

# GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

## GLASGOW CITY REGION CABINET REPORT

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**Title of the Audit:** Glasgow City Region City Deal – Member Authority Grant Claim Eligibility (phase 2)

### 1. Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review to assess the arrangements in place within a sample of member authorities to ensure that only actual and eligible project costs are included in grant claims submitted to Glasgow City Council (GCC) as the lead authority.

1.2 The Scottish Government issues a Grant Offer Letter to Glasgow City Council (GCC) as the lead authority on an annual basis which is signed by GCC's Chief Executive. Thereafter the Glasgow City Region Programme Management Officer (GCR PMO) issues pass down grant letters to each member authority for their grant allocation, which the Section 95 officers for each of the member authorities sign.

1.3 Member authorities are responsible for ensuring they comply with reporting and governance arrangements detailed in the Assurance Framework and annual grant offer letter issued by the Scottish Government. They are also responsible for managing and progressing individual projects in accordance with approved business cases, developing arrangements for monitoring and evaluating project costs and ensuring that only actual and eligible project costs are included in grant claims submitted for payment.

1.4 The purpose of the audit was to gain assurance that member authorities have developed appropriate arrangements for monitoring and evaluating project costs and for ensuring that grant claims submitted to the GCR PMO for payment include

only actual and eligible project costs. The audit involved reviewing arrangements in all member authorities in two phases. Phase one was undertaken during 2019/20 and included reviewing arrangements in place within Inverclyde Council, Renfrewshire Council and North Lanarkshire Council. Phase two has included reviewing arrangements in respect of the following infrastructure projects:

- Glasgow City Council – Collegelands Calton Barras;
- East Renfrewshire Council – M77 Aurs Road;
- South Lanarkshire Council – Larkhall Community Growth Area; and
- West Dunbartonshire Council – Exxon.

1.5 The scope of the audit included reviewing:

- grant agreements between GCC and member authorities;
- expenditure and supporting evidence for a sample of project claims;
- procedures in place within member authorities for budget monitoring and control of City Deal projects, and confirming the eligibility of project spend prior to submission of grant claims;
- member authorities' arrangements for submission and authorisation of grant claims;
- arrangements within the GCR PMO for monitoring and reviewing grant claims submitted by member authorities to ensure that payments are only made once grant conditions are met; and
- retention arrangements for supporting evidence.

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### 2. Audit Opinion

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

### 3. Main Findings

- 3.1 We are pleased to report that there are a number of areas where key controls are in place and are generally operating effectively. We noted for the four member authorities reviewed that:
- costs included in grant claims were in accordance with approved project business cases;
  - appropriate procedures have been established for budgetary control and monitoring of City Deal project costs;
  - grant claims were submitted on a quarterly basis in line with guidance provided by the GCR PMO;
  - the approach to setting project contingencies and taking account of optimism bias appears reasonable and subject to review by the GCR PMO; and
  - the GCR PMO have developed an Assurance Framework and Project Management Toolkit which provides member authorities with guidance on agreed practices in relation to a variety of issues including submission of grant claims, budgetary control and document retention arrangements.

- 3.2 However we noted a small number of areas where controls could be further strengthened. We recognise that as a result of current home working arrangements it is not currently possible for grant claims to be physically signed by S95 officers and alternative arrangements have therefore been put in place. We noted that grant claims are being submitted by email to the GCR PMO by other officers either with an electronic signature or, for one member authority, without a signature as they do not currently use electronic signatures. However as a result of this approach there is not always a clear audit trail or evidence demonstrating confirmation from the S95 officers that they have viewed and approved grant claims prior to submission.

- 3.3 From review of expenditure included in the grant claims submitted by the four member authorities we noted a small number of issues including five occasions where ineligible amounts had been incorrectly claimed. Discussion with the member authorities identified that in each of these cases the errors will be corrected within the next grant claim submitted.

- 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:

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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.	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 Cabinet 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> Member authorities' claims comply with conditions detailed in the annual pass down grant agreements and Assurance Framework.				
1	<p>As a result of current home working arrangements we noted that since quarter four of 2019/20 three of the four member authorities selected for review have been unable to physically sign grant claims prior to submitting these to GCR PMO. Two are therefore currently using copied and pasted electronic signatures and the remaining member authority is submitting grant claims unsigned as they do not currently use electronic signatures.</p> <p>We were advised that the officers emailing the grant claims to the PMO liaise with the S95 officer prior to submitting the claims. We noted however that for two of the three authorities no additional documentary evidence, such as emails from the S95 officer confirming their authorisation of the claim, is retained as evidence of formal approval of the claim prior to submission. However both authorities retrospectively provided confirmation from the S95 officer that they had approved previous claims.</p> <p>We recognise the issues around providing physical signatures as a result of the current working environment however electronic signatures are at greater risk of being copied and potentially misused. As a result there is subsequently an increased risk that grant claims could be submitted by officers who do not have sufficient authority or knowledge of City Deal projects to enable</p>	The PMO should ensure that guidance is prepared and circulated across the member authorities to provide clarity in relation to their expectations where grant claims are submitted electronically. This should include ensuring appropriate alternative evidence is provided when grant claims are submitted, such as the S95 officer being included in the email trail from the member authority.	Medium	<p><b>Response:</b> The PMO will distribute guidance to all Member Authorities (MA) advising that where grant claims are submitted to the PMO containing electronic signatures then they should be submitted directly via electronic message by the S95 Officer within the MA to the PMO Finance Manager.</p> <p><b>Officer Responsible for Implementation:</b> GCR PMO Finance Manager</p> <p><b>Timescale for Implementation:</b> 31 July 2021</p>

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	them to adequately assess and authorise the expenditure claimed.			
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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Member authorities have developed adequate arrangements to confirm the eligibility of project spend prior to submission of grant claims and retain evidence of project costs and payments.				
2	<p>A sample of 51 items of expenditure which were included in the grant claims from across the four member authorities were selected for testing. These were reviewed to confirm if supporting documentation was available and to ensure that the expenditure claimed was eligible in relation to the City Deal projects which they were being claimed against. In all cases we were able to obtain appropriate supporting documentation. We did however identify a small number of issues as follows:</p> <ul style="list-style-type: none"> <li>three items of expenditure with a total value of approximately £12.6k which we were advised had been miscoded in error. The member authority where these miscoded entries occurred advised that an adjustment to correct these will be made in the next grant claim submitted to the PMO.</li> <li>two occasions where VAT had been included in amounts claimed in error by two of the member authorities. This resulted in an amount totalling £1,360 being over claimed.</li> </ul> <p>Without robust arrangements for review of expenditure prior to inclusion in the grant claim there is a risk that amounts claimed are inaccurate and therefore member authorities may be in breach of their signed grant agreements.</p>	<p>The PMO should remind member authorities of the importance of maintaining robust arrangements for reviewing expenditure charged against projects and for confirming that this is eligible prior to the submission of grant claims.</p> <p>The expenditure identified through this audit as being ineligible must be corrected in the next claim.</p>	Medium	<p><b>Response:</b></p> <p>The PMO will distribute guidance reminding all MA on the importance of ensuring expenditure is correctly charged against each project and that they confirm such expenditure is eligible prior to submitting grant claims in relation to it and retain appropriate documentation to justify the expenses.</p> <p>The PMO will contact the relevant MA to obtain written evidence that expenditure previously claimed which was ineligible is adjusted in the next submitted grant claim.</p> <p><b>Officer Responsible for Implementation:</b> GCR PMO Finance Manager</p> <p><b>Timescale for Implementation:</b> Next payment of grant claims i.e. November 2021</p>