



Ward Committee Funding 2018/19

City of York Council

Memorandum

For: Head of Communities and Equalities; Assistant Director for Communities and Culture; Head of Communities and Equalities

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1 INTRODUCTION AND SCOPE

- 1.1 On 30 July 2015 Executive considered and approved the council's new approach to community engagement. This new approach involved the re-establishment of ward committees to enable the council to work in closer partnership with residents in order to tackle local issues and increase community capacity. Amongst other responsibilities, ward committees are charged with drawing up ward priorities based on engagement with residents, agreeing expenditure and services and encouraging community schemes that meet local needs.
- 1.2 For 2018/19 a funding pot of £519k has been allocated between wards. The devolved budgets available to ward committees comprise of a one-off and three recurring annual funding streams, devolved on a per capita basis. This funding can be used flexibly by the ward committee to address ward priorities and to support and develop community initiatives which benefit local residents and may reduce reliance on council services.
- 1.3 Following discussions with the Head of Communities and Equalities, it was agreed that this audit would provide assurance to management that procedures and controls within the system ensure that:
 - Grant applications are reviewed to enable effective decision making
 - Conditions of funding are in place for recipients and are enforceable
 - The implementation of grant-funded projects is effectively monitored
- 1.4 The findings from this audit are discussed in detail within Section 2 of this report and are presented in a summary format in Appendix 1. Agreed actions to address identified control weaknesses are addressed in Appendix 2.

2 FINDINGS

Background and Methodology

- 2.1 This audit was completed as an in-depth follow up of the grant funding arrangements which were reviewed as part of the 2016-17 Ward Committee Budget Decision Making audit.
- 2.2 To assess the current procedures in place a review of the ward committee grant funding records was undertaken. In addition, a sample of ten approved projects from 2017-18 was taken and reviewed to confirm that all expected controls within the grant submission, agreement and monitoring processes were functioning as intended.
- 2.3 Sampling was completed by selecting the highest value grant claim from each the five wards with the highest ward budget expenditure, as of November 2018. An additional sample of five grants was selected at random from five wards which did not feature in the first part of the sample. This sampling methodology was selected so that a representative sample of grants was assessed whilst addressing areas of higher risk, for example, where the grant value received is greater.

Review of Grant Applications

- 2.4 All applicant organisations must fill out a standardised grant application form. Community Involvement Officers (CIO) are responsible for reviewing all funding applications from organisations to their ward in the first instance, to ensure the application meets funding criteria and ward priorities.
- 2.5 In order to receive funding, the applicant is expected to provide a fully completed application form, evidence that the organisation is formally constituted and that they have a bank account. However, only three of the ten approved projects sampled from 2017-18 had fully completed grant application forms, with most missing evidence of either the applicant organisation's constitution or recent bank statements. Two of these grant application forms also failed to include any financial information relating to the organisation's funding request, such as a breakdown of expected costs. One other form provided no information outlining the aims of the project or who it was intended to benefit within the ward.
- 2.6 Where a CIO has identified an application that does not meet the application criteria they are expected to work with the organisation and the ward team to help them meet the funding requirements. It could not be confirmed that the issues identified with the application forms were addressed by CIOs. However, the electronic application form that has been introduced is likely to reduce this issue in the future because it prevents the applicant from proceeding with the application or submitting the form until all sections are completed.

- 2.7 CIOs are also expected to complete the master funding proposal spreadsheet in order to consolidate a record of all applications, giving each grant application received a unique identifying number.
- 2.8 A review of the current master funding proposal spreadsheet found that record keeping was not always consistent, with some entries lacking scheme and funding categorisation, information about the organisation, ward priorities met or amount requested. Changes to the way data is entered on the spreadsheet are required if it is to serve as an accurate record of all proposals.

