

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive's Department - COVID-19 Business Grants (Phase two)

1. Introduction

1.1 We have carried out a second stage review of the COVID-19 business grant arrangements in place within Glasgow City Council (GCC). This report is intended to provide an assessment of the arrangements in place in relation to the rollout of phase two of the COVID-19 business grants, with further reviews planned during 2021/22 to cover the subsequent phases of financial assistance.

1.2 In response to the COVID-19 pandemic, the Scottish Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors who were registered for Non-Domestic Rates (NDR) purposes. This support was provided through the payment of a COVID-19 business grant, aimed at helping businesses deal with the impact of the pandemic. Applications for the COVID-19 business grants were assessed at a local authority level with re-imbusement to local authorities being provided through the Scottish Government. Within GCC, the Chief Executive's Department (CED) and Financial Services (FS) have responsibility for the assessment and processing of COVID-19 business grant applications.

1.3 Under phase one of the COVID-19 business grants, eligible businesses had been able to claim either £10,000 or £25,000 in line with the Scottish government guidance in place. We previously undertook an audit of the first phase of the COVID-19 business grants process with the findings reported to the

Finance and Audit Scrutiny Committee in March 2021.

These arrangements were extended for the second phase of the COVID-19 business grants where eligible businesses were able to apply for multiple grant payments if specific Scottish Government criteria had been met. A bespoke database system was developed and introduced for the processing of phase two business grant applications which superseded the manual recording process that was in place for phase one. For phase two of the COVID-19 business grants, 1,200 applications were received and assessed by GCC with 801 meeting the criteria (67%). A total of £7.785 million was paid out.

1.4 The scope of the audit was to review the arrangements for processing COVID-19 business grants to ensure that:

- Written procedures and processes are in place to provide guidance on assessing and processing phase two COVID-19 business grant applications;
- Appropriate arrangements are in place for the review and authorisation of phase two applications;
- All required checks are carried out prior to the payment of phase two COVID-19 business grants being approved, including controls for updating the NDR system;
- Phase two COVID-19 business grant payments are only made on receipt of a valid application;
- Appropriate reconciliation processes are in place;
- Multiple payments being made to businesses are appropriately controlled, and

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive's Department - COVID-19 Business Grants (Phase two)

- Arrangements are in place which seek to counter potential fraudulent applications.

2. Audit Opinion

2.1 It is recognised these new systems and processes continue to be implemented under severe time pressure during a period of ongoing strains on resources and working arrangements. Based on the work carried out a limited level of assurance can be placed upon the control environment. The audit has identified scope for improvement in existing arrangements and six recommendations which management should address. In addition to the normal follow up procedures by Internal Audit, further assurance work will be completed, including data matching exercises to identify fraudulent or erroneous grant claims.

3. Main Findings

3.1 Procedures are in place to reflect phase two of the COVID-19 business grants payment process and these set out eligibility criteria, including rules relating to multiple payments, and provide guidance on validation checks to be undertaken on applications.

3.2 Review and authorisation arrangements are in place for the payment of phase two COVID-19 business grants. We selected a sample of 30 applications and 30 payments and traced these through the payment authorisation process. In all cases the appropriate processes had been followed. For

all 30 payments reviewed, we were able to validate the payment to an eligible application on the database.

3.3 Applications are processed based on the date of receipt and, although we identified some delays in the processing of applications and payments within the sample, explanations for the delays were provided (e.g. where applicants had not provided all information or documentation or additional validation checks being required as a result of applicants being unable to provide required information).

3.4 Businesses are required to be registered for NDR in order to be eligible for COVID-19 business grants, and therefore, NDR records are used as part of the validation process for applications received. We identified that there is only very limited vetting of companies prior to them being added to the NDR register. NDR registration is done on a declaration basis and there is therefore no requirement for applicants to provide supporting evidence of eligibility. If anything within the application looks unusual or there appears to be an issue with occupancy, we were informed that the NDR team would seek additional evidence, for example, proof of tenancy. However, these counter fraud procedures need to be formalised.

3.5 Of the sample of 30 applications and 30 payments reviewed, we identified seven occasions where we were unable to confirm whether all appropriate documentation had been received from applicants prior to payments being made. We were informed that this validation may have taken place locally by verifiers however details had not been recorded on the grants database. We also found one case where a

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive's Department - COVID-19 Business Grants (Phase two)

duplicate payment had been made although the company have now contacted the Council to arrange for this to be repaid. We also found that robust arrangements were not in place to validate the existence of a business in cases where details could not be obtained from Companies House or the NDR system.

3.6 Whilst details of potential duplicate or fraudulent claims are being passed to the Corporate Fraud and Investigations (CFI) Team for further investigation, there is no formal process in place to outline what action should be taken by each party involved in the process or the arrangements to be followed for the recovery of monies identified to have been paid out on fraudulent claims.

