective Being Financially Sustainable

Corporate risk Failure to ensure good governance of the Council's activities and delivery of its priority outcomes.

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council's activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out below:



Good	Adequate	Limited	None
	✓		

We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Risk area	Assurance Level	No. of Recommendations
Policies in place to protect against fraud or corrupt activity are not up to date or relevant and fail to address current or foreseeable risks.	Adequate	None
There is ineffective training or awareness of potentially fraudulent or corrupt activity.	Adequate	None
Fraud Risk Assessments are not in place, not relevant or are not up to date.	Adequate	None
Counter-fraud & anti-corruption work undertaken, or measures employed against internal threats are not effective or sufficient	Adequate	None
Counter-fraud & anti-corruption work undertaken, or measures employed against external threats are not effective or sufficient	Adequate	None

Executive Summary

It was acknowledged at the outset that fraud procedures were undergoing a significant update. This review considered current circumstances and direction of travel in a light

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touch overview. It is intended to raise the profile of counter-fraud activity by introducing half-yearly reports to this Committee, similar to the approach for risk management.

The Council has used a checklist from CIFAS's Fighting Crime & Corruption Locally strategy to carry out an assessment of its counter-fraud arrangements. This identified both areas of effective management and gaps in coverage, and from this an action plan was created. This will lead to a revised counter-fraud policy and strategy, encompassing fraud, corruption, and bribery and will also consider the area of money laundering.

Existing policies and procedures have not been significantly updated since 2013, the underlying documents are still generally fit for purpose. Concerns can be raised by officers in line with the Council's whistleblowing policy. The current version was updated in 2019 and is considered appropriate, with just minor updates required.

All staff have completed fraud related e-learning modules at the time the modules were produced or as part of induction training. The content of the modules is fit for purpose. There is no policy for regular refresher training although a revamp of the modules and other related training is included in the action plan. Specific training is undertaken as required. For example, all staff received a training update on procurement following an audit of procedures in 2017/18 to consider value for money and compliance with contract procedure rules in purchasing.

Annually Internal Audit provides an assessment of potential fraud areas, together with expected mitigating controls to the officer charged with oversight of performance and risk. Overall risks are considered low. A fraud risk was included in the service area risk registers to determine service specific likelihood and impact scores, supported by the potential fraud document. A full review of service risk registers is to take place in January, including the fraud risk.

Opportunities for theft are limited with the Council having virtually no cash transactions, apart from car parking, which has detailed documented procedures.

There is a requirement to register any offers of gifts or hospitality received or to record any interests that may give rise to a potential conflict of interest. This applies equally to Members and Officers. In addition, Members are required to make a declaration of interests within a fixed period of being elected, as part of open governance.

Claims for expenses, travel etc. require approval of a line manager before processing. Officers cannot both raise and authorise a purchase order, an independent authoriser is required. Access to operational applications is limited to those users with an operational need and to Internal Audit in the performance of audit reviews. Many services have detailed procedures where management overview or segregation in roles is in place. No fraud related whistleblowing allegations have been received in the last 12 months.

There is a much higher incidence of fraud from external sources, chiefly in areas of Revenues & Benefits, across discount and exceptions and incorrect benefit payments due to false or incorrect information being provided. Audit Progress Reports to this

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Committee normally carry details of recoveries/savings made due to the work of the Revenues & Benefits Team.

During 2020/21 a great deal of fraud prevention work has been undertaken by services processing various grants to support local business impacted by Covid-19. Again, detailed procedures were established early to deal with them in a structured manner.

This report does not document the full range of procedures that are in place to assist in combatting fraud and corruption. The overall area of counter-fraud arrangements has moved on since 2019/20, slowed down itself by Covid related priorities. The planned higher profile in 2021/22 should make staff more aware of what needs to be done to protect public funds from fraud.

COVID-19 GRANTS, SMALL BUSINESS GRANT FUND AND RETAIL, HOSPITALITY & LEISURE GRANT FUND PAYMENTS – REPORT 7 2020/21

Assessed – “Good”

Early in the lockdown period for COVID-19 the Government introduced two grants that were linked to business rates to support smaller businesses that would be impacted by the measures.

