


Internal Audit Report

Review of Grants to the Voluntary Sector



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Date: 4th June 2014

1. Scope

- 1.1 The scope of our audit work was to carry out compliance testing on a sample of the service level agreement payments and individual grants to the voluntary sector which the Council funded in 2013/2014.
- 1.2 The service level agreements (SLAs) included within the scope of the audit were:
- Blackpool, Fylde and Wyre Council for Voluntary Services;
 - Claremont First Step Community Centre;
 - Disability First; and
 - One Blackpool.
- 1.3 The grants included in the sample were:
- Blackpool Boys and Girls Club; and
 - Aunty Social Community Interest Company.

2. Executive Summary

- 2.1 We identified two payments made by Blackpool Boys and Girls Club to a company which claimed to be a charity. On reviewing the invoices we noted that the charity number had not been quoted on the invoice. We checked the Charity Commission website which confirmed that the charity had ceased to exist with effect from 8 August 2012. Further guidance to organisations in relation to general checks that should be made prior to payment of invoices may be beneficial.
- 2.2 The quarter two and quarter four payment requests from a subcontractor to One Blackpool were not paid within a reasonable timeframe. Whilst we understand that one of the requests for payment was in dispute, One Blackpool did not provide an explanation as to the reasons for the delay in payment of the second quarter or an explanation as to why the quarter four request was in dispute.
- 2.3 The detailed findings and recommendations are included in sections four and five of this report.
- 2.4 We would like to thank Rachel Stafford and the representatives of the organisations selected for their assistance and courtesy throughout the review.

3. Overall Opinion and Assurance Statement

- 3.1 We consider that all of the payments for service level agreements and grant allocations made to the organisations within our sample have been spent appropriately and in accordance with the intended objectives.

4. Issues Arising

4.1 Service Level Agreements

4.1.1 In 2013/14 the Scrutiny Committee allocated funding for twelve service level agreements across eleven voluntary organisations, setting out the Council's commitment to supporting the third sector. Through these service level agreements, the Council provided £397,189 of funding in the 2013/14 financial year.

4.1.2 The service level agreements in place follow a standard template, and are then tailored to include the objectives of the voluntary sector organisation concerned and the details of their agreement with the Council.

4.2 Blackpool, Fylde and Wyre CVS

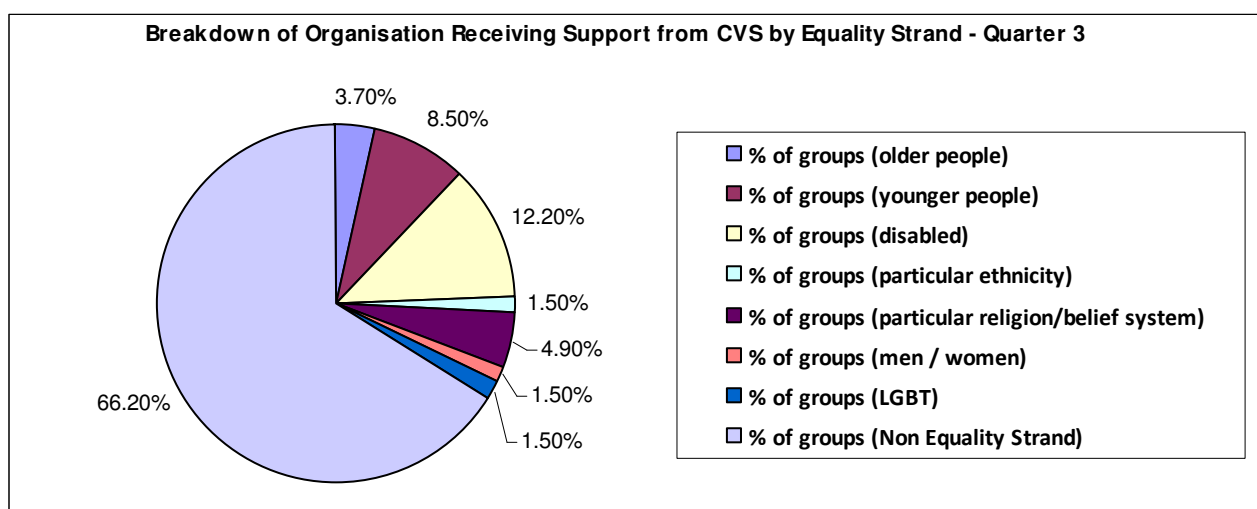
4.2.1 Blackpool, Fylde and Wyre CVS was allocated £31,725 through a service level agreement for the 2013/14 financial year. The grant was paid in four instalments of £7,931.25 which we verified to the relevant bank account.

4.2.2 Blackpool, Fylde and Wyre CVS offers support to a number of projects, groups and communities in Blackpool by undertaking various roles and functions such as: consultation and engagement; advice; training; volunteering opportunities and information giving. The purpose of the grant was to contribute towards the costs of management salaries, rent and council tax and general running costs of the organisation.

