

## GRANTS FINANCIAL MANAGEMENT POLICY

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Policy and Guidance



Effective: July 2019

# APPENDIX A

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## Purpose

The benefits of securing grant and external funding (herein referred to simply as 'grants') for the Council and its citizens can be significant and enable activities to take place that might not otherwise proceed. Similarly, the award of funding by the Council demonstrates the Council's commitment to support individuals and other organisations, which are instrumental in enabling it to achieve its corporate improvement priorities.

The **purpose** of this Policy is not to provide guidance on project management or any statutory regulations. There is already in place a Project Management Toolkit that anyone managing a project, including that funded via grants, should be using to deliver their project which is available via BCBC intranet ([here](#)). Further guidance can be sought from the Regional Funding Team (RFT).

The **purpose** of this Policy is to set out the procedures for ensuring effective and appropriate use is made of grant funding available to, and secured by, the Council, be it as a recipient and/or supplier of grant funding. It also sets out the financial management requirements for grant funding that must be followed in order to ensure it can stand up to any rigorous audit process. Whilst not all grants are audited, a significant number are and any grant can be audited at the request of the funding body.

It is recognised that the process for applying and awarding of grant funding can differ significantly between various funding sources, but this should not preclude the following of this policy in relation to the financial approval process.

## Scope

Grants can be defined as any money that the Council secures which is extra to its annual allocation from the Welsh Government and that would normally be available to it through council tax, fees and charges. This extra funding could be by itself or in partnership. These resources might be secured through competitive bidding or be subject to annual allocations.

This Policy and the associated process apply to officers who are involved in:

- bidding for funding, including Expressions of Interest
- financial management of grant-funded projects
- preparing claims for grant or similar funding streams
- dealing with financial project closure, interim and final audits
- onward allocation/award of grant funding to individuals or organisations outside of the local authority.

## Strategic Objectives

It is essential that all external funding is clearly linked to one or more of the Council's approved **priorities** or **well-being objectives**. These Priorities are intended to improve the quality of life of people in the county while significantly changing the nature of the Council:

Supporting a successful economy	Helping people to become more self-reliant	Smarter use of resources
A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce.	Individuals and families that will be more independent and less reliant on traditional Council services.	A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens' needs.

This does not mean that they necessarily are included in service plans, as funding may be awarded after service plans have been approved. However any grant should align to the Council's priorities. It should be noted that '**opportunistic bids**' for funding can often result in predetermined aims not being achieved because staff and other resources are diverted to objectives which are not corporate and are not priorities. Therefore 'opportunistic bids' are to be avoided unless they align to the Council's priorities.

### Role of Grants Co-ordination Officer

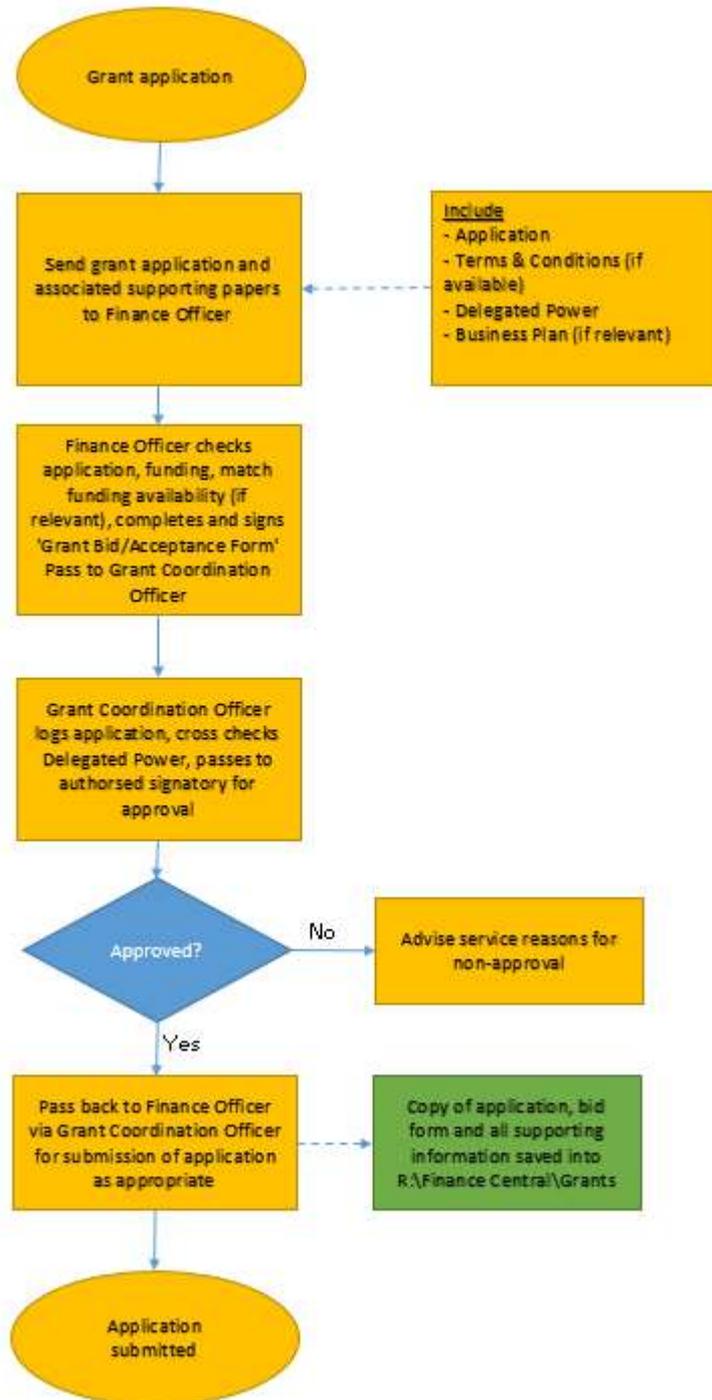
The Grants Co-ordination Officer provides the first point of contact for