3.7 GCC are required to make a return to the Scottish Government to confirm payments made in respect of COVID-19 business grants however we found that full reconciliations have not yet been completed to allow CED to confirm the total amount being paid out in relation to COVID-19 business grants.

3.8 We plan on undertaking further audit work in relation to subsequent phases of the COVID-19 business grants. This will include a review of the action taken to address the issues identified in the current and previous reviews and also consider the progress made in the ongoing data matching exercises. All findings will be reported to future meetings of the Committee.

3.9 An action plan is provided at section four outlining our

observations, risks and recommendations. We have made six recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	1
Medium	Less critically important controls absent, not being operated as designed or could be improved.	3
Low	Lower level controls absent, not being operated as designed or could be improved.	2
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.10 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.11 We would like to thank officers involved in this audit for their cooperation and assistance.

3.12 It is recommended that the Head of Audit and Inspection

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive's Department - COVID-19 Business Grants (Phase two)

submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION
COMMITTEE SUMMARY

Item 2 (a)
 5th May 2021

Title of the Audit: Chief Executive's Department - COVID-19 Business Grants (Phase two)

4. Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Appropriate arrangements are in place for the capture of COVID-19 business grant information				
1	<p>User access levels for the COVID-19 business grants database have not been reviewed or updated to ensure that these remain appropriate.</p> <p>Whilst this is a new database if formal review arrangements are not put in place, there is an increased risk that information on the database continues to be made available to those who currently do not require access</p>	<p>CED Management should ensure that a process of reviewing access levels to the COVID-19 business grants database is established and a process of regular review is adopted to ensure access levels remain appropriate.</p>	Low	<p>Response: Accepted</p> <p>A review of all database user profiles was carried out on 26.02.21. During this exercise 75 user profiles were deactivated as those members of staff had returned to their day jobs</p> <p>A similar exercise will be carried out at the end of April as current funding streams come to an end and more staff return to their day jobs.</p> <p>Officer Responsible for Implementation:</p> <p>DRS Group Manager (Business Growth)</p> <p>Timescale for Implementation:</p> <p>30 April 2021</p>

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION
COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive's Department - COVID-19 Business Grants (Phase two)

Key Control: Appropriate arrangements are in place for the review and authorisation of COVID-19 business grants				
2	<p>Although we found that a process is in place for CED staff to pass details of potential duplicate or fraudulent claims to the Corporate Fraud and Investigation Team for further investigation, there is no formal process in place to outline what action should be taken by each party involved in the process, or the arrangements to be followed for the recovery of monies fraudulently claimed.</p> <p>This increases the risk that appropriate action is not taken to prevent fraudulent applications from being processed or recovery action being taken.</p>	<p>CED Management should liaise with the Corporate Fraud and Investigations Team to develop formal arrangements for the review and follow up of potential duplicate or fraudulent claims, including the recovery arrangements for any duplicate or fraudulent payments identified.</p>	High	<p>Response: Accepted</p> <p>Work is ongoing with colleagues in Corporate Fraud to implement a robust and clear procedure that ensures any recovery of fraudulent claims is in place.</p> <p>It is important to note that Scottish Government play a key role in terms of guiding on process.</p> <p>Officers will continue to discuss this with civil servants.</p> <p>Officer Responsible for Implementation:</p> <p>DRS Group Manager (Business Growth)</p> <p>Timescale for Implementation:</p> <p>31 May 2021</p>

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION
COMMITTEE SUMMARY

Item 2 (a)
 5th May 2021

Title of the Audit: Chief Executive’s Department - COVID-19 Business Grants (Phase two)

Key Control: Appropriate arrangements are in place for the review and authorisation of COVID-19 business grants				
3	<p>There is only very limited vetting of companies prior to them being added to the NDR register. NDR registration is undertaken on a declaration basis and there is therefore no requirement for applicants to provide supporting evidence of eligibility. We were informed that, if anything within the application looks unusual or there appears to be an issue with occupancy the NDR team would seek addition evidence, for example, proof of tenancy.</p> <p>We also found that there are not currently formal procedure notes in place which outline what action should be taken if officers identify potential fraudulent activity in relation to the update of NDR information being provided by organisations.</p> <p>As a result of the introduction of the COVID-19 business grants scheme there is a risk that companies make requests to be added to the NDR register for the purposes of making fraudulent applications for these payments.</p> <p>There is therefore an increased risk that appropriate action to identify potential fraudulent applications is not undertaken.</p>	<p>CBS Management should ensure that where requests for changes to the NDR register are deemed potentially suspicious, they liaise with CED to investigate and take action as appropriate. Information should also be passed to the Corporate Fraud and Investigation Team for support if required. Documented procedures should be put in place to ensure staff are aware of the processes to be followed.</p>	Medium	<p>Response: Accepted</p> <p>Procedures notes will be updated in respect of NDR liability where potential fraud is identified</p> <p>Officer Responsible for Implementation:</p> <p>Operations Manager (Revenues)</p> <p>Timescale for Implementation:</p> <p>31 May 2021</p>