Enforceability of Grant Agreements

- 2.9 Once the ward councillors have considered a grant application and recommended to fund the proposal, a grant agreement form is completed by the CIO and signed by the council and the organisation requesting the funding. This agreement outlines the scope of the project and the terms of funding. Should an organisation breach the terms of the funding arrangement, the grant agreement is intended to ensure that the necessary recovery action can be taken.
- 2.10 Of the ten projects sampled from 2017-18, three agreement forms were not signed by the organisation and two could not be provided for review. Although a grant agreement form was available for the 2017-18 funding year for one of the two recorded as unavailable, the agreement only references the 2017-18 funding year and has not been updated to reflect the extension of the project for a further year. Had any of these five organisations not met the conditions of funding, it is unlikely that the council would have been able to take the necessary action to recover the lost funding.
- 2.11 The remaining five agreements sampled were fully completed and signed by both organisations. However, even when the agreements are fully signed and completed by both organisations, this does not always guarantee that they are enforceable. During the audit the Head of Communities and Equalities advised that, in 2017-18, there were two separate instances (not included in the audit sample) where the terms of funding were considered by the service to have been breached. Enforcement action could not be taken in either case to reclaim the funding due to the wording of the project description in the agreement. At the time of the audit, the Head of Communities and Equalities was liaising with Legal Services with a view to strengthening the template grant agreement form such that it protects the council from this risk in future.

Monitoring of Grant Funded Projects

- 2.12 As a condition of funding, a fully completed grant monitoring form should be returned to the council by the end of the financial year or three months after completion of the project, whichever is sooner. The grant monitoring form should demonstrate how the awarded monies were spent and what the project achieved, including any lessons learned that may be useful to other organisations. The council is entitled to reclaim any outstanding funding

provided upfront that has not been spent during the project. Review of the grant monitoring form is the main method by which the CIOs confirm that the project has met the conditions of funding.

- 2.13 Of the ten projects sampled from 2017-18, only two monitoring forms had been fully completed and returned to the council within the required timescale. One grant monitoring form had not been submitted because the project was extended beyond the initial funding cycle to be completed by the 2018-19 financial year; as such a grant monitoring form was not due at the time of the audit. For the remaining seven projects tested, four could not be provided for review during the audit. It was, therefore, not possible to confirm that the grants awarded to these four projects were used in accordance with the terms of funding.
- 2.14 Two of the remaining three grant monitoring forms were missing key information on expenditure. Grant monitoring forms should provide evidence of expenditure to confirm completion of the project. This evidence might take the form of invoices, receipts, payroll data or photographs of work done. Without expenditure information, it is difficult to confirm that the funding provided was fully utilised or used in a manner consistent with the terms of funding.
- 2.15 The final grant monitoring form was not available because the organisation had confirmed to the council that the project was no longer deliverable. The council is currently in the process of reclaiming the funding.
- 2.16 During the audit, it was also found that one of the organisations which had not returned the monitoring form for a grant it had received in 2017-18, had subsequently been awarded a further grant during the 2018-19 financial year. Although the second grant was for a considerably smaller sum (£250) than the initial grant (£10,000), it is surprising that additional funding was given to an organisation that had previously breached the terms of funding. There is currently not a process in place to prevent an organisation from receiving additional funding until it has returned its outstanding grant monitoring form(s).

Managing Conflicts of Interest

- 2.17 When a funding application is presented to the ward team by the CIO, the ward councillors will discuss the application with the rest of the ward team before making a recommendation. Only ward councillors are allowed to make the recommendation as to whether or not they wish to support the application. A summary of the application and the ward councillor's recommendation is then presented to the Director of Children, Education and Communities for approval. The committees are informally constituted and thus rely on the delegated authority of the Director of Children, Education and Communities to implement spending decisions.
- 2.18 A review of the master list of funding applications for 2018-19 confirms that all ward councillor recommendations for grant awards have been approved by the Director. Although a brief overview of key information on the project is

provided to the Director, it is not (nor is it expected to be) sufficient to enable a thorough review of the application. Thus in practice, once the ward councillors have recommended the decision, it is likely to be approved.

