

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

26 APRIL 2022

Report Title	Covid-19 Business Support Grants - Post-Payment Assurance Update			
Purpose of Report	This report is to inform Members of action taken following the conclusion of Covid-19 Post-Payment Assurance work by Internal Audit. This is intended as a companion piece to Internal Audit's own report on this matter (see Internal Audit Activity Progress Report 2021/22 in this pack).			
Decision(s)	The Committee RESOLVES to note the report.			
Consultation and Feedback	The Revenue and Benefits Manager has prepared this report in close consultation with the respective Senior Auditors responsible for the referrals. As part of investigating the referrals, there has also been consultation with ARA's Counter Fraud Team.			
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Options	There are no alternative options which are relevant to this matter.			
Background Papers	None			
Appendices	Appendix A - Covid-19 Business Grants			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. INTRODUCTION

- 1.1. Following the outbreak of the Covid-19 pandemic in March 2020, the UK Government has imposed local and national restrictions on movement, commerce, and travel at various points during 2020 and 2021.
- 1.2. To support businesses during these periods, the Department for Business, Energy and Industrial Strategy (BEIS) oversaw the roll-out of a package of support (in the form of various grants). Local Authorities (LAs) were responsible for the delivery of this support to business ratepayers (those recorded as paying National Non-Domestic Rates – NNDRs).
- 1.3. Stroud District Council's (SDC) Revenue and Benefits Team disbursed £45.8m to over 17,000 businesses during 2020 and 2021. This is broken-down by grant within Appendix A. All grants were (and are being) administered by Officers from within Revenue and Benefits, in addition to their normal workload. Additional resource has been drawn from other teams to support high-volume periods. All grant applications were managed via the existing software tool used to manage NNDR payments (Civica OPENRevenues), which simplified grant administration and data-matching. All payments were released via the

existing creditors system, which included that system's inherent controls and authorisations.

- 1.4. The delivery of Covid-19 support to businesses over the past two years has garnered recent media interest, but it is important to acknowledge the difficult balance between the pace of delivery and the ability to conduct extensive checks. The approach taken for each successive grant has often been altered based on lessons-learned from the previous. This report will help inform Members of the measures taken to reduce SDC's risk exposure and provide some assurance over grant administration.

2. DUE-DILIGENCE CHECKS & INTERNAL AUDIT INVOLVEMENT

- 2.1. LAs are responsible and accountable for the lawful use of funds under Section 151 of the Local Government Act 1972. The Section 151 Officer is required to ensure that they have sufficient oversight of the proper administration of financial affairs within the LA. They must exercise their duties in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.
- 2.2. The guidance published by BEIS highlighted the requirement for a programme of pre and post-payment checks to take place for each package of support. The UK Government extended the use of Spotlight (digital due diligence software package) to LAs free of charge, to support the execution of these requirements. Officers within the Revenue and Benefits Team completed a programme of pre and post-payment checks, with the volume and depth shaped by the Fraud Risk Assessment for each grant (this factored-in the value of grant versus the cost of substantive checks). As a minimum, BEIS expected LAs to have a regime in place for completing pre and post-payment checks. BEIS review evidence of this when they close-off the grant / the package and obtain final declarations from LAs. Revenue and Benefits employed the following pre-payment checks as standard, though it is noted that our approach has been stricter for some grants than others as guidance has evolved and lessons have been learned.
- 2.3. Officers completed the risk assessments used a number of data matching and investigatory techniques that were immediately available. These included:
 - a. Matching data to the Business Rates system and to the applicant data provided. An important way to ensure consistency between the system and the latest data provided by the applicant. This can also quickly identify duplicate applications, names, addresses and bank details.
 - b. Matching data to other systems. Cross check details to the creditors system to identify if addresses for individuals or business names were recorded differently elsewhere identifying red flags to investigate further.
 - c. Checking of bank accounts through the National Fraud Initiative (NFI) service.
 - d. Checking of company information using the Governments SPOTLIGHT service.
 - e. Considering any notices and warnings shared through local and regional counter fraud and internal audit networks.
 - f. Using the masses of data that is publicly available on-line proved to be a useful tool particularly for cases deemed high risk, to check whether on-line information validates information provided such as business type, trading status or names of individuals.
 - g. Direct contact – For high risk cases, the business was contacted or visited to validate the application, identity and accuracy of an application.

