

Report of the Chief Audit and Control Officer

GOVERNANCE DASHBOARD – MAJOR PROJECTS1. Purpose of Report

To provide the Committee with a governance dashboard report relating to the Council's major and key projects.

2. Background

Members requested that a regular governance dashboard report be provided to Committee on major projects, such as the Beeston Town Centre Development, Stapleford Towns Fund and the Housing Delivery Programme, to include a governance checklist and an independent assurance opinion from Internal Audit.

As a consequence of the coronavirus pandemic, it was not possible to prioritise these governance reviews and allow Internal Audit sufficient time to complete a robust and professional challenge. However, the audits of the Beeston Town Centre Development and the Housing Delivery Programme are nearing completion and will be reported to this Committee in the next cycle.

Internal Audit was also asked to confirm that the Council has complied with the Government's guidance on the Covid-19 emergency grants given to businesses and charities and the hardship scheme for council tax payers. The request also sought confirmation of compliance with internal governance protocols regarding the grants provided to voluntary and mutual aid groups. The conclusions relating to this review is included in the appendix.

A review of arrangements relating to the hardship scheme for council tax payers will commence shortly, with the outcome reported to this Committee in due course as part of the Internal Audit Progress Report.

Finally, it should be noted that with regard to decisions made by Committees during the ongoing situation, the necessary levels of transparency and openness are being adhered to through the implementation of virtual meetings that include public participation and the ability to stream meetings while ensuring that quoracy levels comply with the Council's Constitution.

Recommendation

The Committee is asked to NOTE the report.

Background Papers

Nil

APPENDIX**AUDIT OF COVID-19 EMERGENCY GRANT SCHEMES**

Internal Audit has completed a governance audit to provide assurance that the Council has complied with the Government's guidance on the emergency grants given to local businesses. The review also sought confirmation of compliance with internal governance protocols regarding the payment of Covid-19 Community Support Grants to local voluntary and mutual aid groups.

Broxtowe Covid-19 Community Support Grants

The first scheme of pandemic-related financial support launched by the Council was the emergency Covid-19 Community Support Grants funding to voluntary groups in working to support people in the local community. The availability of the grants was publicised through a press release on the Council's website and through direct contact with nominated voluntary groups.

The grant 'pot' was supported by an initial grant from the Government of £51,030. As at 1 July 2020, £70,000 has been paid out by the Council to local groups. The balance of the funding will be financed by General Fund balances.

Owing to the emergency nature of this scheme payments, a detailed policy and procedure was not drawn up. Instead, the payments were made consistently by the the Head of Finance Services, using existing payment processes, upon the instruction of the Chief Executive, in consultation with the Leader of the Council. Also, in addition to advertising the scheme, the Communications team published press releases using stories provided by a number of groups as to how the funding would be used.

A sample of all grants paid has been reviewed by Internal Audit. In all cases, an email from the Chief Executive was viewed in authorisation of the payment. The majority of these instructions referenced the support of the Leader of the Council. It was noted that the first two grants were made via 'faster payments' direct from the Council's bank account. However, in order to align key controls with regular payments, the subsequent grants payments were processed through the creditors system.

Internal Audit considers that whilst the emergency nature of the payments made to volunteer groups under this scheme required such an expedited process, under normal circumstances grant payments of this value (£2k-£10k) would require a formal application, assessment, reporting and approval by an appropriate Committee.

It will therefore be recommended in the final audit report that a suitable report, detailing the payments made and the broad purpose of the groups to whom the payments were made (and to include feedback from each grant recipient to find out exactly how the monies were spent) should be presented to a future meeting of the Finance and Resources Committee for noting and retrospective approval.

Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund

The Government established the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund (“business grants”) in April 2020. These schemes were designed to support small businesses and those in the retail, hospitality and leisure sector with their costs during the coronavirus pandemic lockdown.

For this purpose, a business was deemed to be entitled to a grant under these schemes where the business is based in England and either:

- Occupying property and being eligible for small business rate relief or rural rate relief on 11 March 2020; or
- Being in the retail, hospitality or leisure sector and occupying property with a rateable value of under £51,000 on 11 March 2020.

If eligible, a business received a grant of £10,000. Where the business is in the retail, hospitality or leisure sector and occupied property with a rateable value of between £15,000 and £51,000 on 11 March 2020, this grant increased to £25,000. Only one grant may be awarded per business.

As at 1 July 2020), the majority of business grants (around 1,400) likely to be applied for had been paid with only a small number now being processed (typically two or three per day).

The application process involved the applicant completing a simple online form which upon completion generated an email to a dedicated email address comprising the application form and supporting bank details confirmation as an attachment. The applications were initially administered by a Revenues Officer under the direct supervision of the Head of Revenues, Benefits and Customer Services.

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

- Matching data to the business rate system – An important way to ensure the data provided by the applicant is consistent with the system. This could quickly identify duplicate applications, names, addresses and bank details.
- Matching data to other systems – This could also be used, where appropriate, (for example to 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.
- 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 - Again, for high risk cases, the businesses were contacted directly contacted to validate the application, identity and accuracy of a claim.

