

**AUDIT COMMITTEE
23 MARCH 2021
GRANT PAYMENT CHECKING REPORT**

Cabinet Member(s): Cllr Andrew Moore, Cabinet Member for Finance
Responsible Officer: Catherine Yandle, Operations Manager Performance, Governance and Health & Safety

Reason for Report: As part of the Covid response Mid Devon District Council has been responsible for paying significant sums in grant funding on behalf of Business Energy & Industrial Strategy (BEIS). The Audit Committee will want to seek assurance about the process for ensuring grants were paid only to those who were eligible.

Recommendation: That the Committee notes the contents of the report and feeds back any concerns about the process.

Financial Implications: The funding for grants was provided to the Council from BEIS. New burdens funding has also been provided for the work.

Budget and Policy Framework: This work relates to the Anti-Fraud and Corruption Policy.

Legal Implications: The general principle applies that Local Authorities are responsible and accountable for the lawful use of funds under Section 151 of the Local Government Act 1972. The Section 151 Officer within the Local Authority is required to exercise their duties in line with the Chartered Institute of Public Finance and Accountability (CIPFA) guidance, ensuring their oversight of the proper administration of financial affairs within the Local Authority including these grants.

Local Authorities must be satisfied that all State Aid requirements have been fully met and complied with when making grant payments.

Risk Assessment: These grants were identified as high risk by the Government Counter Fraud Function and we continue to receive alerts from NAFN the National Anti-Fraud Network. We completed the BEIS risk assessment template for grant payments.

Equality Impact Assessment: None from this report

Relationship to Corporate Plan: Supporting Communities and businesses

Impact on Climate Change: None from this report

1.0 Introduction/Background

1.1 For the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund there was an emphasis on speed of payment and the guidance stated that Local Authorities should make the payments as quickly as possible having received the necessary declarations from eligible recipients.

1.2 The BEIS Grant Funding Schemes Assurance Guidance for Local Authorities stated: “To deliver this assurance requirement, Local Authorities should develop pre- and post-payment assurance plans for each business grant scheme. There should be an eligibility check and a recipient check on all payments, whether pre or post payment. The plans should set out the actions and checks Local Authorities will undertake to ascertain regularity of payments. They should cover the prepayment checks for grants still to be paid, but also the post payment assurance checking regime that the Local Authority will introduce to identify irregular payments. The volume and depth of checks that a Local Authority undertakes as detailed in these plans should be proportionate to the grant value versus the cost of the check, and informed by a Fraud Risk Assessment of the likelihood of error and/or fraud in the payments they have made.”

1.3 “A key factor in determining the risk levels related to the level of checks on post award payments will be the level of pre-payment eligibility and beneficiary checks that were conducted (see Annex A, B and C for some examples). For example, if a Local Authority conducted relatively few pre-payment checks, and their risk assessment highlighted areas of concern, then the Department expects the Local Authority to conduct a higher level of post-payment checks. If there were a greater level of checks undertaken before payment of the grant, then it may be acceptable to check a smaller proportion of the payments post-event.”

2.0 **Our Approach**

2.1 Significant pre-payment evidence was required to accompany grant payments initially until the emphasis on speed was reiterated by BEIS (and we were criticised for not making payments quick enough). Initially this included copy utility bill in business name, accounts, bank statement matching the details given for the payment and State Aid declaration. Later this was reduced to the bank statement and State Aid declaration.

2.2 The decision was taken to use Spotlight for pre-payment checks, which is a digital assurance tool which was made available by The Government Grants Management Function and Counter Fraud Function. This is a free service and very quick. It uses data from Companies House, the Charity Commission, government grants awards and government contracts data to help build a picture of the grant recipient.

2.3 The Government Counter Fraud Function worked in partnership with Experian to introduce new complementary products to assist public bodies in addressing residual fraud risks when dispersing funds. The tool was available via the National Fraud Initiative (NFI) and could be used for both pre and post payment checks, they apply to both registered companies (at Companies House) and unregistered companies such as sole traders.

2.4 This is a paid for service, and not very quick, so the decision was made to run one batch post payment for all grants paid to verify the bank accounts for receipt of these business grants.

- 2.5 In addition The National Fraud Initiative (NFI) consulted on a proposal to support Local Authorities in their post payment assurance checks to detect fraud. This would see the NFI require Local Authorities, using legislative powers afforded to the Cabinet Office, to submit the data needed to enable the NFI to undertake post award data matching to identify potential fraud in funding distributed through Local Authorities.
- 2.6 This data has been uploaded to the NFI portal and we are awaiting the results of the matching exercise which are due at the end of March. We do expect this exercise to result in the cancellation of Small Business Rates Relief for some customers.
- 2.7 Where checks discovered that payments have been made in error or have been claimed as a result of fraud, any initial recovery action needed to be undertaken by MDCC.

3.0 Results of pre and Post payment checking

- 3.1 The information in the table below is taken from the delta return to 28 February 2021 for Local Restrictions Support Grants and the Additional Restrictions Grant. The Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund and discretionary scheme are taken from the figures published on Gov.Uk.

Grant	No. Paid	£000	No. Checked	No. Issues
SBRG and RHLG	1,716	18,960.0	NFI 2,196 Spotlight 626	14
Discretionary Scheme	228	1,128.9		
ARG	2,268	2,239.7		
LRSB (closed) addendum	639	924.7	Spotlight 188	
LRSB (sectors)	1	1.5		
LRSB (open)	1,151	526.3	Spotlight 23	
LRSB (closed) Post 2 Dec	343	119.0		
LRSB (closed) Post 5 Jan	629	1,356.0		
Lockdown Post 5 Jan	630	2,715.0	Spotlight 343	
Wet led pubs	51	51.0		
Total	7,656	28,022.1	3,376	14

- 3.2 The process and teething problems were largely ironed out while paying the first 3 grant schemes; for later schemes the only grants being paid back are those where we issued an incorrect grant type, they have to return the incorrect payment before we issue the correct one.
- 3.3 There will be post payment checking of sole traders on the later schemes too; Spotlight is developing a tool for these which will be available in April.

4.0 Recommendation

4.1 That the Committee notes the contents of the report and feeds back any concerns about the process.

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Circulation of the Report: Cabinet Member seen and approved [yes/no – name of Cabinet Member], Cabinet, Leadership Team seen and approved [yes/no]

List of Background Papers: None