- 2.4. There is no formal requirement for Internal Audit sign-off on any grant monies provided via the grants listed within Appendix A. However, the Revenue and Benefits Team have worked closely with Internal Audit over the past two years to aid the effective and efficient administration of the grant funding.
- 2.5. Internal Audit were engaged to provide formal support in completing the post-payment checks required as part of the grant assurance regime. All checks involved comparing the circumstances of the business(es) against the grant criteria in effect at the time. Internal Audit used both Spotlight and publicly-available information e.g. on Companies House, to complete these checks. A sample of businesses who received funding from each grant were reviewed. Any irregular payments were to be raised with (referred to) the Revenue and Benefits Manager for further investigation. These checks fitted into the broader regime of post payment checks and framework of pre and post payment checks, responsive to the different risk profile of each grant.
- 2.6. Internal Audit did not review all grants administered by Revenue and Benefits over 2020 and 2021 (see Appendix A for full list and breakdown). The grants that were reviewed by Internal Audit as part of this exercise were the following:
- a. Local Restrictions Support Grant (Closed) - LRSGC
 - b. Local Restrictions Support Grant (Closed Addendum) - LRSGA
 - c. Local Restrictions Support Grant (Sector) - LRSGS
 - d. Closed Business Lockdown Payment - CBLP
 - e. Christmas Support Payment – CSP
- 2.7. It is worth noting that over £4.5m has been provided in Additional Restrictions Grant funding, which is discretionary and through 6 different policies has supported those businesses which sit outside of the business rates systems.
- 2.8. Table 1 below shows the definitions used by Internal Audit to categorise any referrals made to the Revenue and Benefits Manager. Table 2 below shows the referrals from Internal Audit's work. Full details on their approach can be found within the Internal Audit Progress Report.

Table 1: The classifications used by Internal Audit when referring grant payments / businesses back to Revenue and Benefits. The definitions were decided by Internal Audit.

Categorisation	Meaning
Major Query	There were concerns over the grant recipient's eligibility for the grant monies, based on the relevant UK Government guidance in place. For example, they were not mandated to close, or were overpaid.
Minor Query	There were no substantial concerns over the grant recipient's eligibility for grant monies, but aspects of the application required further clarification. For example, the trading status of the company was unclear based on social media activity and required a site visit.
No Query	There were no issues found with regards to the grant recipient's eligibility for monies when tested against the relevant UK Government guidance.

Table 2: The referrals received by Revenue and Benefits from Internal Audit, broken down by the classification applied.

Grant Name	Total Number Reviewed	Major Query	Minor Query	No Query
LRSGC	19	3	6	10
LRSGA	84	6	31	47
LRSGS	1	0	1	0
CBLP	82	13	36	33

- 2.9. Following the receipt of the referral, further investigation was completed to determine whether the grant recipient was entitled to the monies received. This involved site visits, liaison with other colleagues, and consideration of best interest, potential outcomes etc. A referral was closed where the Revenue and Benefits Manager was able to derive sufficient comfort that the business was eligible for grant funding, even if there was some doubt over minor issues with aspects of their application.

3. REFERRALS & OUTCOMES

- 3.1. The tables on the following pages show the outcome of all referrals made by Internal Audit from the sample of grant payments reviewed. A headline summary is provided for the referrals marked as 'Minor Query'. A more detailed summary is provided for those referrals marked as 'Major Query' for each grant. Internal Audit have advised that adequate coverage of recipients of the CSP was achieved via their testing of other grants. This is the reason this grant does not appear below. The Revenue and Benefits Manger has reviewed 100% of the referrals made.
- 3.2. There were referrals made which resulted in recovery action being initiated, some of which is ongoing. One of Internal Audit's referrals led us to look at another similar business, where further action was taken. A number of the referrals highlighted know shortcomings in the applications such as missing documents. It also highlighted the ambiguous government guidance that made it hard to identify which rules applied when and whether businesses were eligible for a particular grant. In some cases, they were not completely in line with the letter of the grant terms but were broadly in accordance with the key criteria and requirements.

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Table 3: An update on all referrals classed as 'Minor Query' from Internal Audit's sample testing of the LRSGC, LRSGA, and CBLP grants. Referrals were cleared by the Revenue and Benefits Manager if further evidence supported the view that no further action was required e.g. the business substantially met the criteria set out by BEIS at the time, or where recovery action would not be to the benefit of SDC or the wider community.

Grant Name	Total Number of Referrals (Minor Query)	Number Cleared by Revenue and Benefits Manager	Number with Further Action Required	Comment
LRSGC	6	5	1	On-going query
LRSGA	31	31	0	Queries were related to aspects of grant administration process that did not disqualify the applicant
LRSGS	1	1	0	Reviewed and met qualifying conditions
CBLP	36	35	1	On-going query

Table 4: An update on all referrals classed as 'Major Query' from Internal Audit's sample testing of the LRSGC grant. The reason for the referral is provided along with an update from the Revenue and Benefits Manager.

Query ID	Reason (Provided by Internal Audit for Referral)	Status	Comment
1	The evidence available indicated that the business was not required to close and had successfully transitioned to working in a 'Covid-Secure' manner, so was ineligible for grant funding.	Action Taken	Grant paid on basis company closed but not mandated to. Miscategorised and should have been paid as discretionary for loss of trade.
9	There were numerous inconsistencies across the evidence reviewed. There was no communication from the individual recorded as being the ratepayer. The evidence pointed to grant monies being paid to an 'impersonator' based in Birmingham	Action Taken	Seeking to recover grant payment
10	The evidence available indicated that the business was not required to close, so was ineligible for grant funding.	Cleared	Grant payment made under LRSGO not LRSGC

Table 5: An update on all referrals classed as ‘Major Query’ from Internal Audit’s sample testing of the LRSGA grant. The reason for the referral is provided along with an update from the Revenue and Benefits Manager.