- co-ordination of grant application, offer letter and claims approvals
- initial point of contact and ongoing liaison between funding bodies, external audit (Wales Audit Office) and the Council
- dealing with any audit queries insofar as practicable, and liaising with finance and other colleagues as necessary to ensure the successful audit process
- initial point of contact for advice and guidance in relation to grant processes and grant procedure rules
- review of systems and processes within the Grant Procedures to ensure compliance with changing legislation and external audit requirements
- ensuring that the Council has a complete record of all grants applied for and approved, and that income is correctly recorded on the financial ledger
- ensuring that all grants comply with this policy, by liaising and verifying information with finance and service colleagues as necessary
- completion of monthly and annual grant analysis for ongoing review and inclusion in the statutory annual Statement of Accounts

Whilst responsibility for the accurate completion of grant applications and claims rests with the Directorate, the role provides a key check to ensure the Council has in place a robust process in relation to the financial management of grants, and to minimise the risk of any audit qualification and potential clawback of grant by funding bodies.

## Section 1 - Submitting a funding application

Once a project has been defined, costs calculated and funding identified, the following process must be followed:





**Please allow 2 working days for financial checks to be completed. Failure to do so may result in the submission deadline being missed or the application not being approved.**  
**Funding applications must not be submitted without Financial Approval.**

Once you have completed the application form, had it signed by your Director or designated officer if necessary, you need to send the following to your Finance representative:

- ✓ Original signed application form
- ✓ Signed Delegated power
- ✓ Grant terms & Conditions
- ✓ Grant scheme Guidance Notes (these can be emailed or hyperlink sent)
- ✓ Any supporting information to the bid (eg Business Case)
- ✓ Detailed costings/workings to support the financial request

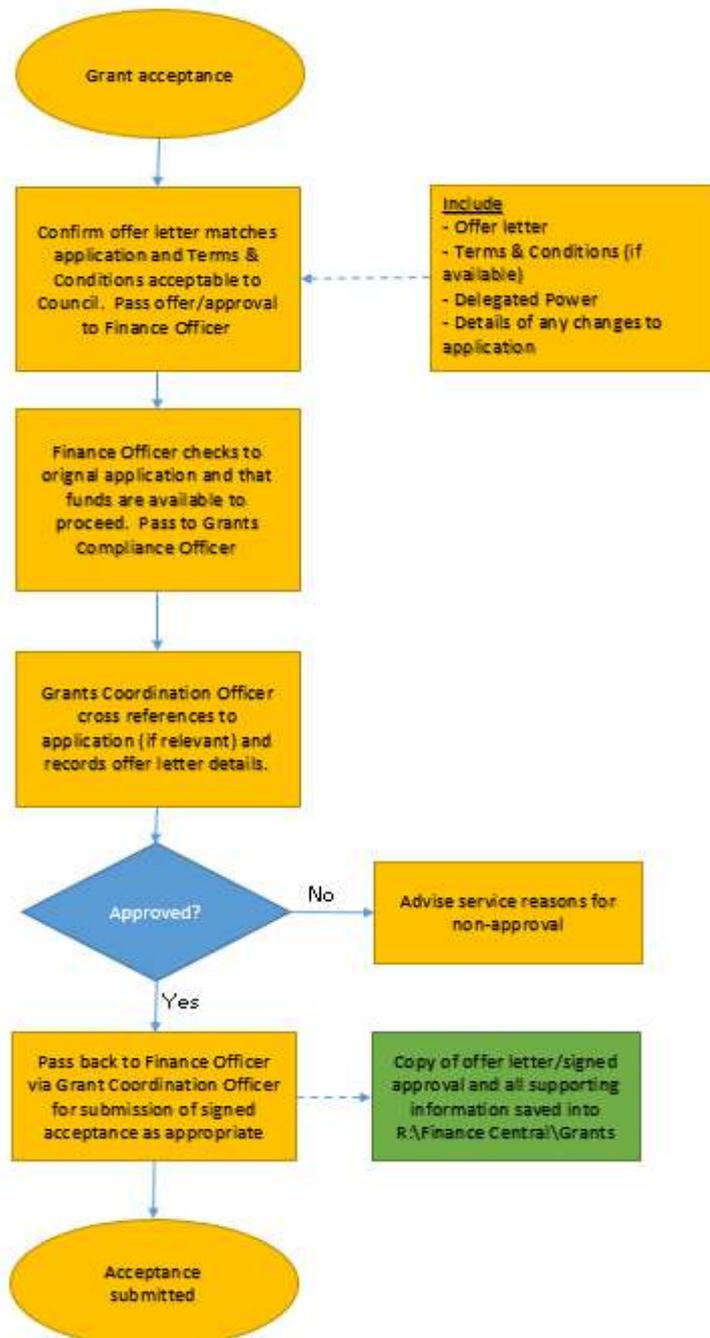
Finance Officers need to carry out checks and complete the '**GRANT BID/ACCEPTANCE FORM**', which confirms key financial data and that financial checks have been completed. Once this is done the application, supporting information and this form must be passed to the Grants Co-ordination Officer who will arrange for the necessary Finance authorisation. This is set out below:

## Section 2 - Grant Acceptance

Any successful applications for grant funding must be formally accepted. **All acceptances must be authorised and signed by the Chief Finance Officer (or nominated officer) prior to formal acceptance of the grant in addition** to any Directorate signatory if required.

The funding body will normally issue a formal approval/offer letter showing the award of funding. This will either be accompanied by the Terms and Conditions or itself will set out any conditions that relate to the award and payment of grant.

