



INTERNAL AUDIT REPORT



COMMUNITY GRANTS 2016/17

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COMMUNITY GRANTS 2016/17

EXECUTIVE SUMMARY

1. INTRODUCTION & OVERALL OPINION

Harborough District Council (HDC) provides grant funding to organisations whose activities support the community. During 2015/16, HDC Members allocated £100,000 of their New Homes Bonus monies to be disseminated to Harborough communities through the Community Grant Fund.

A fair and transparent application process exists to ensure that grant funding is awarded to eligible organisations that support the Council’s objectives and priorities. Sample testing of five grant fund applications identified that all had been scored in accordance with agreed procedures.

Pre-grant due diligence procedures are undertaken during the grant fund application process and sample testing identified that signed terms and conditions were held on file in all cases.

Community Grant Fund applications are considered by the Member Grants Panel, who then make recommendations to the Executive Committee for their formal approval. The Executive Committee minutes confirmed that Members had been asked to agree the community grant funding for 2015/16. It was noted, however that the formal approval in relation to one organisation had not been detailed within the minutes.

Clear terms and conditions were held on file and grant funding had been released following the receipt of signed terms and conditions. Sample testing did identify some minor gaps in audit trails and supporting evidence, such as details of match funding which was not held on file for two organisations. It was also noted that a completion report was not held on file for one organisation. All such evidence should be obtained and held on file to provide assurance that the grant funded schemes are legitimate, complying with terms and conditions and delivering against the agreed objectives. Internal audit has obtained some assurance from external sources to verify this where evidence was missing in sample testing and no evidence of fraud or misuse has been highlighted.

Based on these findings, the framework of controls currently in place provide **Substantial Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2. The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in the table below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance	N/A				
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1: Grant funding awarded to organisations / schemes which are not eligible or do not support the Council’s objectives.	Substantial Assurance	Substantial Assurance	0	0	0
Risk 2: Grant funding is subject to fraud or misuse.	Substantial Assurance	Sufficient Assurance	0	1	0
Total Number of Recommendations			0	1	0

2. SUMMARY OF FINDINGS

Risk 1: Grant funding awarded to organisations / schemes which are not eligible or do not support the Council's objectives

The eligibility criteria for grant funding is clearly communicated and consistent with the Council's Corporate Priorities. The Community Grant Fund is an inclusive fund, open to all parishes; and voluntary and community groups. Organisations that applied for community grant funding in 2015/16 were required to demonstrate how they would meet at least one of the following Corporate Priorities:

- To develop places in which to live and be happy;
- To provide the right public services to the right standard and deliver value for money;
- Encourage a vibrant and sustainable business community intent on prosperity and employment opportunities; and
- To support the vulnerable in our society at the heart of the communities where they live.

There was a lack of documentary evidence held on file to confirm that a review of the grant fund criteria had been undertaken by Members within the last three years in accordance with Financial Procedure Rules. The Council may wish to consider undertaking such a review to provide assurance that value for money is being achieved.

The amount of funding to be awarded is recommended by the Member Grants Panel following the application process.

A fair and transparent application and award process exists. All applications are subject to a 12 week grants scoring process, involving an Officer Grants Panel, followed by a Member Grants Panel, with final sign off for funding from the Executive Committee. Sample testing was undertaken on five organisations that had been awarded grant funding during 2015/16. Testing identified that four of these had clearly met the eligibility criteria as detailed within the Community Grant Fund Guidance Notes and the last case had been acknowledged by the Panel as less strongly linked to the stated aims, but clear reasoning was transparently given for supporting the grant award and the benefits for the district.

Community Grant Fund applications are considered by the Member Grants Panel, who then make recommendations to the Executive Committee for their formal approval. Declarations of interest are a standing agenda item and this is minuted accordingly. It was noted that an Executive Sub-Committee had been formed to improve efficiency and flexibility in the grant fund application process. The Member Grants Panel was superseded by the Executive Sub-Committee on 11th January 2016.

Pre-grant due diligence procedures are undertaken during the grant fund application process and the audit identified that signed terms and conditions were held on file for all five organisations included in the test sample.

Based upon these findings, the assurance rating for the controls in respect of this risk is ***Substantial Assurance***.

Risk 2: Grant funding is subject to fraud or misuse

Following a recommendation from the Member Grants Panel, community grant funding was awarded to all five organisations included in the test sample. It was noted, however that although the Executive Committee minutes dated 11th January 2016 resolved that the recommendation to award £12,000 to the Whittle Trust be considered, the formal approval of the grant funding had not been detailed within the minutes. Care should be taken to ensure that all approvals are clearly minuted in future.

Sample testing identified that clear terms and conditions were held on file for all five organisations included in the test sample. In addition, all grant funding had been released following the receipt of signed terms and conditions.



If an organisation requires further match funding to deliver their project, they must provide confirmation that the money has been secured prior to receiving community grant funding. It was noted that evidence of additional funding was not held on file for two of the organisations included in the test sample, in addition, an Equalities policy was not held on file for one of the organisations in accordance with agreed terms and conditions.

Recommendation 1 addresses these findings.

Appropriate monitoring information was held on file for one of the two relevant organisations included in the test sample. The Leicestershire and Rutland Association of Local Councils (LRALC) had completed their project by the end of March 2016, however, it was noted that a completion report was not held on file. Sufficient information in relation to the organisation (LRALC) and the specific project (Neighbourhood Planning Workshops) was reviewed by Internal Audit online and no evidence of misuse of funds has been identified. It is understood that, there are plans to allocate further resources to the grant monitoring process at the Council and this will assist in evidencing a thorough audit trail. **Recommendation 1** addresses this finding.

Terms and conditions provide sufficient information to organisations with regards to the Council recovering any misused or unused funds. The Community Partnerships Service Manager confirmed that there had not been any issues of non-compliance during 2015/16 or during this financial year to date.

Based upon the audit findings, the assurance rating for the design of controls in respect of this risk is **Substantial Assurance** and the rating for compliance with these controls is **Sufficient Assurance**.

3. ACTION PLAN

The following Action Plan provides one recommendation to address the findings identified by the audit. If accepted and implemented, this should positively improve the control environment and aid the Council in effectively managing its risks.

4. LIMITATIONS TO THE SCOPE OF THE AUDIT

This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

ACTION PLAN

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
1	<p>The following issues were noted during sample testing:</p> <ul style="list-style-type: none"> • Evidence of additional funding was not held on file for two of the organisations included in the test sample; • An Equalities policy was not held on file for one organisation in accordance with agreed terms and conditions; and • A completion report was not held on file for one of the two relevant organisations included in the test sample. <p>Sufficient evidence of compliance with terms and conditions must be obtained from each grant recipient to mitigate the risk of inappropriate and / or fraudulent activity.</p>	<p>Appropriate information in relation to grant fund applications should be held on file to confirm that grant funding has been awarded to eligible organisations.</p> <p>In addition, completion reports should be held on file to provide assurance that grant funding is being used appropriately.</p> <p>A management check should be introduced to confirm that appropriate information has been obtained from all grant recipients and details of this should be evidenced.</p> <p>Furthermore, the information that is not held on file should be obtained from the relevant organisations retrospectively.</p>	<p>A very positive audit that reflects work over the last three years to improve the grant process and mitigate risk.</p> <p>An increase in resources for grant administration has been agreed in the budget for 17/18. This will ensure there are sufficient resources to implement the recommendation, monitor all 'live' grant awards and ensure completion reports and other evidence documents are filed.</p>	Medium	Community Partnerships Service Manager	30/06/17

GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.