



Internal Audit

**FINAL**

## Dacorum Borough Council

Compliance Review of Business Grants

**2021/22**

May 2021

# Executive Summary

**OVERALL ASSESSMENT**

**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

Central Government announced a series of Business Grants during 2020 to financially support business through the pandemic and the several national lockdown.

**KEY STRATEGIC FINDINGS**

- The Council has complied with both Government guidance and its Local Authority Discretionary policies when processing the grant applications through to award.
- The Council has adopted 'self-certification' statements, included in the web application forms, as per the Government FAQs, to confirm recipients have met the eligibility criteria.
- The Council has not retained all the necessary information/ documents submitted by the recipient, namely for the Additional Restrictions Grant. Additionally, where visual checks have been performed via the intranet, has not been documented on the system.
- Grant reconciliations and returns were performed and submitted in accordance with Government instructions.

**GOOD PRACTICE IDENTIFIED**

- A web based application form was developed by the Council for the Business Grants.
- Local Policies were developed for the discretionary business grants.

**SCOPE**

The audit reviewed a sample of Business Grant's awarded to date, comprising of 6 grants to ensure that

- Both Central Government and Council criteria have been met prior to award of grants to Businesses;
- All grants awarded are supported by a completed e-form, available on the Council's website;
- Grants awarded have been paid into an appropriate bank account.
- For smaller business and taxi drivers the grant will have been paid into a personal bank account)
- The Council has obtained and retained evidence, from Businesses, to support the grant application and subsequent award; and,
- Finance reconciliations of grant monies received from Central Government to grant awarded - Identifying any under/ overpayments arising.
- Government returns have been submitted.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	2	1	0

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p><b>LADG and ARG</b></p> <p>The Economic Development Team maintains a spreadsheet, listing the recipients along with the information/ documentation seen/ reviewed.</p> <p>However, it was noted that the supporting evidence was not retained or saved on to the system.</p>	It be ensured that supporting evidence received, to support the Business Grant, is retained	2	<p><i>All verification evidence once checked and approved will be retained going forward and all historical verification documents retained and documented. The core verification process in Unit 4 records the majority of information and will continue to do so. As part of the phase 2 of ARG any historical documents not retained will be recollected.</i></p>	May 2021 for ARG tranche 2	Chris Taylor Group Manager SPAR

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p><b>All Grants</b></p> <p>In light of the tight deadlines imposed on the Council by Government. The Council implemented a system which best suited the situation when processing and awarding the Business Grants.</p> <p>Self-certification by the businesses was relied upon to confirm that both Government and the Council's Local Discretionary policies eligibility criteria was met.</p>	<p>To ensure and to provide assurances that the business grants were awarded appropriately, post payment checks be performed.</p> <p>A sample size be agreed for each category of business grant and a spreadsheet created.</p> <p>The spreadsheet to contain a tab for each grant and the testing columns must replicate the Government and Council eligibility criteria, i.e. obtain proof of number of Employees, Premises Costs, Accountant letter/ Management Accounts to confirm business position – going concern.</p> <p>The results of this exercise be reported to Senior Management and reported to Cabinet.</p> <p>Where errors have been noted these be used as 'Lessons Learnt' and applied to other business grants which are active.</p>	2	<p><i>The council had a short time frame to implement the business grants and had to react to a changing government policy and timetable. As a result the council implemented a self-certification process, in line with the majority of the sector, and in line with the governments business grants policy and guidance. The timeframe, scale and importance of the implementation did not allow for a standard approach and hence more reliance than normal is placed on the post payment assurance to seek further assurance.</i></p> <p><i>The council is following the governments post payment assessment processes and will complete those returns to the MHCLG/BEIS for validation as required. The outcome of these checks will be reported to the Audit committee on an exceptions basis going forward.</i></p>	May 2021	AD Finance and Resources

