

Report of the Deputy Chief Executive

COVID-19 BUSINESS SUPPORT GRANTS – AUDIT TRAIL1. Purpose of report

To provide the Committee with a governance report relating to the framework of safeguards, key controls and fraud checks relating to business support grants.

2. Background

Internal Audit has played a key role in both supporting the Revenues team and scrutinising the various Covid-19 Emergency Business Support Grant schemes in 2020/21. This has included assurance reviews and vital work associated with the quality assessment and fraud checking of the grants paid. This work has continued during the most recent national lockdown and current 're-start' phase.

The latest assurance review, as presented in the Internal Audit Progress Report elsewhere on this agenda, has concluded that the adequacy of the systems and controls in place continue to provide substantial assurance that risks material to the achievement of objectives are adequately managed. There were no significant governance issues to report.

As part of this review, Members requested that a governance report be provided showing the audit trail for the payment of business support grants and all the relevant safeguards, key controls and fraud checks in place. A similar report was provided earlier as part of the *Governance Dashboard – Major Projects* report to this Committee on 20 July 2020. A summary of the control framework is provided in the appendix.

Recommendation

The Committee is asked to NOTE the report.

Background papers

Nil

APPENDIX

COVID-19 BUSINESS SUPPORT GRANTS – CONTROL FRAMEWORKIntroduction

In response to the coronavirus pandemic crisis, the Council has administered and processed the payment of significant sums of emergency grants on behalf of the Government for distribution within the local business and voluntary sectors.

Internal Audit completed a significant amount of assurance work on the Small Business Grants, Retail, Hospitality and Leisure Grants and Discretionary Grant payments made in *phase 1*. It has continued to provide advisory support and assurance for the range of grant schemes that have been introduced since, including the Test and Trace Support Payments, Local Restrictions and National Restrictions Grants and the discretionary 'Additional Restrictions Grant' (ARG) (*phase 2*). This support has continued into the next round of grant schemes from April 2021 (*phase 3*), including Restart Grants and additional ARG.

Phase 2 of grant funding commenced in Autumn 2020, with the Council administering the Mandatory Local Restrictions Support Grants scheme. This consisted of seven different elements, as well as the discretionary ARG, with the grants being awarded based on set criteria for each element. In total, up until 31 March 2021, the Council has awarded Local Restrictions Support Grants totalling £7,998,907 to 667 businesses and ARG totalling £3,290,934 to 900 businesses.

An earlier governance assurance report on the phase 1 business grants was provided to this Committee on 20 July 2020 as part of the *Governance Dashboard – Major Projects* report.

The latest assurance review, as presented in the Internal Audit Progress Report, considered phase 2 business support grants. It concluded that the adequacy of the systems and controls in place provided substantial assurance that risks material to the achievement of objectives are adequately managed. There were no significant governance issues to report.

The latest phase of grant schemes from April 2021, including Restart Grants and additional ARG, will be subjected to further audit review in due course.

Grant Application Process and Control Framework

The following provides an outline of the audit trail for the payment of business support grants and all the relevant safeguards, key controls and fraud checks.

Much of the ground work in terms of establishing processes and key controls for the second phase schemes was completed in the initial round of grants made at the outset of the pandemic crisis in spring 2020.

Setting the Framework

The Council has diligently followed the guidelines provided by the government for the award of grant funding from the various mandatory schemes. The basis of awards has typically been linked to business sectors (e.g. small businesses, and businesses in the non-essential retail, hospitality and leisure sectors) and aligned to rateable values and/or property related costs.

In addition, the government announced further discretionary grants funding, starting with the Local Authority Discretionary Grants Fund in phase 1, aimed at providing some financial relief for those businesses who were not eligible for the previous grant schemes. Local authorities had the discretion in how to prioritise funding provided under this scheme and Members will recall that a joint approach was conducted across Nottinghamshire, led by the Section 151 Officers, with a view to establishing a common scheme across the county.

A discretionary element to grant funding has continued with the ARG in phase 2. The terms of reference for this discretionary scheme was established in consultation with the 'Business Rates Members Panel', comprising the Leader of the Council, the Deputy Leader and the Chair of Finance and Resources Committee.

Application Process

In phase 1, all business applicants for all schemes completed an online application form which generated an email to a dedicated email address comprising the application form and the supporting bank details confirmation as an attachment. The applications were administered by a Revenues Officer under the direct supervision of the Head of Revenues, Benefits and Customer Services.

At the launch of phase 2 Mandatory Local Restrictions Support Grants and discretionary ARG schemes, qualifying businesses seeking a payment under one or more of the grant schemes (whether mandatory or discretionary) were again required to complete an online application form and submit various supporting documents. Applicants also had to provide supporting information consisting of evidence of trading, business rates liability, Companies House records, declarations relating to state aid limits and recent bank statements. Where further evidence was required to support an application, this was requested and payment not made until substantiated.