Two schemes were introduced. One for business that receive Small Business Rate Relief (Small Business Grant Fund – SBGF) and the other for businesses that did not receive Small Business Rate Relief, that qualified for Retail relief and had a rateable value of under £51k (Retail, Hospitality & Leisure Grant Fund – RHLGF).

Guidance was received from Dept for Business, Energy, and Industrial Strategy (BEIS). There was an expectation that grants would be produced quickly to support local business. There was an acknowledgement that this approach could be prone to error and fraud.

BEIS produced risk-assessment templates that supported internal controls to minimise such risks, without making the process onerous. An online application form that incorporated all the necessary guidance was created. This had several declarations about entitlement to the grant, a declaration that state aid limits were not exceeded and a warning about fraudulent applications.

Grants were processed via the business rates system, which detailed all grants awarded. These created a credit balance position, and the grant payments were paid via the refund process.

As part of an assurance review a sample of 35 payments, covering both types of grants was examined to confirm that the necessary checks had been completed, business rate accounts were properly notated and that claimants were entitled to the grant. Any queries raised were addressed satisfactorily by the Business Rates Officer. There were no matters arising.

The Risk Assessments were reviewed, and the mitigating controls considered as appropriate and in place. It was apparent from records that those processing the grants were aware of and active in fraud prevention.

A wider review of the records showed many cases that were declined as they did not meet the criteria. Where relevant, signposting was made to alternative potential areas of support.

SBGF grants were paid to 1,268 applicants to a value of £12.680m.

RHLGF grants were paid to 258 applicants to a value of £5.055m

LOCAL DISCRETIONARY GRANT FUND - REPORT 10 2020/21

Assessed – “Adequate”

During the initial lockdown period for COVID-19, Spring 2020, the Government introduced a discretionary grant fund aimed at small and micro businesses who were not eligible for the Small Business Grant or the Retail, Leisure and Hospitality Grant. Guidance was received from the Department for Business, Energy, and Industrial Strategy (BEIS). There was an expectation that grants would be paid out quickly to support local business. There was an acknowledgement that this approach could be prone to error and fraud, but that actions would be taken as far as possible to mitigate this risk.

Local authorities were asked to prioritise the following types of businesses within this funding pot (not meant to be an exhaustive list and no penalty for local authorities because of their use of discretion to prioritise some business types):

- Small businesses in shared offices or other flexible workspaces, which do not have their own business rates assessment.
- Regular market traders with fixed building costs, such as rent, who do not have their own business rates assessment.
- Bed & Breakfasts which pay Council Tax instead of business rates; and
- Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief.

These grants were administered by Economic Development, although officers in Revenues & Benefits carried out checks for potential frauds in a manner similar to that carried out for the other two grants.

A policy and procedures, including a score card for applications were created, together with an online application form that was compliant with the necessary guidance and requirements. This included self-declarations for businesses to confirm their entitlement to the grant, that state aid limits were not exceeded and a warning about the consequences of fraudulent applications.

Initial awards were made conservatively to maximise coverage from a grant pot of just under £904k. After processing applications there were some funds remaining and the applications were revisited to increase utilisation of the available funding, depending on the outcomes of the score card on the first run. It was agreed, between the Portfolio Holder and Officers, that those businesses that scored 10, which made them 1 point away from receiving a £10k grant and those that scored 5 which made them 1 point away from receiving £5k would be automatically topped up to that amount as they were considered borderline. This approach appears reasonable.

Grant applications required businesses to submit relevant financial information and bank details. Once approved payments were made via the Creditors system with BACS transfers to the claimants' bank accounts.

As part of this assurance review a sample of 15 grant payments was examined to confirm that the necessary checks had been completed, that appropriate consideration had been applied and that the applicants were entitled to the grant, and that payments were accurately made.

There was no apparent fraudulent activity within the sample. Three cases were identified where the rent/rateable value criteria could have meant that grants were paid outside the scope of the scheme. One case was appealed twice, and it appears an interpretation was made on rent paid to date that justified payment. One appears to be outside of the maximum rateable value criteria of £51k and another may have exceeded this threshold if total property rateable values were aggregated in line with the policy document. All three received a grant of £10k.