The process once a grant offer has been received is set out below:



*In the rare incidence of funding being awarded with no application then you will need to secure a delegated power to accept the award and financial checks will need to be carried out before the grant can be accepted.*

If there has been any change in the financial profile from the original application, you need to submit a revised profile to Finance and any impact on Council Funds must be assessed. This may mean that the project is no longer viable in which case the offer would have to be rejected. However, you should discuss this first with your Finance Officer.



**Please allow 2 working days for Finance approval**

## Section 3 – Grant claims

### 3.1 What constitutes a grant claim?

In simple terms - **any** claims made to an external body for funding. This will not always be in the format of a grant claim form, but must always be treated as such and these procedures followed.

#### Examples of grant claims:

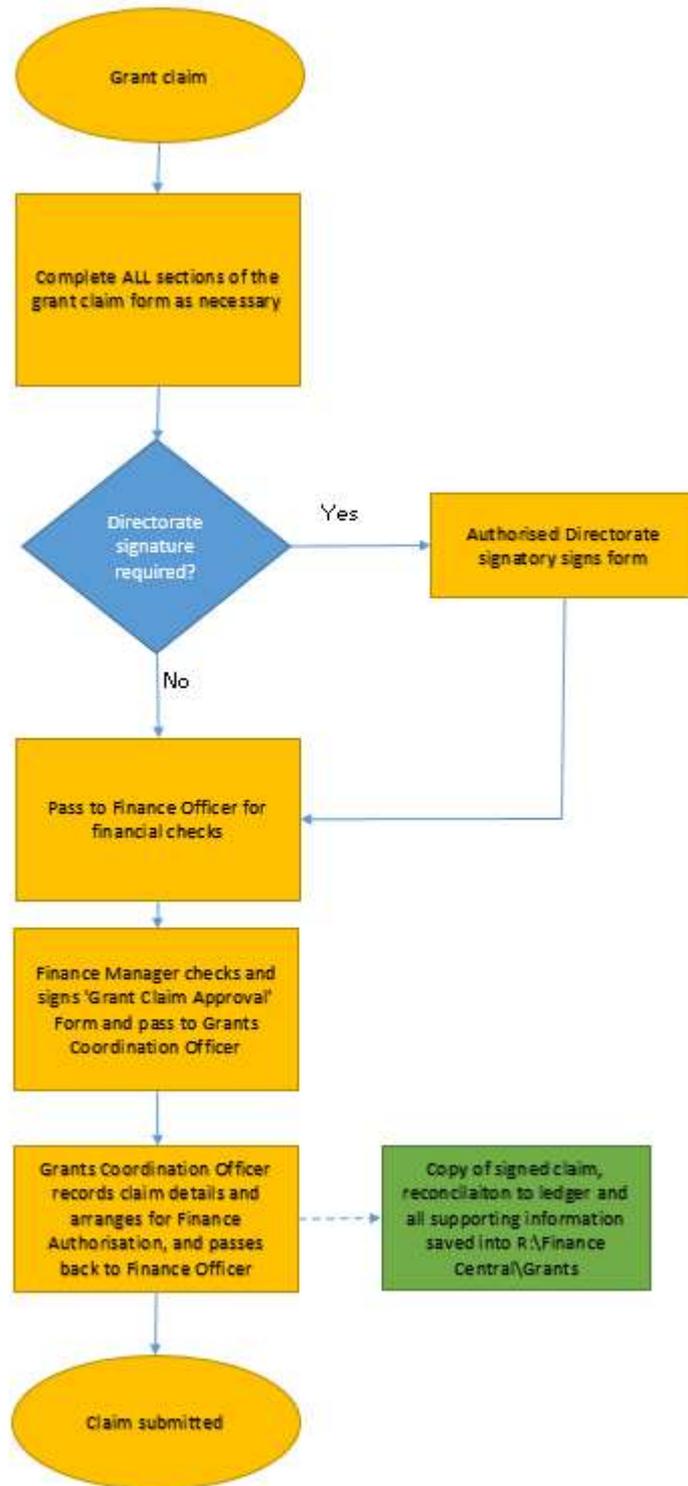
- Traditional grant claim forms
- On-line claims
- Invoices raised for grant funds
- Invoices for services via 'Sell to Wales'\*
- Claims to lead authorities for collaborative projects.

\* To comply with Contract Procedure Rules delivery of services under a grant scheme may require tendering. When tendering for these services you are still effectively applying for grant funding, and this policy must be adhered to. The level of evidence and audit trails required remains.

### 3.2 Completion of claims

A 'Responsible Officer' must be identified for each grant, who is responsible for the grant and ensuring that this policy is applied. They are responsible for ensuring that claims for grant are made in accordance with the Terms and Conditions of the grant, as laid out in the grant approval letter. The actual completion of the claims may be undertaken by another member of the team, but there must be an overall responsible officer for each grant. Finance officers will assist in this process if needed, to ensure that the financial aspects of the claim reconciles to the finance ledger.

The grant claim process is outlined below:



The officer responsible for the completion of the claim must ensure that all of the following information is included on the claim (and available for audit):

**Grant claim check-list**

- Claim must include all eligible expenditure per Terms & Conditions of the grant.
- Most funding sources require expenditure to have been defrayed\* before it can be claimed.
- Expenditure **must** be supported by entries on the financial ledger.
- There must be clear working papers to support the claim.
- Any non-financial elements of the claim (e.g. outputs) **must** be supported by evidence.
- Claims must be submitted within deadlines.

\* Defrayed means physically paid. i.e. monies have left the Council's bank account evidenced by bank statements and not just reflected on the ledger. Seek finance guidance if unsure. This applies to ALL European Funded projects and many other funding bodies.