The majority of grant applications and bank details were easily correlated to existing records within the Business Rates system. However, a significant minority required further information/investigation prior to the release of grant. The most common reasons for this were:

- The business name or proprietor name not matching Council records and/or the details at Companies House.
- No evidence of entitlement to Small Business Rates relief.
- The bank details provided not matching Council records and/or the supporting information provided.

Over time, 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. In some cases, where appropriate, the applicant was referred to the discretionary grants scheme, below. Approximately 150 applications were concluded in this way.

The grant payments made to eligible businesses were processed through the Business Rates collection 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.

Discretionary Grants

The Local Authority Discretionary Grants Fund ("discretionary grants") was established by the Government to provide some financial relief for those businesses who were not eligible for the previous grant schemes. These grants, capped at £25,000, are subject to the following national eligibility criteria:

- *Being based in England*
- *Having relatively high ongoing fixed property-related costs*
- *Occupying property (or part of a property) with a rateable value or annual mortgage/rent payments below £51,000*
- *Trading on 11 March 2020.*
- *Showing that the business suffered a significant fall in income due to coronavirus.*

Any eligibility for another grant scheme (except the Coronavirus Job Retention Scheme or the Self-Employed Income Support Scheme) rendered a business ineligible for a discretionary grant. State Aid requirements also applied and a

business cannot apply if it is in administration, insolvent or has received a striking-off notice

As the name suggests, local authorities had the discretion in how to prioritise funding provided under this scheme. To this end, a joint approach was conducted across Nottinghamshire, led by the Section 151 Officers, with a view to establishing a common scheme across the county.

The Broxtowe Scheme opened to applications on 4 June 2020 and the first phase closed on 30 June 2020. The specific criteria were set as:

- Be a small or micro business, as defined in Section 33 Part 2 of the Small Business, Enterprise and Employment Act 2015 and the Companies Act 2006.
- Have relatively high ongoing fixed property costs.
- Be able to demonstrate that they have suffered a significant fall in income for the period 1 April 2020 to 31 May 2020.
- Have a rateable value or annual rent/mortgage payments below £51,000.
- Trading on 11 March 2020.
- Not in administration, insolvent or where a striking-off notice has been made.

As with the original business grants scheme, the application process involved the applicant completing a simple online form which generates an email to the dedicated email address comprising the application form and supporting information included as an attachment.

Unlike the earlier scheme, each application did require a detailed review to ensure that it meets the more stringent criteria outlined above. As a result, each application was initially reviewed by the Revenues Officer for eligibility and then passed to a panel consisting of the Head of Revenues, Benefits and Customer Services; the Chief Audit and Control Manager; and the Planning, Regeneration and Development Manager for approval. Those approved were then scrutinised by Internal Audit (for a summary fraud check) and Economic Development (for comments from a business perspective) before finally being submitted to the Chair of the Finance and Resources Committee and the Vice-Chair (the Deputy Leader of the Council) for final approval.

The grants were released through the regular creditors system.

The discretionary grants scheme is ongoing and, as at 1 July 2020, only 22 grant applications had so far been processed and paid. The second phase of this scheme is currently under consideration.

Post-Scheme Fraud Work

At the outset of the pandemic lockdown, the Council was tasked by the Government to support the distribution of emergency funds to local businesses to manage the impact of Covid-19. In administering these funds, local authorities had an important role in balancing the need between distributing the funds quickly to support local

businesses, whilst applying sufficient due diligence checks to mitigate the risk of fraudulent applications.

Officers worked hard to establish a quality assurance and fraud checking process, based upon a risk assessment, that was designed to not be overly bureaucratic and allowed for grants to be paid promptly. The urgent nature of the grants and the speed in which the schemes had to be established (largely from scratch) to meet with expectations from the Government and local businesses meant that there was a high inherent risk of fraud and error. The controls established by management enabled this risk to be mitigated to moderate. Internal Audit has supported this process by providing quality assurance and fraud checking, particularly for 'red flag' cases.

Going forward, management will now consider, in conjunction with Internal Audit, whether to complete any further post-scheme fraud assessment to verify businesses receiving grants, possibly utilising data matching tools such as 'Spotlight' (an automated due diligence tool provided by the Cabinet Office) or similar applications.

Conclusion

The Council has established an appropriate framework for the governance, administration and processing of emergency grants. Internal Audit considers that the governance arrangements relating to these grant schemes and the key controls within the systems provide **reasonable** assurance that risks material to the achievement of the overall objectives are adequately managed.

It should be noted though that these grants schemes are still live. Internal Audit still has to complete some additional transactional testing, quality assurance and fraud-checking of current applications and potentially other post-scheme fraud work in order to conclude its work in this area.

This audit has taken place during the pandemic lockdown, which has seen the audit process adapted to enable the review to be completed remotely. Internal Audit considers that it has not been overly restricted in terms of its access to systems, records and people. As a result, the conclusions and the strength of the audit opinion provided has not been impacted or qualified. The support of the Head of Revenues, Benefits and Customer Services and his team has been most welcome in successfully concluding the audit testing.

A final report will be issued to management upon completion of the audit. A summary of the overall findings and conclusions will be provided to this Committee as part of the regular Internal Audit Progress Report.