	INTERNAL AUDIT REPORT

FROM:	Audit and Risk Manager	**SUBJECT:**	Grant Applications
TO:	Head of Finance	**DATE:**	9 June 2023
C.C.	Chief Executive		
	Portfolio Holder (Cllr Chilvers)		

1 Introduction

1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.

1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

2.1 The Council has access to a number of grants and subsidies each year which can help support its objectives. In 2022/23 the sum of grants and subsidiary claims totalled £33,662,416. Grants and claims are not solely the responsibility of officers in one service area and instead they are dispersed across the Council depending on the provider or grant requirements.

3 Objectives of the Audit and Coverage of Risks

3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.

3.2 In terms of scope, the audit covered the following risks:

1. Ongoing revenue costs are committed to once the grant funding has ceased.
2. Available grants are not claimed.
3. Grant funding is not spent appropriately or not spent within the appropriate timescales and have to be repaid.
4. Lack of resource to monitor and manage the grants.

3.3 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

Available grants and subsidy claims are received to support all of the strands in the FFF strategy.

4   Findings

4.1   Recommendations from Previous Reports

4.1.1   The previous audit of the subject area was completed in 2009, the systems and processes have changed since then so this audit has been performed as if it was a new audit.

4.2   Financial Risks

4.2.1   **Potential Risk: Ongoing revenue costs are committed to once the grant funding has ceased**.

The majority of the grants and subsidies are government-led, most of which are available annually. Those which aren't provided by the government are often for specific reasons - for example, for an art exhibition purchase, disability improvements or access systems. In these cases there are potentially ongoing costs that should be considered such as repairs and maintenance or insurance implications.

When reviewing the budgets it is not clear if ongoing costs have been considered as the codes for maintenance (as an example) are generic to an area and do not specify what they cover. Only two of the cost codes used for the grants received in 2022/23 were carried over into the 2023/24 financial year with a budget allocated. In these cases the budgets do not provide detail as to what the funds are for and therefore it cannot be confirmed if it is ongoing funding or additional grant funding for other projects.

There is a grants register in place which details the grants and subsidies that the Council has successfully applied for or been allocated. Using the register for 2022/23, a selection of officers who were identified as responsible for grants were contacted to discover more about their involvement and to review the process followed. This selection of officers will be referred to throughout this report in various sections.

The ongoing funding had been considered by one of the officers interviewed. This was because it was a large grant in which the application had to be accompanied by a business case. The business case had included expected maintenance and energy costs of the project over a number of years. None of the other officers had considered ongoing funding needs for the projects which had been funded by the grants or subsidies. Many of the grants on the register were government-led subsidies which the Council has no choice but to claim; others were for one-off events, incurring no further funding needs. There were a few grants on the register where the consideration of ongoing funding or costs would have been beneficial; for example, purchasing of entry systems and security gates or to fund the set-up of long-term projects.

Recommendation

A process should be in place that ensures the potential for ongoing funding has been considered when applying for grants.

4.2.2 **Potential Risk: Available grants are not claimed.**

There is no set person charged with finding available grants and a complete list of the grants available to the Council does not exist. The majority of grants claimed are government subsidies so the council is automatically notified of them. Some grants are available annually so may be applied for repeatedly. Grants from local organisations are identified by working with local community groups or funding partners contacting senior officers. A few of the grants were identified through industry publications.

As the grants are available from a variety of sources it is not possible to compile a complete list as it would frequently change and require updating which would be resource-heavy to manage. There are some websites which compile details of local community grants such as WCAVA (Warwickshire Community and Voluntary Action) who gather details of small grants available for local community projects. There is also a database available called 'Grant Finder', a subscription-based website which collects information about grants available in the UK from charitable trusts, societies, research councils, national government, and corporate sponsors.

When officers are aware of grants or subsidies available, they review the criteria and, if suitable, the grant or subsidy is claimed or applied for. Officers interviewed confirmed that when applying for grants they ensure the Council meets the criteria and that the grant supports the corporate objectives set out in the 'fit for the future' strategy. In some cases where the terms had been more complicated, legal services had been consulted as there could have been wider repercussions. Grants always link to service area plans and for larger grant applications the Head of Service is involved, taking the application to SLT for review and approval.