### 3.3 Grant claim form

All grant claim forms must be certified by the Chief Financial Officer or representative. In order to obtain this certification, a **Grant Claim Approval Form** (available via the intranet) must be completed and signed by the responsible Finance Manager, once the following financial checks have been completed. All documentation is then forwarded to the Grants Co-ordinator to obtain the necessary certification.

As a minimum the following financial checks are required:

- Does the claim add up?
- Are all sections of the claim completed?
- Is there a clear audit trail to the financial ledger grant code(s)?
- Is the claim supported by a reconciliation to the ledger, identifying eligible and ineligible expenditure?
- Where more than 1 signature is required on the claim, has it been signed by the relevant Directorate responsible officer (NB if only 1 signature is required this **MUST** be the Chief Finance Officer or their representative)?
- Is source documentation in place to support all entries in the ledger?
- Has the expenditure been defrayed (where required – but ALL European grants require this)?



**Some grants require the same signatory on the claims as signed the original approval – check each grant terms and conditions carefully!**

A copy of the signed claim form must be retained, and Finance Managers are required to ensure that a copy (scanned pdf) is saved to the central grants folder on the Finance shared drive.

Project Managers should also keep a copy of the final grant claim for their records.

A record is kept of all grant applications and approvals, and amounts claimed and received. This information is used to populate statutory returns including the 'Whole of Government Accounts' return completed annually. It is also used to support the annual audit and to ensure that appropriate authorisations and processes have been followed to meet audit requirements.

## Section 4 - Project delivery

### 4.1 Project delivery

Securing funding for the Council has huge benefits for both the Council and the Community, enabling activities to be undertaken that would otherwise not be possible. However, it is essential to remember that funding is given for a particular purpose – ie to deliver outcomes. This *may* be include (as examples):

- Purchasing a specific item of equipment
- Providing training to a number of individuals
- Delivering x no. NVQ level 3 qualification
- Building a community resource or a school
- Providing community resources

It may be that the above will be delivered by a 3<sup>rd</sup> party rather than the Council, but the requirement to evidence the outcomes is essential.

Delivering these outcomes is essential to the funding and you have to evidence that these have been achieved. For capital projects this is generally straightforward – the building or piece of equipment exists and is required to be entered on the Council's Asset Register, but for revenue projects this is often more complicated to evidence and in some cases can be very difficult to demonstrate that the funding has achieved the purpose for which it was given, especially where delivery is by a 3<sup>rd</sup> party. Having robust monitoring procedures in place is especially important in these circumstances.

Officers therefore need to ensure they can not only demonstrate that the activities have been undertaken, but also that the auditable evidence is provided to prove that this is the case. There may be many ways in which to provide the evidence, and it will be necessary to consider the most suitable for each particular project.

The Terms and Conditions of the grant (or grant letter itself) will normally set out the requirements in relation to deliverables evidence required. These must be followed to ensure the requirements are met.

Should it not be possible to sufficiently evidence achievement of the project purpose the funder has the right to recover some, or all, of the funding allocated. This is particularly so for European funding, where there is significant scrutiny of project deliverables. Separate guidance is available in relation to European Funding via the Welsh Government website [here](#).

## Section 5 – Record keeping and monitoring



**Having a detailed and accurate audit trail is critical to minimising the risk of grant being clawed back by the funding body. Maintaining full supporting evidence of all items of expenditure/income and project outcomes is fundamental.**

### 5.1 The Responsible Officer's role

The Responsible Officer's role is to ensure that the project is delivered in accordance with BCBC's Grant Management Policy, the individual Terms and Conditions of the grant, the Project Management Toolkit and the European Grant Procedures (where applicable). For larger projects a specific Project Manager may be appointed, for many other grants the responsibility for the grant will be part of the day-to-day remit of the Responsible Officer. Further guidance on Project Management and the Project Manager's role can be found in section 11.6 of the [Project Management Toolkit](#) (available via the intranet). However, in relation to grants their role extends to include ensuring that the funding is spent in accordance to the terms and conditions of the grant; that all necessary approvals are obtained, and all records are maintained as set out in this Policy.

### 5.2 Records/monitoring

It is the responsibility of the Responsible Officer to ensure that all necessary records are compliant with the terms and conditions of the grant (such as **original** invoices and performance evidence) and are kept for the duration of the project and until final audit clearance has been obtained. This can often be some years subsequent to the end of the project/funding period. The Responsible Officer needs to ensure that arrangements are in place to maintain these records where any staff changes are likely.

The level of record keeping for grants should not be underestimated. Full audit trails are required for all funding sources, and especially those that are subject to grant claims and audit. Not all grants are audited, but for those that are audit scrutiny is very detailed, and specific reference is made to any grant conditions (via 'Certification Instructions' – the auditor's task list!). Further clarification of the role of audit is included later in this document.

In terms of records the grant's Terms and Conditions as well as funding and programme guidance should set out the required records but the following should be considered as the MINIMUM requirements:

- Grant funding programme/invitation to bid for funding/general programme documents and guidance – it is important to refer to the grant funding body's website for an exhaustive list of the grant funding programme and eligible expenditure
- Internal approval evidence – delegated powers, Cabinet Minutes, Corporate Management Board minute
- Grants process evidence – financial approval forms (see 'Grant Management Forms' section)
- Financial forecast
- Correctly authorised and signed application form (where an electronic submission is permitted, copy of the submission email and the application as submitted)
- Offer letter
- Signed approval letter/confirmation (signed by Chief Finance Officer or delegated officer)

