

North Somerset Council

REPORT TO THE	AUDIT COMMITTEE
DATE OF MEETING:	7TH JULY 2020
SUBJECT OF REPORT:	BUSINESS SUPPORT GRANT FUNDING (ANTI-FRAUD WORK)
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	PETER CANN, HEAD OF AUDIT & ASSURANCE - AUDIT WEST
KEY DECISION:	NO

RECOMMENDATIONS:

The Audit Committee notes the Anti-Fraud work completed in respect of COVID-19 Business Support Grant Funding.

1. SUMMARY OF REPORT

This report provides a summary to the Audit Committee of work being undertaken across North Somerset Council to deter, prevent and detect fraud relating to COVID-19 Business Support Grant Funding.

2. POLICY

The Anti-Fraud and Corruption Strategy 2019 and the Internal Audit Planned Programme of work 2020/21.

3. DETAILS

- 3.1 In response to the Coronavirus, Covid-19, the Government announced that there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors.
- 3.2 This support will take the form of two grant funding schemes in the Financial Year 2020-21, the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF).
- 3.3 The grant scheme is intended to provide a lifeline to businesses who are struggling to survive due to the coronavirus shutdown. Local Authorities have been encouraged to make payments as quickly as possible to support struggling businesses.
- 3.4 In addition to the above, a further Local Authority Discretionary Grant Fund (LADGF) was made available to small and micro businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.

4. SMALL BUSINESS GRANT FUND AND RETAIL, HOSPITALITY AND LEISURE GRANT FUND

- 4.1 Under the Small Business Grant Fund (SBGF) all businesses in England in receipt of either Small Business Rates Relief (SBBR) or Rural Rates Relief (RRR) in the business rates system will be eligible for a payment of £10,000.
- 4.2 Under the Retail, Hospitality and Leisure Grant (RHLG) businesses in England that would have been in receipt of the Expanded Retail Discount (which covers retail, hospitality and leisure) with a rateable value of less than £51,000 will be eligible for a cash grant per property of either £10,000 or £25,000 (dependent on RV). Businesses with a rateable value of £51,000 or over are ineligible.
- 4.3 As of 14 June, £10.36 billion has been paid out nationally to over 844,000 business properties. From this, North Somerset Council has paid out £39,005,000 across 3218 hereditaments.

5. LOCAL AUTHORITY DISCRETIONARY FUND

- 5.1 This grant scheme widens access to support to businesses who are struggling to survive due to the Coronavirus shutdown but are unable to access other grant funding. The councils' allocation of this fund is £2.1m.
- 5.2 Local Authorities may disburse grants to the value of £25,000, £10,000 or any amount under £10,000. The value of the payment to be made to a business is at the discretion of the local authority. In taking decisions on the appropriate level of grant, local authorities should take into account the level of fixed costs faced by the business in question, the number of employees, whether business have had to close completely and are unable to trade online and the consequent scale of impact of COVID-19 losses. North Somerset collaborated with the WECA authorities to provide a regional Discretionary Fund Scheme,
- 5.3 The types of businesses eligible for funding include:
- Small business in shared offices or 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
 - Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates relief or Rural Rate Relief
- 5.4 It should be noted that in order to provide support to as many businesses as possible, the grants which North Somerset Council awarded were capped to a maximum of £5,000. Applications closed on the 8th June and £576k was paid out to 216 businesses. This is well below the level the council was allocated by Government and the scheme is being extended with a further cohort of applications will be sought from 29th June 2020.

6. MANAGING THE RISK OF FRAUD

Grant Funding - National Approach

- 6.1 The government have been clear in stating they will not accept deliberate manipulation and fraud - and any business caught falsifying their records to gain grant money will face prosecution and any funding issued will be subject to claw back, as may any grants paid in error.
- 6.2 The government's Counter Fraud Function have also made their digital assurance tool, Spotlight, available to local authorities. This tool can help with pre-payment and post payment assurance (explained in 6.4 below) and thus reduce the risk of fraud.

