Glasgow City Council Internal Audit Section
Committee Summary
Corporate Review – External Grant Funding

1 Introduction

1.1 As part of the agreed Internal Audit plan, we have carried out a review of external grant funding.

1.2 The Council receives significant sums of external grant funding each year. A large proportion of this is made up of government grants for specific Council services such as early learning and childcare, and criminal justice. Other grants issued are for the purpose of funding the delivery of capital programmes and supporting government policies, and additional funds can be awarded to contribute to specific projects. External grants can come from the Scottish or UK Governments, government or national agencies and other external 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 The objective of the audit was to ensure there are sufficient and appropriate controls in place for the management of external grant funding. The scope of the audit included a review of:

- Governance and operational management arrangements.
- The application and approval process for grant funding.
- Engagement with other Council support teams.
- Monitoring activities, procurement and management of expenditure.
- The process to track the progress and delivery of grant funded objectives.
- The claims process.
- Record keeping arrangements to maintain an audit trail and ensure compliance with funders' retention requirements.

1.5 Four grants were selected as a sample:

Service/Area	Name of Project	Funder
Education Services (ES)	Youth Music Initiative	Creative Scotland (Scottish Government)
Neighbourhood, Regeneration & Sustainability (NRS)	Assist (Delivering Equally Safe)	Inspiring Scotland (Scottish Government)
Strategic Innovation and Technology (SIIT/CED)/Financial Services (FS)/NRS	Digital Citizen	European Regional Development Fund (ERDF)
Chief Executive Department (CED)	5G (Innovation Region)	Department of Science and Innovation (UK Government)

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 three recommendations which management should address.

3 Main Findings

3.1   Grant applications are approved by officers who hold an appropriate role. There are also sufficient levels of segregation of duties in place relating to both grant applications and approvals. Project and finance officers are aware of their role and responsibilities in respect of external funding awards. There are reporting arrangements in place, with reports generated and presented to the relevant internal groups where required. Based on our audit testing, external funding bodies received the expected reports/returns as required by the terms and conditions outlined in the grant award. The information security governance controls were also adequate including the use of SharePoint and other online portals.

3.2   However, our audit testing found that there are some areas of non-compliance. We found for the two larger, more complex projects there was a lack of overall governance, scrutiny and document retention in place. This was partially due to the turnover of officers involved in the projects and also for one of the larger projects there were no set roles and responsibilities established at the outset of the project.

3.3   Finance officers were not always being advised of the grant application at the bid stage and were only being made aware of the grant when the award had been offered by the funder.

3.4   We also found instances where the reports provided to senior management and the Capital Programme Board were not fully complete and therefore did not provide an accurate reflection of the project status.

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:

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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.	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.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Effective governance and management arrangements are in place to oversee the use of external grant funding.				
1	All of the projects in our sample had dedicated project officers and allocated finance support. Two of the projects were of a larger and more complex scale and had been affected by staff turnover, which we observed had impacted how the projects were managed. The following areas of non-compliance were found: • Inadequate documentation retention arrangements, which impacted the ability for officers to provide the required evidence, despite there being an allocated project space in place. • Roles & responsibilities were not determined or documented at the beginning of one of the projects, and in addition, we noted some occasions where these were not clearly understood. • Some instances where key project documentation, for example, a Business Case and documents relating to Lessons Learned, had not been developed.	Service management should ensure that all relevant officers are reminded of the importance of effective governance and management in relation to external funding. This should include arrangements for where multiple services are involved in a project, so that responsible managers take cognisance of the overall programme. Service management should ensure grants are appropriately monitored to enable services to fully track the spend and compliance with the terms and conditions of the grant Service management should ensure that for all relevant projects there is an adequate audit trail in place and that documentation is appropriately retained.	**Medium**	**Response:** ES – Accepted Findings and reminder will be circulated to appropriate managers. SWS – Accepted NRS – Accepted. NRS has managers guidance to inform external grant application. External grant funding process map to be sent to Managers. Managers to be reminded of the importance of following the NRS management guidance and retaining all appropriate documentation. Financial monitoring with appointed Finance Manager to be embedded in practice to monitor spend and reporting. CED – Accepted. Service managers will be communicated with to promote the requirement for effective governance and management of external grant

