

Chorley Council

Final  
Internal Audit Report

# Business Grants 2023/2024

Audit Assurance: Substantial  
Auditor: David Holgate  
Date Issued: 19<sup>th</sup> March 2024



Cert No: 20128  
ISO 9001



**Chorley**  
Council

WORKING TOGETHER

<b>Reason for the Audit &amp; Scope</b>	
1	<p>Chorley Borough Council administers a variety of business grants that help local businesses deliver green improvements and support economic growth within the borough. Our review will focus on the schemes that offer the highest value grants and are most frequently used:</p> <ul style="list-style-type: none"> <li>• Shop Front Improvement Grant Scheme.</li> <li>• Chorley Business Investment for Growth (BIG) Grant Scheme.</li> </ul> <p>The review will assess compliance with the agreed process requirements of the scheme and establish that adequate records and suitable monitoring arrangements are in place.</p>
2	<p>This review is included within the 2023/24 Audit Plan approved by the Governance Committee on the 27th September 2023.</p>

<b>Audit Objectives</b>	
3	<p>The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.</p>
4	<p>The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.</p>
5	<p>The audit will focus on specific risks where the controls in place mitigate a gross red / amber risk to a residual green risk. In addition, all fraud risks and performance management data will be included within our work.</p>

<b>Audit Assurance</b>	
6	<p>Chorley Business Grants has not been reviewed within the last 5 years.</p>
7	<p>The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.</p>
8	<p>Appendix A shows the risks recorded on GRACE for Business Grants and the assurance opinion awarded to each. Our evaluation of the reliance we can place on the three lines of defence is also shown. Additional risks were added where appropriate.</p>
9	<p>Our review of the Chorley BIG and Shop Front Improvement Grant established that both grant schemes have been operating for a number of years with the original criteria, and all subsequent scheme revisions, approved by Cabinet. The last approved revisions made to each scheme were in 2019.</p> <p>Our testing highlighted that the Business and Engagement Team are responsible for the administration of the grants, and it is evident that a documented process is followed covering the application receipt, approval, monitoring, and award payment. Some minor weaknesses were identified during our review in relation to decision making and record keeping as follows:</p> <ul style="list-style-type: none"> <li>• To reduce the risk of a successful decision being challenged by an applicant all rationale for award decisions should be routinely documented and retained.</li> <li>• Supporting documentation is sought to demonstrate applicant eligibility, however sample testing identified that some documentation was not initially available for review within the core grant records. By routinely saving all communication to the designated files this will help ensure a full</li> </ul>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

audit trail is maintained, keep all records in one central location and minimise the likelihood of key information being accidentally lost or deleted.

Over the last 3 years, 37% of Chorley BIG grant and 24% of Shop Front improvement grant expressions of interests have progressed to grant offers. It is recognised that there are several reasons why applications do not progress further including those outside of the services control, however, an effectiveness review may be beneficial to help ascertain if funds are reaching the businesses that need it the most and if the current needs of Borough are being met by the existing scheme format and eligibility criteria.

For these reasons, a **Substantial** assurance rating has been awarded for this review.

**Control Rating Key**

**Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.

**Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

**Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

**Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

Risk and Controls	Control Evaluation
<b>Risk 1 - Lack of formal Council approval for Grant Scheme</b>	
Formal Grant Approval was not granted through the correct channels.	Working as Intended
<b>Risk 2 - Poorly completed applications – applications are incomplete, contain errors/omissions or lack supporting evidence</b>	
Grant Scheme Eligibility Criteria is readily available for applicants.	Working as intended
Provisional application process operational.	Working as intended
A scheme procedure has been agreed and available to all officers.	Working as intended
All applications require additional supporting documentation.	Action 2
Applications are vetted by experienced business support officers.	Working as intended
Application/decision tracking records are maintained and updated.	Action 1
<b>Risk 3 - Inadequate records are maintained</b>	
Applications/supporting documentation are retained providing a full audit trail	Action 2
A scheme procedure has been agreed and available to all officers	Working as intended
Invoices are maintained as evidence of work being carried out	Working as intended
<b>Risk 4 - Ineffective project monitoring arrangements are in place, resulting in a breach of scheme terms and conditions and/or fraud</b>	
Applications are vetted by experienced business support officers.	Working as intended
Officer code of conduct in place	Working as intended
Financial payments made when adequate evidence has been provided.	Working as intended
Funding is actively monitored through regular meetings and reports	Working as intended
<b>Risk 5 - Grant award does not achieve stated outcome/objectives</b>	
Effectiveness of grant is evaluated and reported.	Action 3
Grant is promoted through the appropriate channels (Website/press releases)	Working as intended

## AUDIT ASSURANCE

### Three Lines of Defence

Audit Area	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Internal Audit opinion
Business Grants	Management	Finance	Internal Audit	Reliance can currently be placed on the 1 <sup>st</sup> Line of Defence. By ensuring all documentation is routinely saved and filed to the core grants records will further strengthen the audit trail.

### Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
Lack of formal Council approval for Grant Scheme.	✓			
Poorly completed applications – applications are incomplete, contain errors/omissions or lack supporting evidence.		✓		
Inadequate records are maintained.		✓		
Ineffective project monitoring arrangements are in place, resulting in a breach of scheme terms and conditions and/or fraud.	✓			
Grant award does not achieve stated outcome/objectives.		✓		
<b>OVERALL AUDIT OPINION</b>		✓		

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MANAGEMENT ACTION PLAN			
NO.	FINDING	AGREED ACTION	OFFICER & DATE
1	<p>Initial enquiries and expressions of interest are received by the Business and Engagement Team. If the business wishes to proceed with an application, a follow up email with application guidance is issued requesting specific details and an overview of the planned project. On receipt of a completed email application the Business and Engagement Team provisionally assess eligibility and collate the submission information within a formal report for further assessment and decision in principle at Leaders Brief.</p> <p>Our sample showed that decision outcomes are routinely relayed to the team providing approval status and the amount awarded only, and as such we were unable to verify the assessment methodology utilised, or the rationale for the value of each grant award.</p> <p>To further improve transparency of decision making and reduce the risk of a successful challenge by an applicant the following should be routinely documented and retained:</p> <ul style="list-style-type: none"> <li>• confirmation or otherwise from the grant “panel” that the application meets the scheme criteria,</li> <li>• full rationale for award decision including the grant value, particularly if this differs from the initial application amount.</li> </ul>	<p>The Business and Engagement Team will work with the Deputy Chief Executive Officer to ensure decision-making is effectively captured in the Leader Brief meeting minutes. Meeting attendance will be recorded and rationale for grant award/amounts will be included.</p> <p>Each decision will be communicated to the team promptly following the Leader Brief meeting.</p> <p>Any challenges received by applicants will be reconsidered at Leader Brief to ensure a full audit trail of decisions is maintained.</p>	<p>Sarah Bullock/ Phil Owen</p> <p>April 2024</p>
2	<p>Ensuring an audit trail is maintained is crucial for compliance and effective decision making. Our review highlighted that supporting documentation is sought to demonstrate applicant eligibility,</p>	<p>The Business and Engagement Team have recently restructured their files following the transition from File Explorer to the use of Microsoft Teams and will review all</p>	<p>Phil Owen</p> <p>June 2024</p>

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	<p>however, sample testing identified that some documentation was not initially available for review within the core grant records. By ensuring that all communication is routinely saved within the designated files will help ensure a full audit trail is maintained, keep all records in one central location and minimise the likelihood of key information being accidentally lost or deleted.</p> <p>Consideration should be given to engaging with applicants via the service email address to ensure that all applicant correspondence and supporting documentation is received to one email address and is available to all team members in the event of officer absence or departure from the Council.</p>	<p>application files and supporting documentation as part of this exercise.</p> <p>Going forward the central email address will be utilised by the service for all necessary correspondence in relation to business grants.</p>	
3	<p>The grant schemes offered by the Council may benefit from an effectiveness review due to the low take-up of the grants that have been sampled. Only 37% of Chorley BIG grant and 24% of Shop Front improvement grant initial enquiries have progressed to an offer over the last 3 years.</p> <p>By evaluating the effectiveness/success of each grant scheme will allow members to assess:</p> <ul style="list-style-type: none"> <li>• if grant objectives are being continually achieved,</li> <li>• if funds are reaching those businesses that need it the most,</li> <li>• if the current business needs of the Borough are being met by the existing scheme format and eligibility criteria.</li> </ul>	<p>The Business and Engagement Team will undertake a review evaluating the effectiveness/success of each grant scheme to ensure that the scheme objectives are being achieved.</p> <p>Once the review is completed this will need to be presented to SMT/Leader Brief to agree any changes that have been deemed reasonable.</p>	<p>Phil Owen December 2024</p>

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