

# GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

## COMMITTEE SUMMARY

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**Item 2(f)**

17th March 2021

**Title of the Audit:** Neighbourhoods and Sustainability – External Grants

### 1. Introduction

- 1.1 As part of the Audit plan we have carried out a review of the external grant funding arrangements in place within Neighbourhoods and Sustainability (NS).
- 1.2 The Council receives significant sums of external grant funding each financial year. A large proportion of this takes the form of government grants for specific Council services such as early learning and childcare, HSCP contributions and criminal justice. Other grants received may be for the purpose of funding the delivery of capital programmes and supporting government policies, or contribute to specific projects. External grants may come from the Scottish or UK Governments, government or national agencies, and European funding organisations.
- 1.3 The various grants can have different terms and conditions to be adhered to, such as timescales within which funding must be claimed and spent, or specific targets or outputs to be achieved. Effective governance arrangements are necessary to ensure compliance with these terms and conditions, and minimise the risk of failing to adhere to these which could result in grant funding being reclaimed in part or in full, and projects or services not being delivered.
- 1.4 An external grants group known as the Funding Awareness and Collaboration Team (FACT) has been established within the Council to oversee proposed grant applications and maintain a central register of grant funding. This relates to bids that meet the relevant criteria of the Group e.g. applying for external funding in excess of £100k. The work of this group was subject to an audit as part of the 2018/19 audit plan.
- 1.5 The purpose of the audit was to review a sample of external grants received and/or managed by NS, to gain assurance that grant applications are approved in advance, and that there are effective governance arrangements in place to ensure compliance with the agreed terms and conditions of funding. The scope of the audit included reviewing:
- The application and approval process for grant funding;
  - Governance and operational management arrangements;
  - Engagement with other Council support teams.
  - Monitoring activities to track the progress and delivery of grant funded objectives;
  - The claim process; and
  - Record keeping arrangements to maintain an audit trail and ensure compliance with funders' retention requirements.
- 1.6 The sample of external grants that were selected for review were:
- Low Emission Zones Public Transport Provision (PTP), capital grant, Transport Scotland;
  - Community Links Plus – Connecting Woodside, capital grant, Sustrans;
  - Trafficking Awareness Raising Alliance (TARA) revenue grant, financial years 2019/20 and 2020/21, Scottish Government;
  - Low Emission Zones, revenue grant, Transport Scotland;
  - Spaces for People, capital grant, Sustrans;

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- Bus Priority Rapid Development Fund, capital grant, Transport Scotland; and
- Police Scotland CCTV Support, revenue grant.

### 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 for management to address.

### 3. Main Findings

3.1 We are pleased to report that key controls are in place and generally operating effectively, including:

- There are adequate financial and budget monitoring arrangements in place, with reports generated, and reviewed by the appropriate responsible officers and presented to Committee where required.
- Finance Officers are aware of their role and the duties that they are required to undertake in respect of external funding awards.
- The outputs and deliverables for the services/projects are clearly defined and understood by the relevant officers.
- There are adequate arrangements in place in relation to the claim process, including approval of claims and the collation of supporting evidence.
- Based on our sample, the document retention requirements are clearly outlined and being adhered to for

all services/projects reviewed.

3.2 However, our audit testing found that there are some areas where improvements could be made. We identified that relevant officers within NS were not fully aware of the requirements for FACT submission, and that details of the process had not been communicated throughout the Council. In addition, we were made aware that the FACT link on the Council's Connect page, did not appear to be finalised and was represented as a 'Test' page.

3.3 We also identified that there is a grant application process in place within NS. This details the requirement for officers to submit and discuss the potential grant award with the relevant Committees, Boards and departments, including engagement with NS Finance. Through review of the sample of projects selected, we identified that the grant application process was not being adhered to in all instances. Finance officers were not being advised of the grant application at the bid stage, and only being made aware of the grant when the award had been offered by the funder.

3.4 We were advised that while project officers/teams receive reports on project budgets from finance officers, they do not consistently maintain a set 'schedule' to assist with the timely submission of grant claims for projects that they are responsible for. We also noted that funders' requirements can vary in terms of dates by which the claims can be made and whether claims can be made for committed spend, or for defrayed costs only. Therefore a schedule could assist officers in ensuring eligible costs are claimed timeously.

