

GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Member Authority Grant Claim Eligibility

1. Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review to assess the arrangements in place within member authorities to ensure that only actual and eligible project costs are included in grant claims submitted to the lead authority.

1.2 The Scottish Government issues a Grant Offer Letter to Glasgow City Council (GCC) as the lead authority on an annual basis which is signed by the GCC's Chief Executive. Thereafter GCC issues pass down grant letters to each member authority for their grant allocation, and the Section 95 (S95) Officers for each of the member authorities to sign.

1.3 Member authorities are however responsible for ensuring they comply with reporting and governance arrangements detailed in the Assurance Framework and annual grant offer letter issued by the Scottish Government. They are also responsible for managing and progressing individual projects in accordance with approved business cases, developing arrangements for monitoring and evaluating project costs and ensuring that only actual and eligible project costs are included in grant claims submitted for payment.

1.4 The purpose of the audit was to gain assurance that member authorities have developed appropriate arrangements for monitoring and evaluating project costs and for ensuring that grant claims submitted to GCC for payment include only actual and eligible project costs. The audit will review arrangements in all member authorities in phases, and phase one included

reviewing arrangements in respect of the following infrastructure projects:

- Inverclyde Council - Ocean Terminal;
- Renfrewshire Council – Clyde Waterfront and Renfrew Riverside; and
- North Lanarkshire Council – Pan Lanarkshire Orbital Transport Corridor.

It is anticipated that member authorities not included in this audit will be subject to a similar review in future audits.

1.5 The scope of the audit included reviewing:

- grant agreements between GCC and member authorities;
- expenditure and supporting evidence for a sample of project claims;
- procedures in place within member authorities for budgetary monitoring and control of City Deal projects, and confirming the eligibility of project spend prior to submission of grant claims;
- member authorities' arrangements for submission and authorisation of grant claims; and
- arrangements within the PMO for monitoring and reviewing grant claims submitted by member authorities to ensure that payments are only made once grant conditions are met.

2. Audit Opinion

2.1 Based on the work carried out a reasonable level of assurance can be placed upon the control environment. The audit has

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identified scope for improvement in existing arrangements and three recommendations which management should address.

3. Main Findings

3.1 We are pleased to report that there are a number of areas where key controls are in place and are generally operating effectively. We noted for the three member authorities reviewed that:

- costs included in grant claims were in accordance with approved project business cases;
- appropriate procedures have been established for budgetary control and monitoring of City Deal projects and to enable the eligibility of project spend to be checked and confirmed by senior officers with appropriate knowledge of the projects prior to submission to the PMO;
- grant claims were submitted on a quarterly basis in line with guidance provided by the PMO; and
- the approach to setting project contingencies and taking account of optimism bias appear reasonable and are subject to review by the PMO.

3.2 However we noted a small number of areas where controls could be further strengthened. Supporting documentation was not available at the time of the audit to demonstrate how management fees, included in the grant claim submitted to GCC, had been calculated by one of the member authorities.

3.3 The PMO hold a list of officers within each of the member authorities who are authorised to sign submitted grant claims, however we noted one occasion where a grant claim had been

signed by an officer who is not included on this list of authorised signatories (albeit this was a senior finance officer).

3.4 We also noted that although the member authorities reviewed had put in place appropriate arrangements for retaining supporting documentation, at present no specific guidance is in place to ensure that consistent practices are adopted across all member authorities.

3.5 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three 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.	0
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

3.6 The audit has been undertaken in accordance with the Public

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- 3.7 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.8 It is recommended that the Head of Audit and Inspection submits a further report to Cabinet on the implementation of the actions contained in the attached Action Plan.

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4. Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Appropriate arrangements are in place within GCC to monitor and review grant claims submitted by member authorities and to ensure that member authorities only receive payments once grant conditions are met.				
1	<p>We noted that expenditure in relation to management fees claimed by one of the member authorities could not be substantiated during the audit fieldwork by timesheets recording officer time spent on City Deal projects or by any other supporting documentation demonstrating how these costs had been calculated.</p> <p>We were later provided with an illustration produced for the purposes of the audit, to justify the charge, with a breakdown of senior officers' time. The member authority finance officer advised that officer time likely exceeded this but that they were conscious of not overcharging the project.</p> <p>If adequate supporting documentation is not retained assurance cannot be provided that all costs were accurate and eligible.</p>	The PMO should remind all member authorities that they must retain adequate supporting documentation to demonstrate how costs or fees have been incurred.	High	<p>Response: Recommendation is accepted. Guidance will also be added to the Programme Management Toolkit which will be distributed to all member authorities. Further wording in relation to maintaining adequate supporting documentation will be considered for inclusion in the annual Grant Pasdown letter to member authorities.</p> <p>Officer Responsible for Implementation: PMO Finance Manager</p> <p>Timescale for Implementation: 29th February 2020</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
<p>Key Control: Member authorities' claims comply with conditions detailed in the annual pass down grant agreements and Assurance Framework, and costs claimed are in accordance with approved project business cases and any instructions agreed by the Finance Strategy Group.</p>				
<p>2</p>	<p>One of the grant claims submitted by a member authority was signed by an officer who is not included on the authorised signatory list held by the PMO although the job description held by the PMO confirms this officer is authorised to sign documents on behalf of the S95 Officer.</p> <p>Unless the signatory requirements are followed there is an increased risk that grant claims could be submitted by officers who do not have sufficient authority or knowledge of City Deal projects to enable them to adequately assess and authorise the expenditure claimed.</p>	<p>The PMO should ensure that the authorised signatory lists held for each of the member authorities are reviewed and updated on a regular basis to ensure that these remain up-to-date and include signatures of all officers within each authority who has authority to sign grant claims.</p>	<p>Low</p>	<p>Response: Recommendation is accepted. Guidance will also be added to the Programme Management Toolkit which will be distributed to all member authorities. The PMO will review authorised signatory lists on an annual basis.</p> <p>Officer Responsible for Implementation: PMO Finance Manager</p> <p>Timescale for Implementation: 29th February 2020</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
<p>Key Control: Member authorities have developed adequate arrangements to confirm the eligibility of project spend prior to submission of grant claims and retain evidence of project costs and payments.</p>				
<p>3</p>	<p>The member authorities reviewed during the audit have put in place appropriate arrangements to retain documentation which supports grant claims submitted to the PMO, however we noted that specific guidance is currently not available to ensure that consistent practices are adopted across all member authorities. Given that the City Deal is a twenty year grant funded programme, extended retention periods may be appropriate.</p> <p>Without guidance or advice there is a risk that member authorities may not adopt consistent practices in relation to the retention of supporting documentation.</p>	<p>The PMO should ensure that guidance is prepared and circulated across the member authorities to provide clarity over retention requirements and to ensure consistent practices are adopted across all member authorities.</p>	<p>Low</p>	<p>Response: Recommendation is accepted. Guidance will be added to the Programme Management Toolkit. Further wording in relation to retention requirements will be considered for inclusion in the annual Grant Passdown letter to member authorities.</p> <p>Officer Responsible for Implementation: PMO Finance Manager</p> <p>Timescale for Implementation: 29th February 2020</p>