

Glasgow City Council Internal Audit Section

Committee Summary

Corporate Review – Neighbourhood, Regeneration & Sustainability Shared Prosperity Fund, Capital Project Compliance

Item 5(e)

29th January 2005

1 Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of Shared Prosperity Fund (SPF) Capital project Compliance.
- 1.2 Glasgow City Region (GCR) has adopted a regional approach to SPF, receiving in the 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 Glasgow City 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 to meet the aims and objectives of the SPF. Neighbourhoods, Regeneration & Sustainability (NRS) are responsible for the management of funding for all capital projects which the Council has approved as eligible to receive an allocation of SPF capital funding. The project management of the capital projects is carried out by third parties. The allocation of SPF capital funding to be received and dispersed by the Council was £3.6m.
- 1.4 The objective of the audit was to gain assurance that grant applications are approved in advance, and that there are effective governance and capital management arrangements in place to ensure compliance with the agreed terms and conditions. The scope of the audit included:
 - Governance arrangements.
 - The application and approval process for grant funding.
 - Engagement with any other Council support teams.
 - Monitoring and reporting 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.

Three SPF funded projects were selected for sample:

Project Name	SPF Award
Briggait Market Halls	£800,000
Citizens Theatre redevelopment	£1,500,000
Queens Park Recreation Grounds changing rooms	£256,580

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 can report that some key controls are in place and generally operating effectively. Reports are produced for the relevant Boards, including the Council's UK Funds Governance Board, in line with governance requirements. There is a robust claims process in place, with supporting templates being used and adequate evidence obtained for the one project that has submitted a claim to date. All documents requested were readily available and retention arrangements were found to be in line with requirements and provided an adequate audit trail for review. 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.
- 3.2 However, our audit testing found some areas where improvements should be made. We confirmed that capital projects were selected and appropriately approved to receive a percentage of the UK Government's SPF capital budget allocation, with NRS responsible for dispersing the SPF funds on behalf of the Council. However, during the audit fieldwork, we found that the overall monitoring arrangements for the SPF Capital Programme in place within NRS, could more clearly articulate the status of each project and should identify any issues, such as claims not being progressed within the required timescale.
- 3.3 Grant claims and funding disbursements are both managed and scrutinised by NRS officers. Through sample testing we identified that currently one officer is responsible for all key elements of the SPF capital governance arrangements, resulting in a lack of segregation of duties. For example, the one officer is responsible for checking and approving claims submitted by project managers to the Council. They are also required to write and approve reports that are submitted to the Council's UK Funds Governance Board. We were advised that this was due to the resource constraints within the team, rather than being normal practice.
- 3.4 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.	2
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.	0

- 3.5 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.6 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.7 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: Formal monitoring processes are in place to track progress and delivery of SPF capital funded projects.				
1	<p>We confirmed that capital projects were selected and appropriately approved to receive a percentage of the UK Government's SPF capital budget allocation, with NRS responsible for dispersing the SPF funds on behalf of the Council.</p> <p>However, during the audit fieldwork, we found that the overall monitoring arrangements for the SPF Capital Programme in place by NRS, could more clearly articulate the status of each project and should identify any issues, such as claims not being progressed within the required timescale.</p> <p>The current arrangements increase the risk that issues may be missed, or remedial action not taken in a timely manner. There is also an increased risk that funding may not be dispersed within adequate timeframes, which could result in a loss of the funding and unspent monies having to be returned to the UK Government.</p>	NRS management should ensure that formal monitoring arrangements are developed for the SPF capital programme.	Medium	<p>Response:</p> <p>Accepted - Officers within the fund management team in NRS to develop process for monitoring projects in more detail on a monthly basis which contains more detailed information on project status. Officers will prepare standard templates that can be used across all of the various funds that GCC (NRS) disburse on behalf of the Scottish & UK Governments.</p> <p>Officer Responsible for Implementation:</p> <p>Group Manager, Housing Investment - Housing and Regeneration Services</p> <p>Timescales for Implementation:</p> <p>30 June 2025 – to enable time to engage with the Government fund managers to ensure the standard processes and templates we are looking to prepare, meet the requirements of the various funds.</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: There is appropriate segregation of duties in place between all key elements of the SPF governance and monitoring arrangements.				
2	<p>We noted that NRS are responsible for the management of the SPF capital funding allocation. Grant claims and funding disbursements are both managed and scrutinised by NRS officers.</p> <p>Through sample testing we identified that currently one officer is responsible for all key elements of the SPF capital governance arrangements, resulting in a lack of segregation of duties. For example, they are responsible for checking and approving claims submitted by project managers to the Council. They are also required to write and approve reports that are submitted to the Council's UK Funds Governance Board. We were advised that this was due to the resource constraints within the team, rather than being normal practice.</p> <p>A lack of segregation of duties increases the risk that issues/errors may not be detected in a timely manner.</p>	<p>NRS management should review the current arrangements to ensure that these are revised and demonstrate an appropriate segregation of duties between key SPF processes.</p> <p>Management should also ensure that going forward all projects that receive external funding, similar to SPF have appropriate segregation of duties in place.</p>	Medium	<p>Response:</p> <p>Accepted - At the time of the audit, the staff required to undertake this work were not in post, however, subsequent to the audit, new staff members have been recruited and are now in post.</p> <p>Officer Responsible for Implementation:</p> <p>Divisional Director, Property, Housing & Major Projects.</p> <p>Timescales for Implementation:</p> <p>31 January 2025</p>