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	<p><b>LRSB</b></p> <p>The Revenues team performed visual checks of the businesses, who had applied for the LRSB. However, these checks were not documented on the system</p>	It be ensured, checks undertaken to verify business' grant applications, are documented on the system.	3	<i>The checks referred to are made to another Council system to which officers have continual access, and the name of the officer who carried out the checks is recorded in Unit4, and the team had considered this to be sufficient. However, from now we will add notes to Unit 4 specifying these checks were done.</i>	Immediate	Group Manager (Revenues, Benefits & Fraud)

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Findings



### Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Out of Scope	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1,2, & 3	-

### Other Findings

- The Department for Business, Energy and Industrial Strategy (BEIS) released a suite of Business Grant guidance for the differing grants made available during 2020. As for the Local Authority's discretionary grants, in-house policies were created and approved by the assigned Portfolio holders, namely:
- Local Authority Discretionary Grant (LADG);
  - Additional Restrictions Grant (ARG); and,
  - Local Restriction Support Grant (LRSG) Open.

## Other Findings



### **Small Business Grant Fund (SBGF) and Retail, Hospitality, Leisure Grant (RHLG) - £26.04m**

Both the SBGF and RHLG were announced during the first major lockdown imposed by the Government in March 2020. Eligible business could only receive one grant award per property but not both on the same property.

Grant awards were based on business' Rateable Value (RV) as at 11<sup>th</sup> March 2020, as follows:

- RV below £15,000 - Grant Receivable £10,000.
- RV between £15,000 to £51,000 – Grant Receivable £25,000.
- RV above £51,000 – Grant Receivable Nil.

Review and testing of a sample of 10 grant awards identified that:

- In all cases, the Council's web form had been completed by the recipient;
- In all cases, the Business' were in receipt of either Small Business Rates/ Rural Rate Relief or Expanded Business Retail Relief, as per Government eligibility criteria;
- In all cases, the correct grant award had been allocated to the business; and
- In all cases, payment had been made within the prescribed timeframe, as stipulated by Government.



## Other Findings



### Local Authority Discretionary Grant (LADG) - £1.447m

The LADG supports small and micro businesses, for example, Taxi drivers, Market Traders who are not eligible for other Business Grants and not registered as Ratepayers.

Local Authorities can use this fund at their own discretion, undertake their own assessment and set their own grant award threshold, in the case of Dacorum BC this was set at £5000.

There are three Phases to this grant, where Phase 1 and 3 awarded £5,000 to recipients and Phase 2 was either £2,000 or £5,000.

Review and testing of a sample of 5 grants awards from each Phase 1 and 2 was selected, and identified that:

- In all cases, the Council's web application form had been completed by the recipient;
- In all cases, the recipient was not a Ratepayer;
- For the sample tested, supporting evidence was not retained, for example, the number of employees, premises fixed costs of the business. It was advised that whilst the sample tested had no supporting evidence retained, rental agreements had been received from recipients, however not for all applications submitted.
- In all cases, reliance was placed on recipients signing the 'self-certification' statement, contained within the application form, listing the key eligibility criteria that had been met.

The Economic Development team maintains a spreadsheet, noting the documents/ information received and reviewed, however was not retained. In addition to this, staff applied their local knowledge when assessing business against the grant eligibility criteria.



### Christmas Support Payment (CSP) for Wet Led Pubs - £64,000

The CSP was a one off payment of £1,000 to Pubs who had less than 50% of food sales and were severely affected over the Christmas period, due to temporary local restrictions.

Review and testing of a sample of 5 payments, it was identified that:

- In all cases, the payments were awarded to Pubs which were wet-led;
- In all cases, the Council's web application form had been completed by the recipient; and
- In all cases, evidence to confirm if the Pub was trading at 30<sup>th</sup> November 2020 was not requested.

Discussions held with the Group Manager - Revenues & Benefit, it was noted that it was difficult to ascertain whether the wet led Pubs' food sales were less than 50%. The Council, therefore, emailed all businesses who had applied for the CSP grant, to re-affirm that they met the Government requirements and that the food sales were below 50% before payment was released.