Conclusion

Overall, 149 grants, to a value of £902.5k were paid. Grants were awarded within the spirit of the scheme as set out by central government i.e., that *'this grant scheme widens access to support to businesses who are struggling to survive due to the Corona virus shutdown but are unable to access other grant funding...'*

Whilst it appears that the Council's policy may not have been strictly adhered to in all cases, appropriate consideration was given to fraud prevention and officers involved in administering this discretionary scheme made decisions in good faith and with the aim of supporting local businesses which had suffered significant financial loss.

PROGRESS OF AUDIT RECOMMENDATIONS

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
17 2017/18	Procurement	3a	M	Contract Procedure Rules and Procurement Guidance will be updated (a)	Agreed Implementation Date 31/3/19 CPR review ongoing. Revised end date 31/12/19. Work in progress with many elements progressed but unable to complete, partially in respect of EU arrangements. Revised end date 31/03/20 Revised end date to bring in line with Constitution review and Financial Regulations review. 31/3/21
2 2018/19	Street Cleaning Contract	1	M	For consistency and future planning, the work of the Street Scene Officers involved in monitoring the contract will be documented in a set of operational procedures.	Agreed Implementation date 1/4/19. Outcomes are being negotiated with Contractor. Revised end date 30/06/19. Monitoring sheets are being implemented. Written procedures still to be developed. Revised implementation 31/10/19. Procedures still to be developed. Revised end date 31/12/19. Current Position Internal Audit have been advised, by Assistant Director – Place & Environment, that due to resource issues it has not been possible to dedicate time to complete this recommendation. It is acknowledged that such operating procedures are required, and this recommendation will be kept open, subject to ongoing review. This, in

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					longer term, this will be addressed within the structure of any new contract.
6 2018/19	Insurance Arrangements	1	M	<p>A project team will be established to consider an approach to produce, ideally, to produce a single asset register and to work on a solution.</p> <p>Matter raised during the audit will be reviewed and reflected in the 2018/19 balance sheet</p>	<p>Original End Date 31/12/19</p> <p>The recommendation to establish an internal project team to create a master list of assets has been completed using Land Registry information to produce a single document that all internal teams will refer to and keep updated. Due to the different requirements of the finance, legal and assets teams, each service area also retains supporting documentation to supplement this for their own records.</p> <p>The supporting documentation is currently being worked through by the legal and assets teams to verify it is fully up to date. Some additional resource may be required to complete this work and determine whether a more integrated digital database solution can be utilised going forward – this will be investigated as part of the Connect Programme which is due to report back in summer 2021.</p> <p>Revised end date 31/07/2021</p>

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11 2018/19	Budget Setting and Monitoring	2	M	RDC Financial Regulations will be reviewed to include appropriate controls of transfers to and from Reserves as stated in the Medium-Term Financial Strategy. To be considered as part of overall review of Financial Regs during 2019/20.	Agreed implementation date 31/03/20. Financial regulations to be reviewed as part of overall constitution. Revised end date 31/03/21.
14 2018/19	Contracts Procurement and Purchasing	2	M	Finance resilience checks will form part of the competitive process for fully tendered purchases for high value, high risk contracts, in order for the Council to be aware of the financial health of a supplier before entering into business with them. Contract Procedure Rules will be amended to include this detail.	Agreed implementation date 31/12/19 Revised end date to bring in line with other CPR recommendations 31/3/20 Revised end date to bring in line with Constitution review and Financial Regulations review. 31/3/21
14 2018/19	Contracts Procurement and Purchasing	3	L	CPR will be amended to include safeguarding requirements and whether copies of contractor's policy statements should be included in all appropriate contracts.	Agreed implementation date 31/12/19. Unable to progress CPR until EU arrangements are known. Revised end date 31/03/20 Revised end date to bring in line with Constitution review and Financial Regulations review. 31/3/21