Query ID	Reason (Provided by Internal Audit for Referral)	Status	Comment
15	There was evidence that the business was not mandated to close and that it continued trading as normal.	Cleared	Premises visited and trading confirmed
20	There was evidence suggesting that the business trading in the hereditament was not mandated to close and may have commenced trading only to receive grant funding. Further clarity was sought surrounding the circumstances of the business.	Cleared	Checks and information provided satisfy grant award
29	The evidence available indicated that the business type may not have been eligible for this grant funding.	Cleared	Checks and information provided satisfy grant award
38	There was evidence suggesting that the business was not trading at the time of the grant application, with some inconsistencies noted in the documentary evidence reviewed.	Cleared	Premises visited and trading confirmed
42	The trading circumstances of the business required review. There corporate structure of the business may have precluded it from accessing this grant funding.	Cleared	Checks and information provided satisfy grant award
78	The evidence available indicated that the business / individual who received grant monies was not the ratepayer.	Action Taken	Invoices have not secured repayment of the grant and counter fraud team investigating. Applicant invited to attend an interview under caution

Table 6: An update on all referrals classed as ‘Major Query’ from Internal Audit’s sample testing of the CBLP grant. The reason for the referral is provided along with an update from the Revenue and Benefits Manager.

Query ID	Reason (Provided by Internal Audit for Referral)	Status	Comment
6	There was evidence that the business was not trading in 2020 and had ‘chosen’ to remain closed until May 2021, so was ineligible for grant funding. They also received LRSGA and LRSGC funding they may not have been eligible for.	Action Taken	On-going – clarification sought around trading
8	There was evidence suggesting that the business trading in the hereditament was not mandated to close and may have	Action Taken	On-going – awaiting clarification from landlord of tenant and trading

	commenced trading only to receive grant funding. Further clarity was sought surrounding the circumstances of the business.		
18	The grant payment may have been claimed by an individual other than the ratepayer.	Cleared	Payee correct
23	There was little strong evidence indicating that a business was trading here.	Cleared	Checks confirmed eligible business
25	There was evidence that the business was not trading in 2020.	Cleared	Case notes support was trading
33	There was evidence suggesting that the business had received more grant monies than they were entitled to.	Cleared	Underpayment top up ARG discretionary
34	There was evidence suggesting that the business trading in the hereditament was not mandated to close, so was ineligible for grant funding.	Action Taken	Seeking to recover grant payment
38	The evidence available pointed to there being two successful applications made for a single hereditament (the guidance stipulates that only one full payment is made to each hereditament).	Cleared	X2 rated business premises
47	There was evidence that the grant recipient was not a ratepayer at the stated address.	Action Taken	On-going investigation
49	There was evidence suggesting that the business trading in the hereditament was one which was specifically not mandated to close. This business had successfully transitioned to a remote service (and have continued to since).	Action Taken	Seeking to recover grant payment
60	The evidence available suggested that the business had continued to receive grant payments after they had ceased trading at their stated address.	Cleared	Application reviewed and eligibility confirmed
61	The trading arrangements of the business required further review, to ensure that monies were paid to the correct individuals and accounts.	Cleared	Bank details confirmed
79	There was evidence suggesting that the business trading in the hereditament was one which was specifically not mandated to close.	Action Taken	Ongoing investigation

4. CONCLUSION

- 4.1. Internal Audit have helped ensure that we complete the required post-payment checks on eligibility and continue to meet stakeholder expectations. The vast majority of grant payments reviewed were not referred back ('No Query') or were referred with only minor issues ('Minor Query').
- 4.2. BEIS have formally signed off the original grant schemes having checked and verified the evidence supplied confirming no substantive issues identified and were satisfied with the evidence provided for pre and post payment checks. Reconciliation and assurance work continues with BEIS and ARA with some of the more recent grant schemes.
- 4.3. It should be noted that, due to the impact of the Omicron Variant (Covid-19), further grant funding was made available to businesses in the Stroud District. This was under the banner of the Omicron Hospitality and Leisure Grant and Additional Restrictions Grant which required more onerous checks than some of the previous grant schemes. Assurance work is being carried out by BEIS during 2022 along with more in-depth work by ARA which has been included this year's audit plan.

5. IMPLICATIONS

5.1. Financial Implications

There are no financial implications arising from this report. The report sets out the assurance work that has been taken to protect the funds issued as business grants.

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5.2. Legal Implications

There are no specific legal implications arising from the report or the recommendation.

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5.3. Equality Implications

An EqIA is not required because there are not any specific changes to service delivery proposed within this decision.

5.4. Environmental Implications

There are no significant implications within this category.