No.	Observation and Risk	Recommendation	Priority	Management Response
	• For one of the larger projects, there was a lack of effective monitoring and overall scrutiny in place. As the funding for this project was split across different services the income and expenditure were also split accordingly. We noted that the project updates focused on individual elements of the project with little focus on the requirement to track and ensure compliance with funder terms & conditions. A lack of effective governance and management arrangements to oversee the use of external grant funding, increases the risk of the Council failing to comply with funder terms and conditions. In addition, it increases the risk that there is an insufficient audit trail to support how the grant award was spent, which could result in the clawback of funding.			funded projects. This includes tracking of spend and compliance with terms and conditions of the grant FS – Accepted. **Officer Responsible for Implementation:** ES – Head of Resources SWS – Assistant Chief Officer: Finance NRS – Operations Manager CED – Corporate Governance and Planning Manager FS – Head of Corporate Finance **Timescales for Implementation:** ES – 31 December 2024 SWS – 31 January 2025 NRS – 28 February 2025 CED – 31 March 2025 FS – 28 February 2025

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Service and/or Corporate Finance officers are aware of approved grant funding applications/awards.				
2	Through sample testing we identified that for one of the four grant awards, the Finance Manager had not been made aware of the grant application until after the grant had been awarded. To ensure good practice, it was previously recommended that officers should engage with other departments such as Finance, Legal and the Corporate Procurement Unit (CPU) at an early stage. If early engagement with relevant staff is not made during the application stage, there is an increased risk that there will be insufficient budget or resources to support the grant. This can impact the ability to deliver the project and comply with funder requirements.	Service management should remind staff of the importance of consulting with all relevant support officers at the application stage for a grant. Management should ensure this requirement is being adhered to.	Medium	**Response:** ES – Accepted Findings and reminder will be circulated to appropriate managers. SWS – Accepted NRS – Accepted. Managers will be reminded to highlight funding opportunities at the regular scheduled NRS Finance and Performance meetings. Where all resource allocations are aligned to service priorities and deliverables. This forum will progress any new grant applications. Managers will be reminded the importance of early liaison with Finance, Performance and Governance colleagues. CED – Accepted. Service managers will be communicated with to promote the importance of consulting with all relevant support officers at the application stage.

No.	Observation and Risk	Recommendation	Priority	Management Response
				FS – Accepted.
				Officer Responsible for Implementation:
				ES – Head of Resources
				SWS – Assistant Chief Officer: Finance
				NRS – Operations Manager
				CED – Corporate Governance and Planning Manager
				FS – Head of Corporate Finance
				Timescales for Implementation:
				ES – 31 December 2024
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No.	Observation and Risk	Recommendation	Priority	Management Response
	Key Control: Regular monitoring is in place to allow any issues to be identified at an early stage so that they can be addressed.			
3	Through sample testing we identified that for one of the four grant awards, the monitoring reports produced were not always complete. For example, the project status update, which is submitted to the Capital Programme Board contained figures for spend incurred to date but the detail on grant expenditure claimed, and received (to date) were incomplete. A number of other sections, including project outcomes, benefits and lessons learned were also unanswered. If regular and complete monitoring information is not provided, there is an increased risk of issues not being addressed in a timely manner which could jeopardise delivery of projects.	Service management should remind all project officers of the importance of providing complete project update reports to ensure an accurate reflection of the project is reported.	**Medium**	**Response:** ES – Accepted Findings and reminder will be circulated to appropriate managers. SWS – Accepted NRS – Accepted. NRS has regular management meetings and team meetings that identify quality issues and monitor performance. Managers have an established reporting schedule, inclusive of financial and performance scrutiny aligned to the grant. Managers to be reminded to provide reporting schedule and completed reports to Senior Management. CED – Accepted. Service managers will be communicated with to promote the importance of providing complete project update reports. FS – Accepted. **Officer Responsible for Implementation:**

No.	Observation and Risk	Recommendation	Priority	Management Response
				ES – Head of Resources
				SWS – Assistant Chief Officer: Finance
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				ES – 31 December 2024
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