- Funding terms and conditions
- Confirmation of any and all match funding – be that internal or 3<sup>rd</sup> party
- Copies of all remittances and evidence of receipt of grant funding
- Copies of all approved grant claims (quarterly/6-monthly/annually)
- FULL ledger audit trail of amounts claimed for EACH claim\*
- Reconciliation of ledger to claim, showing where relevant amounts are excluded from claim and reasons why
- Explanations of any variances from approved allocations
- Evidence of approval of virements between various cost headings
- Breakdown and evidence of eligible/ineligible expenditure
- Evidence of decisions made during the project eg project meeting notes
- Copies of all correspondence with funding body
- Evidence of match funding actually provided
- Invoices – preferably original, but as a minimum certified copies\*\*
- Evidence that payments have actually been defrayed – i.e. that payment has left the Council's bank account
- Pay details\*\*\*

\* Some claims are based on a proportion of the total grant. In these instances ledger extracts are still required to evidence that monies are being spent, but they will not necessarily tally to the claim amount. FULL audit trails will be needed for the final claim

\*\* You need to liaise with either your Business Support Team or the Central Payments Team in Finance (see useful contacts) to obtain copies.

	<b>Many funds and particularly European grant-aided projects require timesheets to evidence the amount of officer time spent on a project – especially where it is less than 100% of their time. Factor this administrative time demand into the requirements of the project/ funding requirements</b>
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\*\*\* These are held on the Trent payroll system, which for non-European grants will usually be sufficient. Note however that auditors will want to see evidence of staff costs and payments for the grant. For European Grants copies will need to be requested from HR/Finance Teams and maintained on the grant files.

Where receipt of grant is dependent on outcomes or outputs, robust evidence based monitoring systems must be put in place by the Responsible Officer to prevent any clawback of grant.

### 5.3 Electronic records

Whilst under certain circumstances, some grant funding bodies will accept electronic records as evidence of expenditure, **BCBC requires that original hard copies of all evidence are retained for any grant Funded project. Please note the document retention timescales, particularly in relation to European Funded schemes.** The Regeneration Funding Team can provide more guidance if needed.

### 5.4 Record retention

It is the responsibility of the sponsoring Directorate to maintain records for the minimum specified period as set out by the funding body. In most instances this is a minimum of 7 years, but in many instances this can be 10 years or more. If unsure please check with the Grants Co-ordination Officer.

Complete project files including original invoices must be kept securely until a final audit certificate has been awarded. Retention times will vary depending on the grant body, but **no records should be destroyed unless confirmation has been received from the Grants Co-ordinator or Regeneration Funding Team that this is appropriate.**

#### **Record retention requirements**

- VAT – Current financial year plus 6 years
- European projects – original invoices recommended 15 years plus
- All other projects – until final audit certificate is awarded and for at least 6 financial years plus the year in which the expenditure was incurred

#### **Specific records retention for European Funded Projects**

In the case of European projects, a central European Records Archive has been established in the Civic Offices. This archive is managed by the **Regeneration Funding Team** and they should be contacted once a project is approved in order to set up standardised archiving systems and to make arrangements for record storage once the project is completed. All records relating to the delivery of the project have to be stored in the dedicated European Projects archive once the project is complete. This can be for up to 15 years after the start of the project. Documents should not be destroyed until the necessary instruction is issued from Wales European Funding Office. Failure to comply with these requirements can and will result in clawback of grant funding and financial detriment to the Council.

#### **5.5 Project closure**

At the end of each project, the project must be closed in accordance with the specific Terms and Conditions of the grant. In all instances it is necessary to ensure that all grant information is collated and kept for the duration set out in the grant Terms and Conditions.

## Section 6 - Revenue and Capital Grants

Whether grants are revenue or capital needs to be agreed at the outset, as there are different implications of each, including how each is accounted for. Whilst in most cases it will be obvious, there are some grey areas. If you are unsure please contact your Finance Officer for guidance.

### Revenue Grants

- All funding allocations or applications and approvals must be authorised by a Chief Officer<sup>1</sup>. However this function can be delegated to senior officers within their Directorate who are sufficiently knowledgeable to exercise such powers<sup>2</sup>.
- Reference needs to be made to the relevant Directorate Delegated Powers but in most cases this will fall to the Head of Service.
- All grant applications or approvals must be supported by a signed Delegated Power **before** the application/acceptance is submitted to Finance.
- Finance Managers will check the application for both financial propriety and that all appropriate authorisations are in place and must sign to confirm this
- Finance Managers will pass all the paperwork to the Grants Co-ordination Officer who will arrange the Chief Finance Officer approval.

### Capital Grants

Directors must satisfy themselves that the building/activity for which Capital grant funding is being sought will be maintained in line with the purpose of the grant for the minimum stipulated period. In many cases this may be for a minimum of 10 years. Failure to do so can result in clawback of the grant either in full or in tapered amounts. **Ongoing revenue costs must also be factored into any decision**, as these need to be met from existing resources. This could include building running and maintenance costs.

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<sup>1</sup> Scheme of Delegation – Scheme B2 Para 1.2 – functions not subject to call in

<sup>2</sup> General Powers of Chief Officers paragraph 3 – Scheme of Delegation

## Section 7 – Costing projects



**ALWAYS consider the total GROSS cost of your project over its whole life**

Make sure all relevant costs have been considered and included where eligible. Where additional costs will be incurred but are not eligible to be funded, you need to ensure you have sufficient funding from elsewhere (other funding, Council budget) to meet these costs. General areas to include are:

- staff costs (direct project staff *and* support/administrative staff)
- include National Insurance and Pension costs
- recruitment and training
- redundancy costs if the funding is time-limited
- publicity (essential in European funded projects)
- accommodation (often not eligible, but there may be additional costs that could be claimed)
- travel and subsistence
- IT and project specific equipment. NB IT recharges are generally not eligible
- supplies and services – stationery, room hire for example
- audit costs
- onward grants to partners and 3<sup>rd</sup> parties
- other management and administration (where eligible)

NOTE: European funded schemes may be able to use a set percentage of direct costs as overheads depending on the funding source of either 15% or 40%. This is known as the Simplified Cost Model and is intended to reduce the amount of paperwork and transaction checking for smaller administrative expenditure (such as mobile phones, printing and so forth). Specific guidance is available either via the WEFO website, the Regeneration Funding Team or your Finance Officer.