- 2.19 Ward partners sit on ward teams in an advisory capacity and do not vote for or against a funding application. As such, they are not required to submit declarations of interest or to excuse themselves during discussions of funding applications. However, due to their presence and advisory position within the team, a perception of possible bias could be inferred from these proceedings if they were to consider an application made by the organisation they represent.
- 2.20 A list of ward partners was requested for the ten wards sampled when selecting the 2017-18 projects and this was compared to the ten applications sampled. One of the grant applications sampled was made by an organisation to the ward committee and a representative from this organisation was a partner on the committee. The date the ward councillors recommended approval of the application was checked against ward committee records; however, no meeting minutes or agenda items were available from which to review attendance or discussions. Another of the applications sampled was made by an organisation to another ward committee with the proposal stating the organisation would run sessions from one of the ward partner's premises, paying them a full year's rent. Again, no meeting minutes or attendance records were available for this ward committee decision.
- 2.21 The absence of regular attendance records and meeting minutes has meant that it was not possible to review the recommendation process made within the ward committees.
- 2.22 By virtue of their position, acting as the initial assessor of ward funding applications, CIOs have an indirect influence on council spending decisions. This means that it is important that these officers have current declarations recorded. The service has implemented an annual review process for officer declarations. Eight out of the nine CIOs employed by the council have completed declarations of interest forms. The service confirmed that the outstanding CIO had completed the form but it could not be provided during the audit.
- 2.23 However, of the eight completed forms, three were not fully completed and none of the forms were signed to confirm they had been received and reviewed. It is important that these are signed and dated to show they have been reviewed because this provides an audit trail should allegations of undeclared interests arise. There is no suggestion of impropriety with regards the conduct of ward partners or of CIOs but without the proceedings of ward meetings being documented and without fully completed declarations of interest the council is not protected from accusations of the same.

3 CONCLUSIONS

- 3.1 A thorough grant application form is in place. This form, alongside the expected standard of evidence that organisations must supply when applying for funding is designed to ensure that funding is only given to appropriate, legitimate organisations. However, during the audit it was found that not all applications had evidence of fully completed application forms available.
- 3.2 Terms of funding are outlined in grant agreement forms between the council and the applicant organisation. However, it was not possible for all forms reviewed to confirm that the organisation had agreed to the terms of funding prior to it being released. Even when agreement forms are available and signed there are concerns around the enforceability of these agreements.
- 3.3 As a condition of funding, grant monitoring forms must be submitted to the council by the end of the financial year to monitor the use of the grant. The majority of monitoring forms could either not be provided during the audit or were missing key evidence necessary to provide assurance that the project was completed within the conditions of funding. These findings indicate that the implementation of grant funded projects is not consistently monitored.
- 3.4 Ward partners are permitted to provide input to ward councils when funding applications are debated but are not required to excuse themselves when the funding application relates to the organisation they represent. It could not always be confirmed that representatives of the applicant organisation or organisations financially benefiting from the application were not present in their capacity as a ward partners during these discussions. These cases could not be reviewed further because ward committees are only required to hold one formal meeting per year at which minutes or attendance records are recorded.
- 3.5 The CIOs responsible for screening and managing applications are expected to annually declare any conflicts of interest to the Head of Communities and Equalities. A review found that declarations of interest forms had varying levels of completion. None of the forms were signed to confirm they had been reviewed.
- 3.6 No evidence of impropriety on the part of CIOs or ward partners was found. However, the procedures surrounding consideration of funding applications are such that decisions are open to the suggestion of potential bias and more could be done to improve transparency in this regard.