Not all grants are applied for as the Council doesn't always meet the requirements. However, no details or information are kept of grants considered but not applied for. As grants can be applied for by a large number of officers across the various service areas it would be a poor use of resource to gather and maintain records of grants that have simply been considered but not pursued further.

4.2.1 **Potential Risk: Grant funding is not spent appropriately or not spent within the appropriate timescales and have to be repaid.**

The grants registers list grant applications which have been successfully applied for. The registers identify the relevant officer or officers, the nominated accountant, and other key information regarding the grant such as amount received, conditional information and crucial dates.

The grants register for 2022-23 was reviewed. All the grants on the register had an officer or budget manager identified as the responsible officer and an accountant identified. There were 56 grants on the register for 2022-23. The sum of grants and subsidies successfully received was £33,662,416.

From the register a sample of 24 grants and subsidies was selected. Half of the sample were conditional and the other half were non-conditional; other than this the sample was selected at random. All the sample had separate files set up containing additional information and supporting documents. All the sample files included documents detailing the amount of the grant or subsidy and details of the payment date. Five of the sample included application documents - this is because the majority are subsidies or grants where there is no application process to follow. All the sample had been coded to the correct ledger, although initially two were incorrect but this was quickly noticed by the Grants and Loans Manager who had provided details of the correct code so that the accountants could resolve it.

Not all grants required working papers or spending to be monitored. Within the sample, those that required it either had reports of how the grant had been spent or information that had been saved in preparation for the report or feedback. In some cases the grant period hadn't ended so the funds had not been fully used to allow detailing of the spending. Where spending feedback had been issued to the grant provider either screenshots or copies of emails had been saved in the file.

The staff selected for interview confirmed that the terms of some of the grants required frequent reporting. In most cases this was quarterly, to the grant provider. These staff were able to provide additional documents to support the frequent reporting which showed how the funds were used and any outcomes.

4.3   **Other Risks**

4.3.1   **Potential Risk: Lack of resource to monitor and manage the grants.**

Only one of the officers interviewed had reference to applying for grants in their job description; others either didn't or were unsure as they didn't have access to a current copy. All the officers interviewed commented that the role had always included finding, applying for and monitoring additional funding opportunities so a time allowance had been made for this.

There is no set procedure in place for the monitoring of grants. This is due to the grant providers stipulating how and when they require feedback and progress reports. One of the officers interviewed said that some of the government grants and subsidies are compulsory and usually no monitoring is required. Other officers confirmed that monitoring was completed and reports issued on a regular basis to the grant provider. Internal reporting is rarely completed unless the funding is part of a large project or for a significant amount.

Some of the officers interviewed did confirm that they don't actively look for additional funding as much as they feel they should as they don't have the time available. Instead, they opt to apply for grants which have been historically available or that are easier to identify through funding partners. One of the officers confirmed that they had previously looked into subscribing to the 'Grant Finder' site but with staff vacancies there hasn't been the opportunity to explore this further.

The officers interviewed were all aware of their responsibilities regarding grants and all understood the importance of monitoring and reporting in line with the terms set out.

5   **Summary and Conclusions**

5.1   Section 3.3 sets out the risks that were being reviewed as part of this audit. The review highlighted weaknesses against the following risks:

Risk 1 - Ongoing revenue costs are committed to once the grant funding has ceased.

5.2   In overall terms, however, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Grant Applications appropriate and are working effectively to help mitigate and control the identified risks.

5.3   The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Grant Applications – June 2023

Report Ref.	Risk	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.1	Ongoing revenue costs are committed to once the grant funding has ceased.	A process should be in place that ensures the potential for ongoing funding has been considered when applying for grants.	Low	Head of Finance / Grant and Loans Manager	Guidance will be created to support a new grant process, in particular those that require ongoing funding. This will be accessible from the Intranet, where it will be necessary to complete a short form containing a section where any growth / funding requirements can be outlined for delegated approval.	April 24

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.
Medium: Issue of moderate importance requiring prompt attention.
Low: Issue of minor importance requiring attention.