For capital schemes make sure you include:

- fees – design, planning, specialist advisors
- contract costs – building costs\*
- ancillaries eg mechanical/electrical installations
- audit costs
- project management costs
- any additional internal costs

\* NOTE: most grants do not allow contingency costs but you should allow sufficient building costs to cover any unexpected and unforeseen costs.



**These lists are not exhaustive and are given as examples only**

## Section 8 - Awarding of grants to 3<sup>rd</sup> parties

Grants may be awarded to 3<sup>rd</sup> parties from the Council's core funding or from a grant received by the Council. The requirements are the same irrespective of the source of funding.

The ability to make grants will depend on the availability of funds to the Council, the conditions of any external funding it receives, and decisions regarding its Medium Term Financial Strategy (MTFS). Any grant applications by 3<sup>rd</sup> parties must be fully completed and assessed against a set of criteria agreed by the funding Directorate in advance of any invitation of applications. The purpose of this policy is to set out the financial requirements when awarding grants to 3<sup>rd</sup> parties.

### 8.1 Setting grant criteria

When awarding grants to a 3<sup>rd</sup> party for specific activities it is recommended that the following requirements are taken into account when setting the grant terms and conditions:

- The criteria must state the maximum amount of funding available, and whether or not there is a matched funding element required.
- Details of how grant funding will be paid to the 3<sup>rd</sup> party – will a claim form be used or will the 3<sup>rd</sup> party submit an invoice
- Any VAT implications – transfer of grant is not normally subject to VAT, but provision of services may be (although not all services are subject to VAT). Guidance should be sought from Finance. Irrecoverable VAT can often be claimed from grant funding, but you need to check the grant provider's terms and conditions to see if this is the case.
- The applicant must provide a copy of the organisation's constitution.
- The applicant must provide copies of the most recent set of accounts / bank statements.
- The applicant must provide copies of public / employee / buildings insurance certificates, where appropriate.
- All successful applicants must provide receipts and supporting documents after the money has been spent.
- Grant applications cannot be made retrospectively.
- The grant must only be used for the purpose for which it was awarded, unless written approval has been received from the Council for a change in use.
- The Council has the right to reclaim the grant if it has not been used for the purpose specified on the application form, or revised purpose following subsequent agreement.
- Any unspent monies must be returned to the Council.
- In the case of grants awarded for projects for which additional grant funding is to be sought to enable the project to proceed, the funding approved will only be available when all other funding is secured / in place.
- On-going commitments to award grants in future years will not be made. A fresh application will be required each year.
- The criteria must state that any on-going revenue costs arising from one-off funding is the sole responsibility of the applicant.

### 8.2 Records

3<sup>rd</sup> party recipients need to maintain detailed records of expenditure incurred to support any claims they make on the grant to BCBC. 3<sup>rd</sup> parties are also required to provide information to the Council to support both the grant claim and audit requirements. This may well include sensitive information such as payroll and invoices, and appropriate steps needed to be put in place to safeguard this information and to provide assurance to the 3<sup>rd</sup> party that this is the case.

Such requirements can be covered in the offer letter or as an appendix of terms and conditions. However when an organisation and/or a significant amount of money is involved over a period of time, then a suitable legal agreement between the parties may be deemed necessary in order to provide the Council the assurance that all terms and conditions of the grant have been met.

It is the Project Manager's responsibility to ensure that monies spent by 3<sup>rd</sup> parties comply with the terms and conditions of the grant funding and are spent on eligible activities and expenditure. It is also the project manager's responsibility to ensure that the 3<sup>rd</sup> party has, and will provide, full audit trails of activity and expenditure to support any monies claimed and paid over.

Where contracts have been awarded to 3<sup>rd</sup> parties for an element of service delivery, the Council has to demonstrate that proper procurement processes have been followed. It is not sufficient to simply allocate grant funding to a single 3<sup>rd</sup> party. Doing so will breach procurement rules and result in clawback of grant.

In awarding funding to a 3<sup>rd</sup> party it must be made clear from the outset that these requirements need to be met before funding is agreed. Formal arrangements (via a signed agreement) must be in place before any funding is passed over to the 3<sup>rd</sup> party.



**3<sup>rd</sup> party recipients of grant funding must also demonstrate full audit trails and provide these to the Council to support audit requirements. Make sure 3<sup>rd</sup> parties know that this is required and is a condition of funding before funding is paid to them**

The above does not apply to the purchase of normal goods and services, where standard procurement rules are applied.

### 8.3 Welsh Language

The Welsh Language Commissioner has issued specific guidelines in relation to grants awarded to any person [or organisation] for specific activities. It requires that:

- the Welsh language is treated no less favourably than the English language within that activity; and
- the Welsh language is promoted and facilitated in the context of that activity.

Directorates should establish clear procedures that will ensure that the Council's Welsh Language principles are followed when grants are awarded. The Council's Welsh Language Policy can be found via the [intranet](#) and its principles must be applied in relation to grants made to 3<sup>rd</sup> parties.

## Section 9 – Audit requirements

### 9.1 The requirement for an audit certificate

Grant-paying bodies may require a certificate from an independent auditor to provide assurance that the Council has appropriately used the grant funding that it has received. In the majority of cases this is required at both the end of each financial year and at the completion of the grant/project.