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15 2019/20	Environmental Health	4	M	The identification of capacity / resilience / non-performance of critical tasks as a specific risk should be included within the Environmental Health Service Area Risk Register to focus management attention and enable effective monitoring.	Agreed implementation date 31/07/20 Implemented DELETE
21 2019/20	Asset Management	2	M	A list of chemicals used, and their locations will be held by the asset team to be made available in case of need by the emergency services	Agreed end date 1/6/20. Dates were agreed just at start of Covid lockdown. Revised to 31/8/20. Partially completed. Agreed revised end date 30/11/20. Awaiting details from cleaning company. Revised end date 31/12/20 Implemented DELETE
21 2019/20	Asset Management	4	M	The guidance of the Health & Safety Officer will be sought to determine an effective policy to review fire risk assessments and asbestos inspections going forward	Agreed end date 1/7/20. Dates were agreed just at start of Covid lockdown. End date revised to 31/8/20. Not yet proceeded. Agreed revised end date 30/11/20. Implemented DELETE
21 2019/20	Asset Management	5	L	A detailed review of the Asset Management Service Risk Register will be undertaken to reflect operational circumstances of the Team	Agreed end date 31/7/20. Not progressed. Revised implementation date 30/11/20 Implemented DELETE

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24 2019/20	ICT Security	2	S	The Council will commission a penetration test of the ICT environment as soon as practicable after completion of the migration of all operational systems to a cloud or managed service to determine its integrity	<p>Agreed end date 23/5/20. <i>(To discuss position with ICT Contractor re commissioning Pen Test). This element has been completed and a test will be carried out.</i></p> <p>This test will be done after completion of the internal infrastructure work. This work is progressing with further issues being identified along the way. It is anticipated that this aspect will be completed by the end of November.</p> <p>Scoping and costs for testing are already under way and it is anticipated that actual testing will take place in 2021. This recommendation will be kept under review for progress and an update will be provided at next session of the Audit Committee. It is expected that the work will be completed by the end of March 2021.</p>
6 2020/21	Elections Financial Administration	1	M	A separate finance code, or extended project codes, will be used for each type of election to facilitate completion of each relevant claim and facilitate clarity	<p>Agreed end date 31/1/2021. Implemented</p> <p style="text-align: right;">DELETE</p>

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6 2020/21	Elections Financial Administration	2	M	All expenditure contained in relevant election claims will be reflected in the relevant election finance code and relevant double entry code.	Agreed end date 31/1/2021. Implemented DELETE
11 2020/21	ICT Security	1	L	The Information Management Document, published on the Council's website, will be updated to reflect changes in listed Asset Information Owners and their deputies	Agreed end date 20/4/2021

BASIS FOR AUDIT OPINION		
Assurance level	Internal Audit's opinion is based on <u>one or more of the following conclusions applying:</u> -	Basis for choosing assurance level
Good	<ul style="list-style-type: none"> The activity's key controls are comprehensive, well designed and applied consistently and effectively manage the significant risks. Management can demonstrate they understand their significant risks and they are proactively managed to an acceptable level. Past performance information shows required outcomes are clearly defined and consistently met. 	<p>Recommendations are 'low' rating.</p> <p>Any 'moderate' recommendations will need to be mitigated by consistently strong controls in other areas of the activity.</p>
Adequate	<ul style="list-style-type: none"> Most of the activity's key controls are in place, well designed and applied consistently and effectively manage the significant risks. Management can demonstrate they understand their significant risks and they are generally and proactively managed to an acceptable level. Past performance information shows required outcomes are clearly defined and generally met. 	<p>Recommendations are 'moderate' or "Low" rating.</p> <p>Any 'significant' rated recommendations will need to be mitigated by consistently strong controls in other areas of the activity.</p> <p>A 'critical' rated recommendation will prevent this level of assurance.</p>
Limited	<ul style="list-style-type: none"> The activity's key controls are absent or not well designed or inconsistently applied meaning significant risks. Management cannot demonstrate they understand and manage their significant risks to acceptable levels. Past performance information shows required outcomes are not clearly defined and or consistently not met. 	<p>Recommendations are 'significant' or a large number of 'moderate' recommendations.</p> <p>Any 'critical' recommendations need to be mitigated by consistently strong controls in other areas of the activity.</p>
None	<ul style="list-style-type: none"> The activity's key controls are absent or not well designed or inconsistently applied in all key areas. Management cannot demonstrate they have identified or manage their significant risks Required outcomes are not clearly defined and or consistently not met. 	<p>Recommendations are 'critical' without any mitigating strong controls in other areas of the activity.</p>

