GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2(b)

28th September 2022

Title of the Audit: Chief Executives Department – Covid Recovery Fund

1. Introduction

1.1 We have undertaken a review of the "Emerging Needs Covid Recovery Fund". This is additional planned one-off expenditure of £2m, which was approved by Council in March 2021 as part of the Council's 2021/22 budget to target poverty reduction and community-focused recovery from the Covid pandemic. A subsequent report detailing the proposals was approved by the City Administration Committee in September 2021 with £0.8m of this budget allocated to support projects being managed within the Council, and £1.2m allocated to external organisations. The fund is being managed by the Financial Inclusion Team (FIT) within the Chief Executive's Department.

1.2 The purpose of the review was to gain assurance that the Council has robust processes, controls and governance in place in relation to the distribution of funds to address the impact of Covid. The scope of the audit included:

- Partnership working to determine the best use of the funds.
- Arrangements in place for assessing applications and allocations, including the criteria used.
- Written procedures, processes and criteria.
- A sample of applications received and allocations approved.
- The authorisation arrangements in place when approving applications.
- Staff training and support.
- Budget monitoring.
- The payment process including authorisations.
- Arrangements in place to ensure that an effective monitoring framework and the achievement of outcomes has been considered.
- Record keeping arrangements.
- Declarations of interest by officers involved.

2. Audit Opinion

2.1 Based on the work carried out a limited level of assurance can be placed upon the control environment. The audit has identified scope for improvement in existing arrangements and three recommendations which management should address.

3. Main Findings

3.1 We found that some key controls were in place in relation to the administration of the funding. For payments to external organisations, the existing authorised signatory list is applied in the authorisation of payments; and segregation of duties controls for the processing of payments are in place and adhered to. Where larger sums are allocated to external organisations, these are being paid in instalments. Suitable record keeping arrangements are in place to provide an audit trail. All officers involved in the process have completed declaration of interest forms and no conflicts were identified.

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3.2 However we found that normal business-as-usual processes for this type of funding to third parties were not able to be followed by officers due to the urgent need to defray the available funding. For example, officers did not have a time window to advertise potential grant funding or follow a procurement route. Instead, existing providers were identified and utilised. This is not an unreasonable approach due to the urgency to disburse and utilise the funding promptly in exceptional circumstances. However, it should also be recognised that this may increase the risk that the Council cannot demonstrate that funds are allocated to organisations and projects most likely to achieve the objectives and provide best value. There was also an absence of formal terms and conditions agreed with recipients and post-award formal monitoring for this particular stream of emergency funding had not taken place.

3.3 The allocation of the additional funding was approved by the City Administration Committee on 2nd September 2021. We reviewed the payments made to date and identified two payments which were made prior to receiving committee approval, and which were not referred to in the report.

3.4 We also identified one instance where bank details had not been appropriately verified prior to a payment being processed. This has since been checked and confirmation has been obtained that the payment was received by the organisation.

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.	2
Medium	Less critically important controls absent, not being operated as designed or could be improved.	1
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.

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4. Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Funding is administered within appropriate governance frameworks.				
1	Due to the desire to allocate the funding and support promptly to build on the earlier emergency Covid-19 response work, the administration of this funding did not follow established grants or procurement processes. As such, we found several areas where business-as-usual controls were absent, these included: • Justifying the selection of recipient organisations in the absence of an advertised process; • Evaluating and assessing proposals; • Undertaking due diligence and financial vetting of recipient organisations; • Formalising terms and conditions for recipients and ensuring these are accepted; and • Monitoring arrangements to ensure organisations delivered the stated services and the extent to which outcomes and outputs are being achieved. While we acknowledge the desire to disburse and utilise the funding promptly in exceptional circumstances such as the Covid-19 response, a lack of clarity around which processes to apply may have increased the risk that the Council cannot demonstrate that funds are allocated to organisations and projects most likely to achieve the objectives and provide best value.	Management must develop and formalise a control framework to be used only in emergency or time-pressured instances which allows flexibility, judgement and a risk based approach when allocating funding under such circumstances. This must maintain a level of governance and control to ensure the funds are used appropriately and fairly. Key areas to include: • When to utilise the emergency funding framework; • Identification and vetting of third party funding recipients; • Authorisation requirements within the Scheme of Delegation; • Formalised terms and conditions of funding; and • Post award monitoring.	**High**	**Response:** Stage 1: Control Framework including workflow process and supporting documents to be developed to administer crisis response funding Stage 2: Approval limits within Scheme of Delegated Functions to be revised **Officer Responsible for Implementation:** Executive Organisational Change Manager **Timescale for Implementation:** Stage 1 – 25th April 2022 Stage 2 – 13th May 2022

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No.	Observation and Risk	Recommendation	Priority	Management Response
2	The allocation of the additional funding was approved by the CAC on 2nd September 2021. We reviewed the payments made to date and identified two payments which were made prior to receiving Committee approval. Both payments were made in late July and were approved by officers within their appropriate authorised signatory thresholds. These payments were not referenced in the report. However, when funding payments are made without Committee approval or knowledge, this reduces the effectiveness of the Council's Scheme of Delegated Functions.	Management should remind officers that for any future exercises, funding proposals must be approved by committee prior to payments being made.	**Medium**	**Response:** Officers accept this as an administrative oversight as retrospective approval should have been sought from CAC. Funding guidance will be updated to reflect this recommendation and all staff will be briefed. **Officer Responsible for Implementation:** Executive Organisational Change Manager **Timescale for Implementation:** 7 March 2022
3	The One Time Vendor (OTV) payment process and system allows payments to be made to an organisation without having to set up a master vendor record within the SAP system. This has been agreed as suitable for use in cases where ongoing or recurring payments to payees are not expected. The corporate OTV strategy requires the payment authoriser to independently verify that the bank details provided by the organisation are correct. We identified one instance where this verification did not take place for	Management must ensure that where payments are made via OTV, independent verification of bank details is undertaken and recorded. This is a requirement of the Council's corporate OTV procedure.	**High**	**Response:** FI Team have since been granted access to SAP which will allow them to verify if an organisation has been set up as a vendor. Training has been arranged. **Officer Responsible for Implementation:** Executive Organisational Change

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No.	Observation and Risk	Recommendation	Priority	Management Response
	a payment of £25,000 which had been requested via a word document invoice attached to an email to an officer. This has retrospectively been verified as having been received by the organisation. Verification of bank details ensures that payments are made to the correct organisation and reduces the risk of incorrect/fraudulent payment being made.			Manager **Timescale for Implementation:** 7 May 2022