## Other Findings



### Closed Business Lockdown Payment (CBLP) - £3.660m

The CLBP was a one off payment to businesses who had to close, due to the 5<sup>th</sup> January 2021 national lockdown. Payments awarded were based on eligibility criteria as well as the RV of the business, as follows:

- Up to £15k – payment of £4,000
- £15k up to £51k – payment of £6,000
- £51K and over – payment of £9,000

Review and testing of a sample of 15 payments, it was identified that:

- In all cases, payments had been awarded in accordance of the business' RV; and
- In all cases, the Council's web application form had been completed by the recipient.
- In all cases, the Council had not obtained evidence to verify whether the business had been operating the day before the lockdown. Discussions held with the Group Manager – Revenues & Benefits, supported that the grant guidance referred to utilising 'Spotlight', Government's online automated due- diligence tool, which enabled the Council to check registered companies of their status, i.e. going concern, liquidation. However, it was noted that this due-diligence tool could not be utilised for sole traders or partnerships.

## Other Findings



### Local Restrictions Support Grant (LRSB) – Multiple Grants

The LRSB is for business who were in Tier 2 and upwards.

Grant awards were based on business' Rateable Value (RV) :

- RV below £15,000.
- RV between £15,000 to £51,000.
- RV above £51,000.

The LRSB processed by the Council, during 2020, comprised of LRSB (November); LRSB (Closed); LRSB (Open); LRSB (Tier4) and LRSB.

Review and testing of a sample of - 10 LRSB (November); 5 LRSB (Closed); 5 LRSB (Open); 10 LRSB (Tier 4); and 5 LRSB grant awards, identified that:

- In all cases, the Council's web application form had been completed by the recipient;
- In all cases, the grant payment had been awarded in accordance with the Business' RV;
- In all cases the payment cycle of 14/ 28 days had been adhered to;
- The Council utilised Spotlight for registered companies, to confirm the business status of going concern, liquidation. As for sole traders and partnerships, evidence to verify whether the business was struck off/ liquidation was not obtained but reliance was placed on the recipient's affirmation to the self -certification, contained in the web form; and,
- Elements of the eligibility criteria, for example – business was operating a day before lockdown; Business closed for 14 days was not obtained however the recipient's acceptance of the statements listed under the 'self-certification' section of the web form was indication of confirmation of the eligibility criteria.

## Other Findings



### Additional Restrictions Grant (ARG) - £1.257m

The ARG funding is for those business which are not supported by other business grants.

Appendix A of the Council's ARG Guidance contains a set of tables pertaining to number of employees, fixed costs of the business and the attributable grant award.

Review and testing of a sample of 10 grant awards, identified that:

- In one instance, the recipient was a catering business and had been awarded £1000 whereas the Appendix A tables suggest it should be £2000, as it falls under hospitality. Discussions held with an officer within the Economic Development team, it was stated that the information submitted by the recipient via the web application form automatically calculates the award payment on Unit 4. In this case, the business was not a supply chain but an independent business and therefore was awarded £1000 and not £2000; and
- In all cases, 3 months bank statements were received to confirm the business was not a going concern; not in liquidation/ struck off; grant was not to be used as wage supplement. Spotlight could not be utilised as these businesses were not registered companies.

The Economic Development team maintains a spreadsheet which was retained, noting the documents/ information received and reviewed, which were not retained. In addition to this, staff have applied their local knowledge when assessing business against the grant eligibility criteria.



### Grant Reconciliations

The following grant reconciliations have been performed by Finance, to date:

- SBGF, RHLG and LADG; and
- CSP Wet-Led Pubs.

In undertaking the SBGF and RHLG grant reconciliation, it was noted that the Council was allocated £28.935m by Central Government, of which £26.04m has been awarded and the remaining balance of £2.930m has been returned.

The remaining Business Grants are currently open and reconciliations will be performed once Central Government instruct the Council to do so, which will be communicated via email.