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

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three recommendations. 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.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	1
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 Sector Internal Audit Standards.
- 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 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
<b>Key Control:</b> New grant funding applications are submitted and approved by the Council's Funding Awareness & Collaboration Team				
1	<p>Part of the grant application process includes the requirement for bids to be reported to the Council's Funding Awareness and Collaboration Team (FACT) for approval. This relates to bids that meet the relevant criteria of the Board, e.g., applying for external funding in excess of £100k. FACT aims to support officers through raising awareness of funding opportunities specific to their area, as well as ensuring all high value external funding applied for aligns to council priorities.</p> <p>However, through conducting audit fieldwork, we identified that relevant officers within NS were not fully aware of the requirements for FACT submission, and that details of the process had not been communicated effectively throughout the Council.</p> <p>In addition, we were made aware that the FACT link held on Council's Connect page, did not appear to be finalised and was represented as a 'Test' page. Officers advised that when completing and submitting the online form, they did not then receive confirmation that it had been received by the team, nor did they await or seek approval prior to submitting</p>	<p>Management should ensure that the process for FACT engagement and approval is adequately communicated to all relevant officers, with a reminder of adhering to the requirements outlined at all times.</p> <p>In addition, the relevant project officer/team must ensure that a clear record of the FACT submission and approval is retained.</p>	<b>Medium</b>	<p><b>Response:</b> The Chair of FACT will ensure that a reminder of FACT processes be communicated to all departments including NS.</p> <p><b>Officer Responsible for Implementation:</b> Head of Service Development Development &amp; Regeneration Services</p> <p><b>Timescale for Implementation:</b> 30 April 2021</p>

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	<p>applications to funders.</p> <p>A lack of clarity about FACT requirements increases the risk that errors could be made in the application process, that grants which meet the required criteria are not appropriately being approved by all relevant Council Boards/Teams. In addition, without corporate oversight from FACT, there is a risk that high value grant awards received do not align with the Council's priorities.</p>			
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No.	Observation and Risk	Recommendation	Priority	Management Response
<p><b>Key Control:</b> Effective governance and management arrangements are in place to oversee the use of external grant funding to ensure compliance with current protocols.</p>				
<p>2</p>	<p>We were aware that there is a grant application process in place within NS. This details the requirement for officers to submit and discuss the potential grant award with the relevant Committees, Boards and departments, including engagement with NS Finance.</p> <p>Through review of the sample of projects that were selected, we identified that the grant application process was not being adhered to in some instances.</p> <p>Finance officers were not being advised of the grant application at the bid stage, and only being made aware of the grant when the award had been offered by the funder.</p> <p>In addition, not all applicable grants were reported to the Capital Programme Board or Governance Unit as per standard governance procedures.</p> <p>Failure to follow the application process, increases the risk that errors will be made, and adequate governance and management arrangements are not being maintained at both a service and corporate level.</p>	<p>Management should ensure that all relevant officers are reminded of the requirement to comply with the NS grant application process at all times, including early engagement with finance officers, and to ensure that an adequate record is retained to confirm compliance.</p> <p>Additionally all relevant officers should be reminded of the requirement to inform the Governance Unit and Capital Programme Board of successful capital grant awards in order that it can be subject to appropriate monitoring.</p>	<p><b>Medium</b></p>	<p><b>Response:</b> Accepted</p> <p><b>Officer Responsible for Implementation:</b> Divisional Director for Community Safety, Regulatory Services and Business Support</p> <p><b>Timescale for Implementation:</b> 31 May 2021</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
<p><b>Key Control:</b> Effective governance and management arrangements are in place to oversee the use of external grant funding to ensure compliance with terms and conditions.</p>				
<p><b>3</b></p>	<p>We were advised that project officers/teams do not consistently maintain a schedule for the submission of project grant claims for which they are responsible. Various reports are received from the respective finance officer on a regular basis and used to monitor the budget and expenditure of the project. These reports are then used in conjunction with other information held by the finance team to collate and submit claims to an external funder.</p> <p>We also identified that different funders have various requirements for what can be claimed for and different dates by which the claims should be made. This includes whether claims can be made for committed spend i.e. obligations made to contractors by the Council, or for defrayed costs only, requiring officers to be mindful of which costs are eligible each time.</p> <p>This increases the risk that the Council does not receive the maximum entitlement of grant income, and increases the likelihood of claims not being made within the required time periods.</p>	<p>Management should consider introducing a requirement for all NS project teams to develop and maintain a schedule for the submission of claims to enable eligible costs to be claimed in a timely manner.</p>	<p><b>Low</b></p>	<p><b>Response:</b> Accepted</p> <p><b>Officer Responsible for Implementation:</b> Divisional Director for Community Safety, Regulatory Services and Business Support</p> <p><b>Timescale for Implementation:</b> 31 May 2021</p>