In some instances the Regional Internal Audit Shared Service is required to provide an opinion on the use of the grant and provide assurance that the terms and conditions of the grant have been complied with. In these instances the responsibilities of the Responsible Officer and Finance Manager are the same as with externally funded projects with regard to audit requirements.

The level of detail that auditors require for grants is significant. There is no allowance for errors on grants and as a result they need to be accurate and reconcile exactly to the finance ledger and comply fully with all the Terms and Conditions of each grant. Note that often pre-application grant invitations and guidance notes will set out what is eligible activity and costs that can be included, which needs to be followed in conjunction to specific grant terms and conditions. By signing up to the grant you are also signing up to these requirements.

### 9.2 Finance responsibilities

Finance Managers are responsible for ensuring that all relevant documentation is available for auditors when the annual and final claims are submitted for audit. A detailed checklist for Finance Managers is set out below. The Grants Co-ordination Officer will ensure that everything is completed and will act as the initial contact for Audit. Much of the audit information can be provided electronically and the Grants Co-ordinator will ensure that Finance Managers have saved all the relevant information to the central Grants folder on a regular basis.

The following 'checklist' must be used to ensure that all relevant information is available. The list will be passed to the auditors along with the claim.

Additional information can and will be requested during the audit to provide the necessary assurance to the auditors of compliance to existing procedures and protocols.

Finance checklist for documents to be saved:

- ✓ Grant invitation/guidance notes
- ✓ Delegated power/Cabinet minute approving grant application
- ✓ Authorised (signed) application form and all supporting information
- ✓ Internal grant application authorisation form
- ✓ Grant offer letter, including all Terms and Conditions
- ✓ Authorised (signed) grant acceptance form
- ✓ Grant variation letters/approvals (and acceptances if necessary)
- ✓ Grant claim(s)
- ✓ Reconciliation of the amounts claimed to the finance ledger
- ✓ Reconciliation of eligible and ineligible items
- ✓ FULL ledger extracts identifying individual lines to fully support the grant claim(s)
- ✓ Grant claim submission authorisation form (s)
- ✓ Remittance advices\*

- ✓ Correspondence with the funding body (as appropriate – but certainly where financial clarification has been sought)
- ✓ Any other relevant supporting documentation (eg scanned invoices/payroll evidence)

Note: supporting information may be available for a period of time via existing systems, eg Trent for payroll, however you must consider the duration that this will be available for. Where it is for European grants you must obtain copies of all supporting information for each claim and save these to the central folder.

\* Welsh Government remittance advices will be copied by Finance staff and saved into the central grants folder.

Invoices paid within the Central Payments Team are retained in Finance for approximately 3 months, after which time they are archived electronically and paper copies shredded. Paper copies need to be requested within 2 weeks of sending for payment. For invoices that are not paid within the Finance Team but are paid within Directorates, Project Managers will need to put in place procedures to ensure invoices are retained for the required period of the grant terms and are easily retrievable. Where originals are required it is recommended that the department keep the original with the grant files (in particular European grants) and send a copy for payment certified as follows:

'I certify that this is a true copy of the original invoice, and the original is retained with the grant file which is stored [*insert location*]

The copy must be signed and dated.

The following checklist must support annual and final claims to ensure that the minimum necessary information is available for audit:

<b>Audit Information Checklist</b>			
<b>Project Name:</b>			
<b>Funding Body:</b>			
<b>Project Manager:</b>			
<b>Department:</b>			
<b>Document Required</b>	<b>On File</b>	<b>Ref</b>	<b>Signed Off</b>
Claim submitted to Audit		<b>A</b>	
Contact Details for Grant Queries		<b>B</b>	
Copy of Grant Offer Letter, signed Acceptance and Terms & Conditions plus any agreed Variations to approval		<b>C</b>	
Copy of Delegated Powers/Cabinet Meeting minute accepting grant approval. Explanation required for non-receipt of Delegated Powers		<b>D</b>	
Full reconciliation from Finance Ledger to Grant Claim and Grant Approval, identifying items excluded from claim and reconciliation to claim/approval budget headings		<b>E</b>	
Copies of all grant remittances with CoA details		<b>F</b>	
Any other relevant supporting information/ documentation (eg tender details, contract let details etc)		<b>G</b>	

## **Section 10 – Clawback**

If this Policy is followed it is anticipated that the risk of clawback will be minimised. However clawback of grant can occur where the terms and conditions of the grant have not been complied with, or where ineligible expenditure has been included, or where the outcomes or targets of the project have not been delivered. It may also occur where funding has been received towards land or buildings (such as land reclamation grant) and the land or building is then sold, changed (including change of use), or even demolished. Clawback will place financial pressures on the Council and may also have a reputational impact for future grant funding.

### **10.1 Notification**

Should clawback of any amount of grant paid be necessary, at any time due to factors described in the particular grant conditions, then the Grants Co-ordinator should be informed immediately.

### **10.2 Financial implications**

Reduction of revenue grant will reduce the income in the relevant Directorate and reduction in capital grant will have capital financing repercussions. Directorates will be expected to make good any loss of grant from their budgets. Any loss of grant places financial pressures on the Council and any significant clawback will need to be reported as part of quarterly financial monitoring reports to management and/or Cabinet.

## **Section 11 – Audit Recommendations**

### **11.1 Audit Report**

The External Auditors (currently the Wales Audit Office) provide BCBC with an annual statement of performance in relation to their grants audit. This will identify any weaknesses and/or shortcomings in the grant claims and grant monitoring processes, and will identify recommendations for improvement on an individual grant level as well as more generally. It is essential that these recommendations are followed up and amendments implemented as necessary and in a timely manner.