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION
COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive’s Department - COVID-19 Business Grants (Phase two)

Key Control: Appropriate arrangements are in place for the review and authorisation of COVID-19 business grants				
4	<p>We reviewed a sample of 30 applications and 30 payments that had been verified and processed by GCC and identified a small number of occasions where we were unable to confirm whether all appropriate documentation had been received from applicants prior to payments being made. We were informed that this validation may have taken place locally by verifiers however details had not been recorded on the grants database to confirm what checks had been made.</p> <p>We also found one case where two payments had been made to the same business. This arose due to two applications being made from the same organisation in error, to two different bank accounts. This was identified in our sample testing, but was also identified by the applicant separately, who had contacted the Council to arrange repayment.</p> <p>This increases the risk that appropriate verification has not been undertaken prior to the payment of the grant.</p>	<p>CED Management should put arrangements in place to ensure appropriate records are maintained of all actions taken by officers in the verification of applications. This should include maintaining appropriate records to clarify actions taken where data provided was incomplete or omitted for all future COVID-19 related grants administered by GCC CED.</p> <p>CED Management should also ensure that robust arrangements are in place to identify potential duplicate applications prior to payment for all future COVID-19 related grants administered by GCC CED.</p>	Medium	<p>Response: Accepted</p> <p>Verifiers were instructed to enter as much detail as possible into the notes boxes in the applicant’s record when processing applications, especially if it was felt they may have to justify a decision at a later date. In this instance it would appear to be a Verifier error. Reminders to Verifiers involved in any future grant programmes will be made.</p> <p>We will review the arrangements in place to ensure that robust process continue to be adopted for the identification of potential duplicate payments in relation to future COVID-19 related grants being administered by GCC CED. Arrangements will be put in place for the recovery of any overpayments identified as part of the audit in line with the action highlighted in recommendation three above.</p> <p>Officer Responsible for Implementation:</p> <p>DRS Group Manager (Business Growth)</p> <p>Timescale for Implementation:</p> <p>30 April 2021</p>

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION
COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive's Department - COVID-19 Business Grants (Phase two)

Key Control: Appropriate arrangements are in place for the review and authorisation of COVID-19 business grants				
5	<p>We found that robust arrangements were not in place to validate the existence of a business in cases where details could not be obtained from Companies House or the NDR system, with some CED staff placing reliance on basic internet searches.</p> <p>This is not considered to be robust, could easily be falsified and increases the risk that un-authorised or fraudulent claims will be processed.</p>	<p>CED Management should review the arrangements in place for validating that claims are received from legitimate applicants to ensure that they are sufficiently robust.</p>	Low	<p>Response: Accepted</p> <p>At this time, the Council was coming under extreme scrutiny on timeframe for payments and given the extraordinary circumstances under which staff were operating, a greater degree of risk acceptance had to be taken than would normally have been accepted.</p> <p>All internet checks are now additional to other checks and processes that are in place at the time to ensure that verification was as robust as possible.</p> <p>Officer Responsible for Implementation:</p> <p>DRS Group Manager (Business Growth);</p> <p>Timescale for Implementation:</p> <p>30 April 2021</p>

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION
COMMITTEE SUMMARY

Item 2 (a)
5th May 2021

Title of the Audit: Chief Executive’s Department - COVID-19 Business Grants (Phase two)

Key Control: Appropriate reconciliation processes are in place				
6	<p>GCC are required to make a return to the Scottish Government to confirm payments made in respect of COVID-19 business grants. This is due by 7 May 2021 and arrangements are currently in place to progress this.</p> <p>However, we found that full reconciliations have not yet been completed to allow CED to confirm the total amount being paid out in relation to COVID-19 business grants and that the reconciliations that have been completed do not take into account numbers of application forms accepted, rejected and deferred. Information is also not reconciled to the financial ledger.</p> <p>Without appropriate reconciliation arrangements, there is an increased risk that fraud or errors are not detected and that grant payments are not accurately reported to and recovered from the Scottish Government.</p>	<p>CED Management should put in place arrangements to enable ongoing reconciliation of Covid-19 business grants to the financial ledger to ensure that robust financial data is available for any submission requiring to be made to the Scottish Government in respect of COVID-19 grant payments.</p>	Medium	<p>Response: Accepted</p> <p>Staff resource issues led to prioritisation. To date, 14 government schemes have been administered and the priority was always to ensure schemes were live, applications processed and payments made.</p> <p>Engagement with Scottish Government has been regular and ongoing.</p> <p>GCC have only now stopped making grant payments to Phase 2 applicants. It is our intention to start the reconciliation process now in order to have the final grant return to Scottish Government by the due date of 07 May 2021.</p> <p>Officer Responsible for Implementation:</p> <p>DRS Group Manager (Business Growth)</p> <p>Timescale for Implementation:</p> <p>7 May 2021</p>