### Government Returns

Discussions were held with the Accountant (Finance & Operations), and it was noted that weekly and monthly reports are submitted to Central Government. The SBGF, RHLG and LADG Government returns ceased in October 2020.

## Other Findings



### General Observations

In undertaking the Business Grants testing, it was noted that due to the national Lockdown and pandemic, Central Government assigned extremely tight deadlines to the Council, in awarding the grants. This led to grant eligibility criteria, in the main, being met by means of 'Self Certification' by the recipient, relying on their honesty and truth when applying for the grant(s).

Discussions held with both the Group Manager – Revenues & Benefits and IT officer, it was stated that the web application form is stored in a 'back office' server which can be accessed at any time. Examples of completed web application forms for the ARG, LADG and LRSG were provided and it can be confirmed that the self-certification contents reflect the eligibility criteria set by both Government and the Council.

The Council has utilised 'self-certification' statements within the web application for recipient's to confirm eligibility against both Government and Local Authority criteria, which is in accordance with the FAQs

Additionally, bank statements were requested to verify going concern, fixed cost payments, number of employee and status of the business, i.e. liquidation, which is not ideal in proving these areas. This means of evidence was not stated in the Government guidance nor in the Local Policies.



**Delivery Risk:**

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b>	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Out of scope	-	-
FC	<b>Financial Constraint</b>	The process operates within the agreed financial budget for the year.	Out of scope	-	-
R	<b>Resilience</b>	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Out of scope	-	-

## EXPLANATORY INFORMATION

## Appendix A

### Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

### Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

### Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

<b>In place</b>	The control arrangements in place mitigate the risk from arising.
<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

### Assurance Assessment

- The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

### Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

### Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	8 <sup>th</sup> April 2021	8 <sup>th</sup> April 2021
<b>Draft Report:</b>	29 <sup>th</sup> April 2021	
<b>Revised Draft Report:</b>	18 <sup>th</sup> May	25 <sup>th</sup> May 2021
<b>Final Report:</b>	28 <sup>th</sup> May 2021	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	2021/22 Business Grants		
<b>Type of Review:</b>	Compliance	<b>Audit Lead:</b>	Audit Manager and Auditor

<b>Outline scope (per Annual Plan):</b>	<p>To review a sample of Business Grant's awarded to date, across the following categories</p> <ul style="list-style-type: none"> <li>Small Business Grants and Retail, Hospitality &amp; Leisure Grants;</li> <li>Local Authority Discretionary Grants;</li> <li>Christmas Support Payment;</li> <li>Closed Business Lockdown Payment;</li> <li>Local Restrictions Support Grant; and</li> <li>Additional Restrictions Grant.</li> </ul> <p>To ensure that:</p> <ul style="list-style-type: none"> <li>• Both Central Government and Council criteria have been met prior to award of grants to Businesses;</li> <li>• All grants awarded are supported by a completed e-form, available on the Council's website;</li> <li>• Grants awarded have been paid into an appropriate bank account.</li> <li>• For smaller business and taxi drivers the grant will have been paid into a personal bank account)</li> <li>• The Council has obtained and retained evidence, from Businesses, to support the grant application and subsequent award; and,</li> <li>• Finance reconciliations of grant monies received from Central Government to grant awarded - Identifying any under/ overpayments arising.</li> <li>• Government returns have been submitted.</li> </ul>	
<b>Detailed scope will consider:</b>	<p><b>Directed</b></p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p><b>Delivery</b></p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>
<b>Requested additions to scope:</b>	(if required then please provide brief detail)	
<b>Exclusions from scope:</b>		



<b>Planned Start Date:</b>	12/04/2021	<b>Exit Meeting Date:</b>	27th April 2021	<b>Exit Meeting to be held with:</b>	Group Manager - Revenues & Benefits Group Manager - Economic Development, Group Manager - Financial Services
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**SELF ASSESSMENT RESPONSE**

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N