The outcome of the External Audit of grant claims is reported to Audit Committee each year, including any recommendations made. It is therefore imperative that any recommendations are followed up and dealt with appropriately. The Grants Co-ordinator will take a lead role in liaising with relevant officers to put in place actions and responses to recommendations, and provide updates to the Chief Finance Officer as to progress on a regular basis. This may involve liaison with Internal Audit and funding bodies as necessary.

Following the above an update report will be presented to Audit Committee identifying the management actions taken to respond to any External Audit recommendations raised. It is therefore imperative that actions are followed up and implemented as necessary.

### **11.2 Lessons Learnt**

As part of the audit process a number of recommendations will be made to improve BCBC grant claim processes. This has a number of beneficial impacts including ensuring maximum grant is drawn down, minimising audit time on the grant and as a consequence reducing the audit fee to the Council. A record of 'common' issues will be developed and included in this document as a 'checklist' of what to check before submitting a grant claim/file for audit. There is already a checklist included at section 10.2 which provides the minimum necessary file contents for audit purposes which must be adhered to. Audit fees will increase if proper documentation is not available to support the grant, which will have an impact on Council resources.

### **11.3 Key audit findings**

Some of the key findings from recent grant audits include the following:

- Claims not adding up correctly
- Lack of clear audit trail from grant to ledger
- Ineligible items claimed under grant
- Claiming more expenditure under a specific heading than has been approved
- Lack of evidence of agreement from funding body to vire between cost headings
- Claiming ineligible overhead costs
- Inaccurate apportionment of staff costs between projects and/or non-project activity
- Lack of evidence of staff time spent on projects (where apportioned)
- Lack of supporting evidence for allocation of grant funding to 3<sup>rd</sup> parties – ie lack of tender process, not formal approval to issue grant
- Lack of evidence of expenditure by 3<sup>rd</sup> party grant recipients – no audit trails
- No robust verification of 3<sup>rd</sup> party activity
- Items of expenditure not reserved to the correct financial year

- Grant funding programme from grant funding body not being referred to on an annual basis or when new staff join the project

It is therefore essential that you consider the above and ensure that appropriate controls and processes are in place to avoid these types of issues arising on grants that you manage. The more issues that arise during a grant audit results in an increase of an auditor's time and an increased audit fee.

## Section 12 – Useful contacts

Contact	Tel no (last 4 digits internal extn)
Chief Finance Officer – s151 Officer	01656 64 3302
Group Manager – Chief Accountant	01656 64 3605
Group Manager – Financial Planning & Budget Management	01656 64 3604
Finance Manager – Financial Control & Closing	01656 64 3359
Finance Manager – Social Services & Wellbeing, Operational & Partnership Services (OAPS), and Chief Executives & Finance	01656 64 2201
Finance Manager – Education & Family Support and Communities	01656 64 3303
Capital Accountant	01656 64 3608
Grant Coordinator	01656 64 3623

## Section 13 - Useful information links

Grant Management Policy and forms:

<http://www.bridgend.net/finance/Pages/Grants-procedures.aspx>

The following forms are available via the intranet:

<http://www.bridgend.net/finance/Pages/Grants-procedures.aspx>

- Grant Bid/Acceptance
- Grant Claim approval
- Submission to Audit - checklist

Delegated Power Form (via this link)

<http://www.bridgend.net/democracy/Pages/Schemes-of-Delegated-Functions.aspx>

Project Management Toolkit:

<http://www.bridgend.net/coe/Pages/Project%20management%20toolkit%20home%20page.aspx>

Procurement Contract Procedure Rules: can be found via Bridgend A-Z – ‘P’:

<http://www.bridgend.net/a-z/Pages/p.aspx>

Audit Committee reports: <http://parliament/ieListMeetings.aspx?CId=132&Year=0>

Wales Audit Office Good Practice Guide: Grants Management:

<http://www.wao.gov.uk/good-practice/finance/grants-management>

## Section 14 – Glossary of terms

Clawback	Retrieving money already paid out. In relation to grants it is the recovery of grant money's paid to the Council, or by the Council to a 3 <sup>rd</sup> party.
External Funding	Any funds received from an external source which is used to deliver a specific project or projects by the Council and for which a grant claim (in whatever form) will be made.
Grant Bid	An application form / Expression of Interest / Business Case or report used to request funding from an external source e.g. Welsh Government, WEFO, and authorised by a nominated signatory.
Grant Approval	Formal confirmation of an award of grant from the external source.
Grant Acceptance	The Council's formal acceptance of the award and the terms and conditions of the grant, authorised by a nominated signatory.
Grant Claim	A form or report used to claim external funding for expenditure identified as eligible under the terms and conditions of the grant.
Delegated Power	A form (available via the intranet) which records the performance of a Cabinet or Council function which has been allocated to specific officers under the Council's Scheme of Delegation
Chief Financial Officer	The Head of Finance or nominated deputies, currently the Group Manager – Chief Accountant and Group Manager – Financial Planning and Budget Management.
Finance Manager	The relevant Directorate Finance Manager attached to the project.
Grants Co-ordination Officer	Officer within the Finance Section responsible for the financial co-ordination of all externally funded projects within the Council.
Project Manager	The officer responsible for the completion of the bid, the management of the project and the submission of the grant claims.
Matched Funding	Public or private sector finance put forward as a contribution to gross project costs is defined as matching/matched funding or co-funding, European funds are designed to fill the funding gap for a project when all other possible sources of finance have been exhausted. A wide range of public organisations and voluntary agencies are designated as eligible for grant purposes.
Project Management Toolkit	The Council's Programme & Project Management Toolkit explains how programmes and projects are managed in the Council.
Project Initiation Document (PID)	A logical document which brings together all the key information needed to start the project on a sound basis and to convey that information to all concerned with the project.