Glasgow City Council Internal Audit Section
Committee Summary
Chief Executive's Department & Financial Services - Shared Prosperity Fund – Project Compliance

Item 3(g)

20th March 2024

1 Introduction

1.1 As part of the agreed Internal Audit plan, we have conducted a review of compliance with the UK Shared Prosperity Fund (SPF) guidelines for projects administered by Glasgow City Council (the Council).

1.2 Glasgow City Region (GCR) has adopted a regional approach to SPF, receiving in region of £73m over the 3-year period from 2022/23 to 2024/25. While the GCR has overall programme responsibility as the lead authority, delivery will take place, in the main, at the member authority level. SPF funding was allocated to individual member authorities with the Council receiving £27.2m.

1.3 The Economic Development team, within the Chief Executive's Department (CED), is responsible for the management of all revenue projects which the Council has developed in order to meet the aims and objectives of the SPF. This includes awarding grants or contracts to service providers, monitoring expenditure and performance, and reporting on outputs and outcomes to the Council's UK Funds Governance Board and the UK Government. Budget monitoring of the SPF funding allocation is supported by officers within Financial Services (FS).

1.4 The purpose of the audit was 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. The scope of the audit included:

- Documented procedures, roles and responsibilities.
- A walk-through of SPF project objectives, terms and conditions and any associated processes.
- Governance and operational management arrangements.
- The application and approval process for grant funding.
- Engagement with any other Council support teams.
- Monitoring activities to track the progress and delivery of grant funded objectives.
- The claim process.
- Record keeping arrangements to maintain an audit trail and ensure compliance with funders' retention requirements.

1.5 Three Council SPF funded projects were selected for further review, as detailed below:

Project Name	Project's Objective	SPF Award	Match Funding	Total
Communities and Place Fund (revenue)	To support community and third sector organisations in the city.	£6m	n/a	£6m
Green Business Grant	To support Small and Medium Enterprises to reduce their energy bills and make progress towards net zero carbon emissions.	£0.5m	£0.5m	£1m
Glasgow Employability Pipeline *	To support a range of employability actions aimed at those furthest from the labour market or experiencing in-work poverty.	£6.7m	£7m	£13.7m

* The Glasgow Employability Pipeline project will be delivered through two phases, Phase One utilises £1.9m to continue support for the projects originally established under the European Structural and Investment Funding (ESIF) and Phase Two delivery will be from new providers (under SPF), which are currently being tendered.

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 and two recommendations which management should address.

3 Main Findings

3.1 We are pleased to report that key controls are in place and are generally operating effectively. All three projects hold up-to-date documented guidance. Process and template forms have been developed and were available for all applicants and relevant staff.

3.2 The roles and responsibilities of officers involved in each project were adequately documented and we observed that appropriate segregation of duties between the different key elements of the grant process was operating as expected.

3.3 For five organisations sampled under Communities and Place and for five projects awarded a Green Business Grant, we found that in all cases the application, evaluation, approval and award processes had been handled in line with documented procedures and evidence to support this had been adequately retained. As the Glasgow Employability Pipeline project was already established under ESIF, we were satisfied that the organisations which had received funding, were also handled appropriately, and that plans are in place to align these to SPF arrangements for Phase 2.

3.4 Across all three projects we found that the grant award and supporting documentation were stored securely and provided an adequate audit trail for review

3.5 Each of the three projects have allocated their funding to a number of organisations through grant awards, who in turn deliver the outputs and outcomes through their own projects, as agreed in their individual grant agreements. We assessed the claims process and found that recipients had all been advised of what is classed eligible expenditure under SPF guidance and that the checking and approval of claims process was being adequately followed and evidence retained in all instances.

3.6 We confirmed that monitoring of the SPF outputs and outcomes applicable to the projects sampled were either in place and operating effectively or plans were in place to progress this at an appropriate time.

3.7 Adequate reporting procedures were found to be in place across all projects and the required information is reported to

the Council's UK Funds Governance Board in line with governance requirements.

3.8 However, our audit testing found that there are some areas where improvements could be made. For the Communities and Place (Revenue) Fund we identified issues with the lack of monitoring returns for one organisation. From discussion and from further evidence provided we were satisfied that appropriate action has been taken to address the issues identified. However, the monitoring processes which should be followed by officers and guidance on what actions monitoring officers should take, (if issues are identified), are currently in draft form and have not yet been finalised and approved.

3.9 We were advised that the document retention period for the Green Business Grant is 10 years. SPF guidance advises local authorities to follow their own internal corporate policies, therefore the Council's data retention policy of 7 years should be adhered to.

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

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

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

3.13 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.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Monitoring processes and remedial actions to identify any issues identified have been documented.				
1	Monitoring arrangements for SPF funded projects are in place. However, for the Communities and Place Fund (revenue) project, one of the organisations had not complied with the monitoring return arrangements as required. We were advised that despite regular communication with the organisation and reasonable attempts to support them, the issues remain ongoing. We were satisfied that the agreed actions were in place and the issues are being adequately managed by the team. We noted that although Process Maps are currently being developed to document the monthly and quarterly monitoring processes and expected remedial actions required to address any issues, these have yet to be finalised and approved. The lack of finalised procedures increases the risk that staff do not follow the expected processes and that staff are not aware of the correct action to taken should an issue arise.	Economic Development management should ensure that: • The draft process maps are fully developed to ensure the monthly and quarterly monitoring processes and expected remedial actions for issues identified, are completed and approved. • Once complete, these should be communicated and made available to all relevant staff.	**Low**	**Response:** Accepted At the time of the audit the approach to monthly and quarterly monitoring of the Glasgow Communities and Place Fund (revenue) was being tested to ensure it was not excessively onerous for the third sector organisations to comply with. This testing is now complete, and the processes finalised and communicated to staff. **Officer Responsible for Implementation:** Head of Economic Delivery **Timescales for Implementation:** 31 March 2024

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Record keeping arrangements are compliant with the SPF guidance.				
2	SPF guidance advises local authorities to comply with their own corporate data retention policies for SPF funded project documentation and supporting records. The Council's 'Records Retention and Disposal Schedule' policy requires grant funding records to be retained for 7 years, however we noted that for the Green Business Grant project the retention period is recorded as 10 years. The current arrangements increase the risk that records could be held longer that required and of non-compliance to the SPF guidance.	Economic Development management should review the records retention information for Green Business Grant and all other SPF projects and ensure that they comply with the UK Government guidance. Thereafter, documented procedures for affected projects should be updated to reflect this.	**Low**	**Response:** Accepted Economic Development Management can confirm that they will review the records retention information for Green Business Grant and all other SPF Projects to ensure that they comply with the UK Government guidance and update the Green Grant processes and any other SPF project documentation where relevant. **Officer Responsible for Implementation:** Head of Economic Delivery **Timescales for Implementation:** 31 March 2024