RECOMMENDATION CATEGORIES		
C	CRITICAL	<p>The identified control weakness could lead to a critical impact on the activity’s ability to manage the risks to achieving its key objectives. The control weakness means the associated risk highly likely to occur or have occurred.</p> <p>There are no compensating controls to possibly mitigate the level of risk.</p>
S	SIGNIFICANT	<p>The identified control weakness could have a significant impact on the activity’s ability to manage the risks to achieve its key objectives. The control weakness means the associated risk is likely to occur or have occurred.</p> <p>There are few effective compensating controls. Where there are compensating controls, these are more likely to be detective (after the event) controls which may be insufficient to manage the impact. The difference between ‘critical’ and ‘significant’ is a lower impact and or lower probability of occurrence and or that there are some compensating controls in place.</p>
M	MODERATE	<p>The identified control weakness could have a moderate impact on the activity’s ability to manage the risk to achieving its key objectives. The control weakness does not undermine the activity’s overall ability to manage the associated risk (as there may be compensating controls) but could reduce the quality or effectiveness of some processes and or outcomes.</p>
L	LOW	<p>The identified control weakness is not significant, and recommendations are made in general to improve current arrangements.</p> <p>Note – these recommendations will not be followed up.</p>

AUDIT PLAN – PROPOSED REVISION

Proposed Audit	Original Outline Scope	Corporate Risk	Business Plan Priority	Importance re Business Plan	Comments <i>Italics refers to Items revised November 2020</i>
<i>Business Resilience</i>	<i>To assess risk associated with reliance on key individuals including succession planning, training, and span of control</i>	<i>CR 01</i>	<i>All</i>	<i>MEDIUM</i>	<i>This area will be included in Connect programme.</i> <i>Defer to 2021/22 Audit Plan.</i>
Performance Management	To assess arrangements for measuring and reporting performance and development of measures against which progress of the Business Plan can be assessed	CR 01	All	HIGH	May be quite early stages for detailed Business Plan objectives, given impact of Covid on first half of 2020/21. To be carried out as a light touch to assess progress in developing meaningful measures to monitor Business Plan progression. Work in Progress
Project Management	To provide constructive challenge over governance & design of controls for new and existing projects. Original plan was review Discover 2020, which has been deferred due to Covid pandemic	CR 01	Being financially sustainable	HIGH	Several projects to get under way in 2020/21 but impacts from COVID-19. To be carried out as an overview of arrangements for project reviews

Proposed Audit	Original Outline Scope	Corporate Risk	Business Plan Priority	Importance re Business Plan	Comments <i>Italics refers to Items revised November 2020</i>
Safeguarding	To provide an overview of the effectiveness of the Council's safeguarding arrangements	CR 02	Early Intervention		Completed. Reported to Audit Committee 28/7/20.
Asset Management	Follow-up of Asset Management Audit of 2019/20	CR 03b	Being financially sustainable	MEDIUM	"Adequate" assurance in 2019/20. Defer to 2021/22
Health & Safety	Follow-up of Health & Safety Audit of 2019/20	CR 03b	Being financially sustainable	MEDIUM	"Adequate" assurance in 2019/20. Defer to 2021/22.
Business Continuity Arrangements	To examine arrangements to maintain services in event of an incident	CR 04	All	HIGH	Combine Emergency Planning / BCP for 2020/21. Work in progress
Emergency Planning	Examination of arrangements in place for dealing with a disaster / major security incident impacting residents , particularly in light of risks that emerged late 2019/20	CR 04	All	HIGH	Combine Emergency Planning / BCP for 2020/21. Work in progress
Cyber Security	To carry out a non-technical review of measures in place to raise awareness of risks and defences in place to avoid cyber-attacks etc on the Council's network and application	CR 05	Being financially sustainable	HIGH	Completed. Report to Audit Committee 16/3/21

