

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 3(f)

15th January 2020

Title of the Audit: Development and Regeneration Services – Vacant and Derelict Land Fund

1. Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review of the arrangements in place for administering Vacant and Derelict Land Fund projects within Glasgow City Council. Officers within Development and Regeneration Services (DRS) have responsibility for this.

1.2 The Vacant and Derelict Land Fund (VDLF) is a ring fenced Scottish Government fund available to Local Authorities with a high concentration of vacant and derelict land. The purpose of the fund is to bring vacant land into beneficial use in accordance with Council and Government objectives. Each year an allocation is received from the Scottish Government based on the results of the Scottish VDLF survey (a national data collection undertaken to establish the extent and state of vacant and derelict land in Scotland). A programme of VDLF projects is then developed by the Local Authority and submitted to the Scottish Government for approval. In 2019/20, approximately £3.5m was allocated to Glasgow City Council (GCC) and 10 projects were subsequently approved for delivery.

1.3 The purpose of the audit was to gain assurance that there are robust arrangements in place to ensure that VDLF projects within Glasgow are managed by the Council in accordance with the Scottish Government's funding agreement terms and conditions, and in line with relevant Council requirements for externally funded programmes.

1.4 The scope of the audit included:

- Ensuring that VDLF project proposals are reviewed by appropriate Council officers;
- Confirming that acceptance of funding awards are reported to the relevant Committee each year;
- Reviewing a sample of VDLF projects;
- Ensuring that legal agreements have been finalised with delivery and funding partners where applicable;
- Checking that corporate external funding procedures are being adhered to;
- Ensuring that payments to project delivery partners are only made following satisfactory review by the Council of evidence in support of claims;
- Confirming that eligible grant payments are claimed from the Scottish Government promptly, and
- Ensuring officers involved in VDLF projects have completed declarations of interest.

2. Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements with three recommendations and one service improvement for management to address.

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3. Main Findings

- 3.1 We are pleased to report that the key controls are in place and generally operating effectively. There is a process in place to publicise the availability of the VDLF among community groups, public sector and third sector organisations. An appropriate Council officer signs off projects nominated to the Scottish Government and approved projects are reported to the City Administration Committee each year.
- 3.2 Staff involved in the process have completed their annual declaration of interest forms as required.
- 3.3 The VDLF has been added to the register of external funding held by the Council and for a sample of three grant payments, back up documentation to support the claim was provided.
- 3.4 However, our audit testing found that there are some areas of non-compliance. Although there is a list of approved Council VDLF projects, there is no complete list of projects that have submitted an application to the Council detailing the reason why they have been approved or rejected.
- 3.5 There are monitoring arrangements in place for VDLF projects and highlight reports are produced and submitted to the Council's Corporate Governance team each period for inclusion in the Capital Programme Board papers. However, the financial information submitted is not updated each period.
- 3.6 Signed grant offer letters between the Council and the Scottish Government are in place for VDLF projects, however corresponding grant agreements between the Council and the grant recipient to confirm that they will comply with the conditions of the grant are not in place for all 2019/20 VDLF projects, albeit grant payments have not been made for these projects yet.
- 3.7 A condition of the grant agreement between the Council and the Scottish Government is that an Annual Report should be submitted on the progress towards achievement of the outcomes identified with the grant. This had not been submitted for 2018/19.
- 3.8 We have also identified an opportunity for service improvement. Although procedures are in place detailing the VDLF claims process, it was found that a standard pro-forma is not used by grant recipients to record the costs being claimed.
- 3.9 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three recommendations and one service improvement. The priority of each is:

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Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
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.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	1

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

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: All Council VDLF projects and their status is monitored by DRS.				
1	<p>Although there is a list of approved Council VDLF projects, there is no complete list of projects that have submitted an application to the Council detailing the reason why they have been approved or rejected.</p> <p>The list of approved projects contain a status and financial update, however we also found the date the individual project status has been updated is not recorded.</p> <p>There is therefore a risk that this information may not be readily available on request.</p>	<p>Senior management should ensure that a complete list of all VDLF projects that have submitted an application to the Council is maintained, including the reason why the project was approved or rejected.</p> <p>Senior management should also update the list of approved Council VDLF projects to include the date any project status updates are added.</p>	Medium	<p>Response: Existing reporting will be extended to formalise decision-making process, including how applications are assessed against Scottish Government VDLF objectives 1-4, and relevant GCC regeneration policies and objectives.</p> <p>Date of document reflects all individual project updates – document will be amended to clarify this with individual dates.</p> <p>Officer Responsible for Implementation: Principal Officer – Housing and Regeneration</p> <p>Timescale for Implementation: 31 March 2020</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Legal agreements between are in place between the relevant parties and grant conditions are being complied with.				
2	<p>Signed grant offer letters between the Council and the Scottish Government are in place for VDLF projects, however, corresponding grant agreements between the Council and the grant recipient to confirm that they will comply with the conditions of the grant are not in place for all 2019/20 VDLF projects, albeit grant payments have not been made for these projects yet.</p> <p>A condition of the grant agreement between the Council and the Scottish Government is that an Annual Report should be submitted on the progress towards achievement of the outcomes identified with the grant. This had not been submitted for 2018/19. We were advised that this was due to DRS requiring clarification from the Scottish Government regarding the report's content.</p>	<p>Senior management should ensure that signed grant agreements between the Council and the grant recipient are in place for all VDLF projects before payments are made.</p> <p>Furthermore, senior management should ensure that clarification is sought from the Scottish Government regarding the content of the Annual Report. Thereafter, annual reports should be submitted to the Scottish Government in the prescribed format within the required timescale to comply with grant conditions.</p>	Medium	<p>Response: DRS are working towards completion of 4x external grant agreements (6 of the 10 projects in 2019/20 program are being delivered internally therefore legal agreements not required).</p> <p>Further request to Scottish Government made 17/12/19. Scottish Government recommendations will be incorporated into 2019/20 Annual Report.</p> <p>Officer Responsible for Implementation: Principal Officer – Housing and Regeneration</p> <p>Timescale for Implementation: 31 January 2020 (completion of 2019/20 agreements anticipated)</p> <p>30 June 2020 (completion of Annual Report)</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Monitoring information is accurate and up to date.				
3	<p>There are monitoring arrangements in place for VDLF projects and highlight reports are produced and submitted to the Council's Corporate Governance team each period for inclusion in the Capital Programme Board papers, however, the financial information submitted is not updated each period.</p> <p>This increases the risk that officers are not aware of the accurate financial position.</p>	<p>Senior management should ensure that all monitoring information reported is accurate and up to date.</p>	Medium	<p>Response: Financial ledger period report information will be added to Highlight Reports.</p> <p>Officer Responsible for Implementation: Principal Officer – Housing and Regeneration</p> <p>Timescale for Implementation: 31 January 2020</p>

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No.	Observation and Findings	Service Improvement	Management Response
4	Although procedures are in place detailing the VDLF claims process, it was found that a standard pro-forma is not used by grant recipients to record the costs being claimed. This could result in the grant approval process being delayed if a large number of invoices, etc. are submitted.	Senior management should consider implementing a claims pro-forma similar to that in place for the Regeneration Capital Grant Fund to ensure that all costs are captured sufficiently.	Response: Pro-forma has been added to 2019/20 grant agreements Officer Responsible for Implementation: Principal Officer – Housing and Regeneration Timescale for Implementation: 31 December 2019