APPENDIX 1 –SUMMARY OF TESTING

Sample ID	Ward Committee	Is there a completed grant application form?	Details of issue(s)	Is there a completed ward committee grant agreement form?	Details of issue(s)	Is there a completed grant monitoring form?	Details of issue(s)
1	Hull Road	X	Information not provided: - financial information for the organisation - organisation's constitution - bank statements for the organisation.	✓/X	The grant agreement for the initial funding year was available; however, it was not updated after the project was extended.	N/A	The grant monitoring form has not been submitted by the end of the financial year because the project is for 12 months, going beyond normal funding cycle (1st April- 31st March).
2	Holgate	✓	N/A	✓	N/A	✓	N/A
3	Guildhall	✓	N/A	✓	N/A	X	Form was unavailable.
4	Micklegate	X	Information not provided: - organisation's constitution - breakdown of how the grant will be spent.	X	Agreement was not provided to the auditor for review.	X	Grant monitoring form not completed by recipient because they say the project is no longer deliverable. The recipient has offered to refund the money but had not done so at the time of the audit.
5	Fishergate	X	Information not provided: - organisation's constitution - bank statements for the organisation.	✓	N/A	X	No evidence of how the income was spent, such as invoices or photos.

Sample ID	Ward Committee	Is there a completed grant application form?	Details	Is there a completed ward committee grant agreement form?	Details	Is there a completed grant monitoring form?	Details
6	Wheldrake	X	Information not provided: - sponsor organisation's constitution and arrangements with applicant - bank statements for the organisation.	X	The grant agreement form is not signed by the organisation.	X	No evidence of expenditure included in the form and no evidence provided of how the income was spent, such as invoices or photos.
7	Rural West York	X	Information not provided: - Details of the project - How the application meets ward funding priorities - Who the project is intended to benefit.	X	The grant agreement form is not signed by the organisation.	X	Form was unavailable.
8	Copmanthorpe	X	Information not provided: - organisation's constitution - breakdown of how the grant will be spent.	X	The grant agreement form is not signed by the organisation.	X	Form was unavailable.
9	Strensall	X	Information not provided: - organisation's constitution - bank statements for the organisation. - breakdown of how the grant will be spent.	✓	N/A	X	Form was unavailable.
10	Fulford & Heslington	✓	N/A	✓	N/A	✓	N/A

APPENDIX 2 – ACTIONS AGREED TO ADDRESS CONTROL WEAKNESSES

Action Number	Report Reference	Issue	Risk	Agreed Action	Priority	Responsible Officer	Timescale
1	2.4 – 2.8, 2.10-2.11, 2.12-2.16, 2.22-2.23	Ward funding records, evidence and CIO records are not completed in a consistent manner. Information may be unavailable for review purposes or later applications.	Missing information prevents effective decision making or review procedure.	A retention schedule and shared repository for all key documentation relating to grant funding awards will be established. A quality review procedure will be established to monitor compliance with expected procedures and record keeping standards. All ongoing grant-funded projects will be reviewed and steps taken to resolve any missing documentation.	2	Head of Communities and Equalities	October 2019
2	2.11	The wording included within grant agreements between the council and the applicant organisation is not consistently robust enough to enable enforcement of the council's conditions of funding.	Grant funding cannot be reclaimed from organisations that break the council's conditions of funding.	The service will continue to liaise with the legal department to ensure that the grant agreement form is made sufficiently robust so as to enable recovery action to be taken where necessary.	2	Head of Communities and Equalities	July 2019

3	2.12-2.16	Organisations that do not return the grant monitoring form are not routinely recorded or reported on, despite this being a condition of funding.	Review of grant monitoring is not completed, resulting in funding being given to organisations that have previously breached the conditions of funding.	A monitoring report will be produced recording organisations that have not returned the grant monitoring forms. A reminder will be issued to CIOs to ensure that they review the report when assessing new funding applications.	3	Head of Communities and Equalities	July 2019
4	2.17-2.21	Attendance and minutes of ward committee meetings are not consistently maintained. This prevents review of ward councillor recommendations to approve or reject funding applications.	Ward partners may advocate for ward funding applications that directly benefit their organisation to ward councillors, unduly influencing their decision to recommend approval of the application.	Minutes will be taken at ward committee meetings where grant applications are to be discussed. Ward partners whose organisation has applied for or which financially benefits from the application will excuse themselves from the committee during consideration of the application.	2	Head of Communities and Equalities	July 2019

*The priorities for actions are:

- Priority 1: A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
- Priority 2: A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
- Priority 3: The system objectives are not exposed to significant risk, but the issue merits attention by management.