Grant Funding - North Somerset Council

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

- 6.3 Internal Audit were involved from the outset in assisting the Council's Corporate Accountancy Team and Liberata colleagues with suitable processes and controls for processing these Grant Claims and to reduce the risk of erroneous or fraudulent payments. It was important to strike a balance between ensuring robust control, whilst still meeting central Government's instruction that payments should be made as quickly as possible to support struggling businesses.
- 6.4 Internal Audit verified and reviewed controls that had been established across the three main process points of the grant payments, i.e. Liberata (receipt of initial claim), Liberata-Agilisys (transfer of application data into NSC's Accounts Payable system) and NSC Finance (several checks including but not limited to; independent review, duplicate payment checks and use of 'Spotlight').
In addition, Liberata provided grant training to their staff, which outlined the schemes available, process to be followed and grant checking criteria. This was also supported with written guidance and flowcharts.
- 6.4 At the very outset, Internal Audit communicated with the Cabinet Office, including through webinars, particularly in regard to using their 'Spotlight' tool. This due diligence tool, which the Cabinet Office have made temporarily available for free to Local Authorities, allowed enhanced upfront checks to be undertaken on limited companies and registered charities submitting grant claims. These checks were completed on a risk based approach and included things like whether a company was still trading as at 11/03/20, whether the company is showing financial weakness, or whether the same company has secured other grants and public sector contracts.
- 6.5 Now that the majority of payments have been made for the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (97% of the £40.3m allocated) an internal audit review has been scheduled to provide further retrospective assurance over the validity and accuracy of payments made. This review is expected to commence at the end of June and the results of this audit will subsequently be communicated to the Audit Committee once the work is complete.

Local Authority Discretionary Grant Fund

- 6.6. Similar to the above, Internal Audit also worked with the teams involved with the Discretionary Grant Fund. This included Internal Audit being added to the Microsoft

Teams 'Discretionary Grants' group, which allowed for full access and review of the documented processes and controls put in place for these discretionary funds.

6.7 Furthermore, it should be noted that only one application is permitted within the West of England, and to follow this, data has been shared across the four authorities to ensure that there was no duplication of payee.

6.8 Retrospective audit assurance work will be completed on Discretionary Grant Fund payments, as outlined in 6.5.

7. FURTHER FRAUD AND INTERNAL AUDIT ASSURANCE WORK

In addition to the specific work around Grant payments, further fraud awareness and audit advice has been provided due to the vast amount of fraud and scams in relation to Coronavirus. It is anticipated that COVID-19 related activity will now form a significant amount of the 2020/21 internal audit work plan.

7.1 Fraud Alerts

As well as producing regular notices and guidance in the Council's newsletter (The Knowledge), via the intranet noticeboard, and directly to Schools and partner organisations to highlight the latest warnings, Internal Audit have also been working closely with our Information Governance colleagues and jointly producing similar warnings regarding Cyber Security Frauds.

7.2 Advice and Assistance to Service Areas

Due to changes with staff working arrangements including the majority of Council Officers now working from home, the Audit Service have been proactively offering assistance in helping teams to consider risks and to develop suitable controls where new ways of working have been introduced and where risks may have changed.

7.3 Institute of Internal Auditors 'COVID-19 Forum'

The Audit Service have been keeping regularly involved with the Institute of Internal Auditors (IIA) COVID-19 Audit forum. This forum is a good platform to monitor the exchange of information and concerns amongst Heads of Audit around Coronavirus (including fraud) and to keep up to date with the latest technical and practical guidance.

7.4 Information Sharing Across Authorities

There has been a significant amount of information and guidance issued in respect of COVID-19 and by working across several authorities (i.e. North Somerset, Bath and North East Somerset Council, and the West of England Combined Authority) it has been possible to form an overview of how each authority has understood and interpreted this guidance and to share best practice accordingly.

8. CONSULTATION

As part of our consultation process the Audit Committee is asked to note the Anti-Fraud & Audit assurance work completed in regard to COVID-19, specifically in respect of grant payments.

9. FINANCIAL IMPLICATIONS

The financial implications are described throughout the report and are supported by grant income received from central government.

10. LEGAL POWERS AND IMPLICATIONS

There are no direct legal implications from this report.

11. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The council faces a wide variety of climate change and environmental impacts whilst delivering its many services to residents, some of which have a direct or indirect financial impact or consequence. These are referenced or noted, where appropriate, throughout the report.

12. RISK MANAGEMENT

Significant risks to the council arising from a lack of internal control, failures of governance and weak risk management. Specific risks in this instance include error and undetected fraud. The Internal Audit Service assists the council in addressing its risk profile and helps by identifying risks, improvement areas and by institutionalising good practice.

13. EQUALITY IMPLICATIONS

Embedded within the approach to fraud prevention is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

14. CORPORATE IMPLICATIONS

There is a requirement to have in place policies and processes to support the detection of fraud and corruption.

15. OPTIONS CONSIDERED

None.

AUTHORS

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BACKGROUND PAPERS

Counter Fraud Update Report

Audit Committee Jan 2020

Anti-Fraud and Corruption Strategy

Audit Committee Jan 2020

Internal Audit Plan 20/21

Audit Committee July 2020