Proposed Audit	Original Outline Scope	Corporate Risk	Business Plan Priority	Importance re Business Plan	Comments <i>Italics refers to Items revised November 2020</i>
Information Breach Investigation	As required. Added as a contingency in AAP	CR 05	Being financially sustainable	HIGH	Contingency if required.
Key Financial - Finance Parameters & Users	To review a sample of IT applications, to assess access controls, parameters, and users	CR 05	Being financially sustainable		Completed. Reported to Audit Committee 28/7/20.
Key Financial – Revenues & Benefits Parameters & Users	To review a sample of IT applications, to assess access controls, parameters, and users	CR 05	Being financially sustainable		Completed. Reported to Audit Committee 28/7/20.
Complaint Handling	To review effectiveness of the complaints procedures in dealing with issues raised by residents	CR 07	Enable Communities	MEDIUM	There will be revised corporate procedures developed for 2021/22 Defer to 2021/22 Plan
Engagement with Residents & Other Stakeholders	To review arrangements for engaging & communicating with residents & stakeholders	CR 07	Enable Communities	MEDIUM	Consider also with BCP / Emergency Planning, for 2020/21.
Homelessness Reduction	Review of procedures and outcomes following enablement of the Homeless Reduction Act 2017	CR 08	Early Intervention	HIGH	Completed. Report to Audit Committee 16/3/21
<i>Staff Performance Management</i>	<i>To assess whether there is a robust and consistently applied framework to manage staff performance and to</i>	<i>CR 10</i>	<i>Being financially sustainable</i>	<i>MEDIUM</i>	<i>Linked to Connect Programme and ongoing workforce development planning.</i> <i>Defer to 2021/22 Audit Plan.</i>

Proposed Audit	Original Outline Scope	Corporate Risk	Business Plan Priority	Importance re Business Plan	Comments <i>Italics refers to Items revised November 2020</i>
	<i>ensure staff receive required training</i>				
Partnership & Other Delivery Models	To assess arrangements for governance and oversight of partnerships to include ensuring delivery of agreed outcomes	CR 11	Enable Communities	MEDIUM	Main items are health & crime related with Castle Point and ASELA.
Contract Monitoring	To assess if key contracts are effectively managed to ensure compliance with terms and to achieve required outcomes. ICT Financial controls to be reviewed	CR 12	Being financially sustainable	HIGH	Testing under way. Not a specific contract audit but a review of ICT expenditure. Work in progress
Procurement	The assess if the requirements of Financial Regulations & Contract Procedure Rules are complied with by sampling a selection of purchased goods & services across a range of values and service areas	CR 12	Being financially sustainable	HIGH	"Limited" assurance to Audit Committee 28/7/20. Follow up to be carried out to report in 2020/21 work. Testing to be limited to a review of FocalPoint orders to see if audit outcome earlier in year achieves aim.
<i>Vehicle Fleet Management</i>	<i>To assess whether the Council effectively manages its fleet of vehicles in respect of maintenance and replacement management</i>	<i>CR 12</i>	<i>Being financially sustainable</i>	<i>LOW</i>	<i>Not a key audit</i> <i>Defer to 2021/22 Audit Plan.</i>

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Annual Governance Statement	Collate the AGS for 2020/21	CR 13	All	HIGH	Annual event. Significant work commences turn of calendar year
Counter Fraud Arrangements - Corporate	To carry out an overview of the Council's counter-fraud arrangements.	CR 13	Being financially sustainable	HIGH	Over-view function to support Counter-fraud Champion Important for assurance. Completed. Report to Audit Committee 16/3/21
Counter Fraud Arrangements - Revenues & Benefits	To carry out an overview of the level of counter-fraud activity by the Compliance Team in R&B. To report progress to the Audit Committee	CR 13	Being financially sustainable	HIGH	No detailed testing planned although 2020/21 NFI data matches for data uploaded in late 2020 went live in late January 2021.
Covid Grant Related Work	To review, as required, a range of business grants paid out as a result of the Covid arrangements. This may be a central Govt. requirement at some stage	CR 13	Being financially sustainable	HIGH	Two reports relating to three different grants have been reported to the Audit Committee 16/3/20. Assurance checks are continuing on different grant schemes introduced by Central Government and will be reported in due course.
Elections	Review of governance arrangements for manging elections.	CR 13	Being financially sustainable	MEDIUM	Completed. Reported to Audit Committee 10/11/20