Follow-up applications were not required from known qualifying businesses for the fresh round of grants announced in January 2021 (*phase 2b*). This was agreed with Business Rates Members Panel.

Applications were recorded on the respective 'master spreadsheet' under the direct control of the Head of Revenues, Benefits and Customer Services, with application details recorded on the Business Rates system and supporting documents held on the corporate 'information at work' system.

Risk Assessment, Quality Assessment and Fraud Checking

Much of the ground work in terms of establishing processes and key controls for the second phase schemes was completed in the initial round of grants in spring 2020.

A preliminary analysis of each application was undertaken to check for duplicate information and other observations, such as local knowledge, to determine if applications required further investigation from a fraud and error perspective.

Generally, the risk-based assessment was found to be a much smoother than in phase 1, where many applicants were previously unknown to the Council as they were not registered for Business Rates purposes (not uncommon as many such small businesses are not liable for Business Rates). As a result, a major assessment and checking process was undertaken in phase 1, involving Internal Audit, to ensure that those businesses applying for grants actually existed, occupied the premises being claimed to, were trading and had closed due to the pandemic and other similar relevant factual information.

Given the relatively short timeframe that elapsed between the first phase of grant making (up to August 2020) and phase 2 under consideration later in the autumn period, the majority of businesses seeking grants were as had applied previously. As such, subject to the presence of any earlier red flags or other anomalies and fraud work undertaken, the verification process was significantly less onerous.

Officers completed the risk assessments used a number of data matching and investigatory techniques that were immediately available. These included:

- Matching data to the Business Rates system and to applicant data provided in phase 1: An important way to ensure consistency between the system and the latest data provided by the applicant. This could also quickly identify duplicate applications, names, addresses and bank details.
- Matching data to other systems (e.g. cross-check details to the creditors system) to identify if addresses for individuals or business names/types were recorded differently elsewhere identifying 'red flags' to investigate further.
- Considering the output of the fraud assurance checking of bank accounts and additional company checks completed through the National Fraud Initiative (NFI) premium service (see below).
- Considering any notices and warnings shared through local and regional counter fraud and internal audit networks.
- Open Source Data – Using the masses of data that is publicly available online proved to be a useful tool particularly for cases deemed high risk, to double check whether online information validates what had been given particularly around the business type or names of individuals.
- Direct Contact – For high risk cases, the businesses were contacted directly contacted to validate the application, identity and accuracy of a claim.

A significant majority of phase 2 grant applications and bank details were easily correlated to existing records within the Business Rates system. The 'high-risk' applications were worked through by the Revenues section, assisted by Internal Audit, with the majority of outstanding issues resolved. Where, after exhausting the available lines of enquiry, sufficient comfort could not be obtained over eligibility of the application, the grant was refused.

Additional Counter Fraud Activity

Following completion of the phase 1 grant process, the Council completed significant post-scheme assurance checking of bank accounts and additional company checks offered through the National Fraud Initiative (NFI) premium service, in conjunction with Experian. The company details and bank account information data provided by all successful applicants in phase 1 was submitted to the NFI to ensure that companies were 'live' and that bank accounts were open, matched to the applicant and no other anomalies were identified. This identified some 'red-flag' cases, which prompted further scrutiny by officers. This included a check through the Government's Spotlight system tool (see below) and locally sourced information.

The outcomes of these investigations were subsequently brought into the risk-assessment for phase 2.

Mandatory fraud checks have since been introduced by the Government for the latest phase of grant schemes from April 2021 (Restart Grants and additional ARG). This will include a check through the Government's Spotlight system tool on all applications by incorporated companies where businesses are tested against key criteria relating to establishment; dissolution; voluntary insolvency; directors and accounts.

In addition, a further check of bank account information through the NFI is mandatory to ensure that current bank accounts are live and matched to the applicant with no other anomalies were identified.

Payment

All grant payments made to eligible businesses were released through the regular creditors system, which included that system's inherent controls and authorisations.

For phase 1, grant payments were processed through the Business Rates system, a component of the Civica Financials system. A custom interface, provided by the software provider, enabled grants to be made through the Council's creditor payment system by placing a credit on the applicant's Business Rates account which, once released for payment, was automatically made the next working day. In this way, the system controls ensured that only one payment may be made per rateable property.

For phase 2, the grants were again released through creditors, using a standardised importing function purchased from Civica Financials. The import would take the relevant businesses identified for payment and feed them through the creditors system identifying the relevant payment amount and code applicable.