

**Committee:** Governance, Audit and Performance Committee

**Date:**  
16<sup>th</sup> March 2021

**Title:** Internal Audit Terms of Reference – Review of Grants Governance

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## Summary

1. The purpose of this Terms of Reference is to set out the objectives and scope for the review of the Council's governance and control arrangements for the management of Grants to recipient organisations. This review is being undertaken at the request of GAP Committee following its meeting on 4<sup>th</sup> February 2021.

## Recommendations

2. GAP Committee are requested to note the scope of the review.

## Financial Implications

3. The programme of audit work will be met from the Internal Audit budget.

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	Relevant Senior Managers were consulted by the Audit Manager during February 2021.
Community Safety	
Equalities	
Health and Safety	
Human Rights/Legal Implications	The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part

	1) of the Accounts and Audit Regulations 2015).
Sustainability	
Ward-specific impacts	
Workforce/Workplace	

## Situation

### 6. Audit Objective

- 6.1. The objective of this audit is to provide a risk-based review of the council's current governance and internal control arrangements for awarding funding to recipient organisations and monitoring funding usage to ensure that the grants awarded constitute an appropriate use of expenditure.
- 6.2. The focus will be on the robustness of the current control framework to ensure that it is fit for purpose. Due to ongoing legal discussions, it is not appropriate for the scope of this review to cover the administration of Debden Village Hall Trust Grant at this time.

### 7. Audit scope

- 7.1. The key aspects of the management control framework over grant funding administration should include:
- Clearly defined roles, responsibilities and accountabilities are established for the management of grants;
  - Grant funding programmes are accessible, understandable and useable by applicants and recipients;
  - A process is laid down to ensure grant programmes are designed, delivered and managed in a manner that takes account of risk and cost-effective transparent oversight and control systems exist.
- 7.2. The audit will therefore focus on key controls in place to mitigate the following potential risks:

Risk ref	Risk
1	<p><b>Governance</b></p> <p>Financial loss and/or reputational damage to the Council may occur as a result of:</p> <ul style="list-style-type: none"> <li>• Grants may be awarded to recipient organisations which are not aligned to the objectives of the Council's Grant Policy.</li> <li>• Eligibility and award criteria may not be objective, fair and/or transparent and grants may not be awarded in line with the stated criteria to ineligible/inappropriate recipient organisations.</li> <li>• The selection process may not be in line with documented procedures and may not be fair or transparent, with appropriate oversight, which may lead to challenge.</li> <li>• Due diligence may not be taken when selecting applicants, meaning that recipient organisations who do not meet the selection criteria may be successful.</li> <li>• Failure to consider conflicts of interest between the Council and the recipient organisation may lead to challenges of inappropriate decision making.</li> </ul> <p>Grant funding terms and conditions may not be put in place with successful recipient organisations, may not be consistent or robust and/or may not allow for the right to audit or ensure the recipient organisation has appropriate insurances in place. This may leave the Council exposed in the event of any challenges.</p>
2	<p><b>Grant Disbursement</b></p> <p>There may be no clear service standards agreed between the Council and the recipient organisation for the delivery of commissioned services, resulting in the Council not being able to promptly identify performance issues.</p> <p>Ineligible/inappropriate/inaccurate funds may be disbursed which may not be in line with grant specifications and/or Council financial rules e.g. amount, timing and method of delivery, leading to financial loss to the Council and/or financial hardship to the recipient organisation which may impact on their service delivery.</p>
3	<p><b>Monitoring of Grants</b></p> <p>The recipient organisation may not provide valid, accurate, complete and up to date financial information to the Council which may result in underlying financial problems going undetected or services being delivered that are not in accordance with the terms and conditions of the Grant and may allow fraud/error to go undetected.</p> <p>Income received by the recipient organisation from the Council may not be spent in line with funding agreements, resulting in the recipient organisation not providing value for money in the delivery of its services and/or increasing the risk of reputational damage to the Council.</p> <p>Monitoring information available to the Council may be invalid, inaccurate, incomplete or out of date which may lead to performance issues not being identified and/or escalated in a timely manner.</p>

Risk ref	Risk
	Grants may be awarded by other areas of the Council, outside of the Grants scheme, which may not be in line with the Council's Grants Programme and/or may not be centrally managed allowing for the potential to pay multiple awards to the same organisation, which may not be subject to clear and transparent monitoring.

## 8. Audit Approach

The review will be carried out using a risk-based approach. We will:

- Obtain an understanding of the process and key controls operating across each identified area, through discussions with key personnel, review of systems documentation and by undertaking walkthrough tests;
- Evaluate the design of the controls in place to address the key risks;
- Test the selected key controls for their operating effectiveness, on a sample basis.

## 9. Proposed timescales

Action	Date
Agreement of terms of reference	16 <sup>th</sup> March 2021
Fieldwork start	March 2021
Fieldwork complete	April 2021
Report to GAP Committee	TBC

## 10. Contacts

**Internal Audit**      **Elizabeth Brooks** – Audit Manager

**Council Contacts**   **Jane Reynolds** – Legal

**Fiona Gardiner** – Communities, Health and Wellbeing

**Roz Millership** – AD Housing, Health and Communities

**Roger Harbourough** – Director Public Services

**Adrian Webb** – Director of Finance and Corporate Services

**Dawn French** – Chief Executive

**Members of GAP Committee**

**Risk Analysis**

11.

Risk	Likelihood	Impact	Mitigating actions
Internal Audit may not deliver an effective and value-adding service	1	2	Internal Audit Manager delivers audit programme in line with its Audit Charter and in line with Public Sector Internal Audit Standards

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.