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Housing Benefits Subsidy	Provide initial testing for HB Subsidy testing for audit of 2019/20	CR 13	Being financially sustainable	HIGH	Initial testing completed. Summary presented to Audit Committee 10/11/20. May still have some time commitment during actual audit by BDO, now scheduled for mid-March 2021.
Key Financial - Creditors	To assess if key controls and procedures are adequately designed and effectively applied	CR 13	Being financially sustainable	HIGH	Not been reviewed for a couple of years. Significant change in personnel / management during 2020/21. Work in progress
Key Financial - Debtors (Follow-up)	To assess if key controls and procedures are adequately designed and effectively applied	CR 13	Being financially sustainable	HIGH	"Limited" assurance 2019/20. Change in processing / personnel. Need to allow bedding in period. Work in progress
<i>Key Financial - Housing Benefits</i>	<i>To assess if key controls and procedures are adequately designed and effectively applied</i>	<i>CR 13</i>	<i>Being financially sustainable</i>	<i>HIGH</i>	<i>Assessment controls and quality determined in HB Subsidy work.</i> Defer to 2021/22 Audit Plan.
Key Financial - Payroll	To assess if key controls and procedures are adequately designed and effectively applied	CR 13	Being financially sustainable	HIGH	Complete change in personnel during year. Was not in 2020/21 Plan originally. Work in progress

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<i>Planning Services Performance</i>	<i>To assess whether there are effective procedures and processes to ensure planning applications are processed in required timescales</i>	<i>CR 13</i>	<i>Early Intervention</i>	<i>LOW</i>	<i>Rated as Low in priority for 2020/21 Audit Plan. Had been subject to an external review with recommendations.</i> Defer to 2021/22 Audit Plan.
Risk Management	To review the existence and effectiveness of a sample of mitigation actions for key risks. 50% of SARR were reviewed in 2019/20	CR 13	Being financially sustainable	HIGH	Same scope as for 2019/20 SARR review of remaining 50% Completed. Report to Audit Committee 16/3/21
GDPR - Key Elements	Overview of adequacy of data breach & data subject request management	CR 15	Being financially sustainable	MEDIUM	"Adequate" assessment for GDPR overall in 2019/20 Work in progress
Special Investigations	Carry out investigations in conjunction with Human Resources as Directed by the Leadership Team	N/A	N/A	N/A	As & when required.

CORPORATE RISKS

CR01: We fail to deliver the objectives of the Council's Business Plan in terms of measurable outcomes

CR02: There is a failure to safeguard children and adults with care and support needs from abuse and/or neglect in line with the Council's legal responsibilities.

CR03b: There is a serious health & safety incident for which the Council is culpable

CR04: We fail to respond to, or provide relevant services in the event of an incident or disaster

CR05: Council held data is lost, disclosed, or misused to detriment of individuals or organisations as a result of inadequate protection

CR07: Failure to engage with stakeholders to understand and communicate what the Council should be trying to achieve

CR08: We fail to innovate and develop new ways of meeting customer needs and expectations

CR10: The inability to recruit, retain, develop, and manage appropriately skilled staff to deliver the Council's priorities

CR11: Failure to enter into and manage effective partnerships for the delivery of services and outcomes

CR12: The Council could fail to provide consistent VFM across all services or obtain VFM in its procurement

CR13: Failure to ensure good governance of the Council's activities and delivery of priority outcomes

CR15: Failure to ensure compliance with GDPR and unable to demonstrate application of information standards, controls, and statutory compliance