4.2.3 We undertook our visit to Blackpool, Fylde and Wyre CVS on the 15th April 2014. During the course of the review the financial records maintained by the organisation were provided to us.

4.2.4 We reviewed the bank statements for the period 29 March 2013 to 28 March 2014 to ensure that the general running costs of the organisation such as rent, council tax, water, electricity, etc agreed to the expenditure profile provided by CVS. We did not identify any issues and are satisfied that the expenditure was in line with the intended objectives.

4.2.5 CVS works with 485 organisations that are active in Blackpool exclusively and maintains data on groups and organisations they support by equality strand. A breakdown on the percentage of groups in Blackpool per equality strand is illustrated in the chart below.



4.3 Claremont First Step Community Centre

4.3.1 Claremont First Step Community Centre was allocated £21,430 through a service level agreement for the 2013/14 financial year. The grant was paid in four instalments of £5,357.50.

4.3.2 The purpose of the funding was to contribute towards the costs of staffing the Egerton Road office plus associated management costs.

4.3.3 We undertook our visit to Claremont First Step Community Centre on the 11th April 2014. During the course of the review, the financial records maintained by the organisation were provided to us.

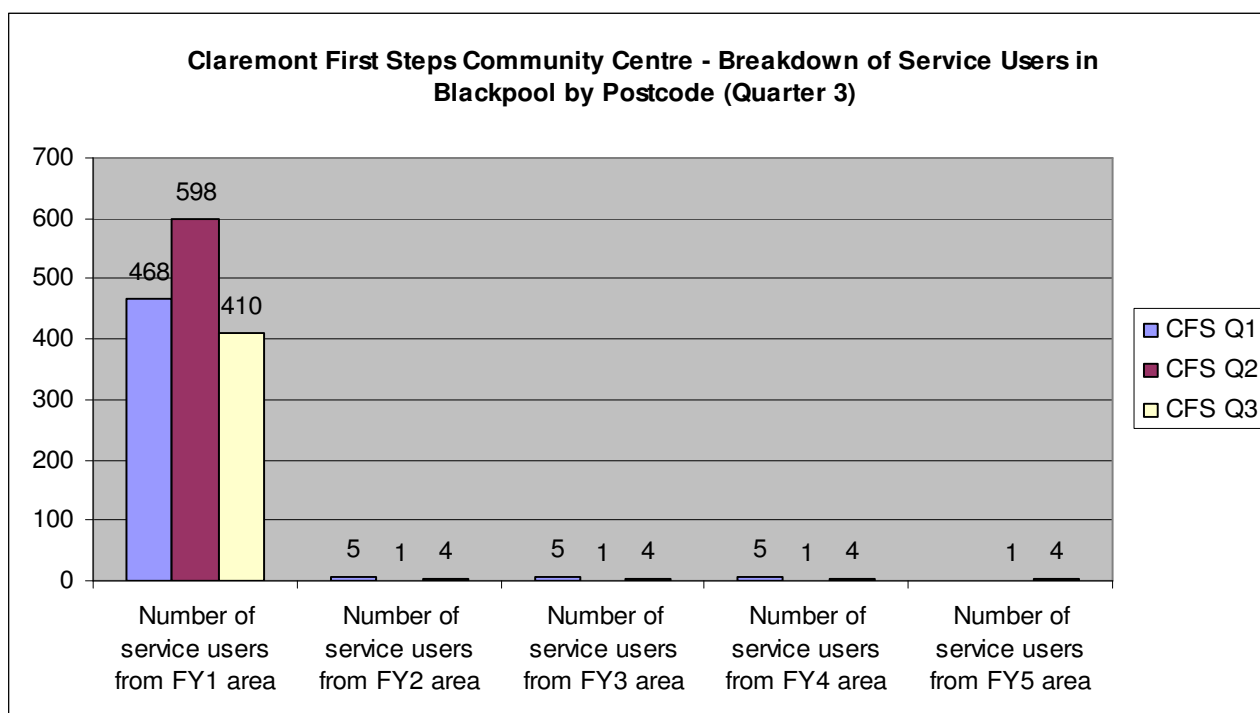
4.3.4 The SLA funding has been spent as follows:

Table 1: Breakdown of expenditure for year ended 31 March 2014

Expenditure	£
Salaries	16,958
Cleaning	115
Stationery	451
Management costs	4,000
Total	21,524

4.3.5 All expenditure items had valid invoices/supporting documentation. Therefore we are satisfied that the expenditure reviewed had been spent appropriately and had an appropriate audit trail in place.

4.3.6 The grant has been spent solely on providing services for Blackpool residents. A breakdown of the number of service users per postcode (as per the quarter three monitoring report) is illustrated in the chart below.



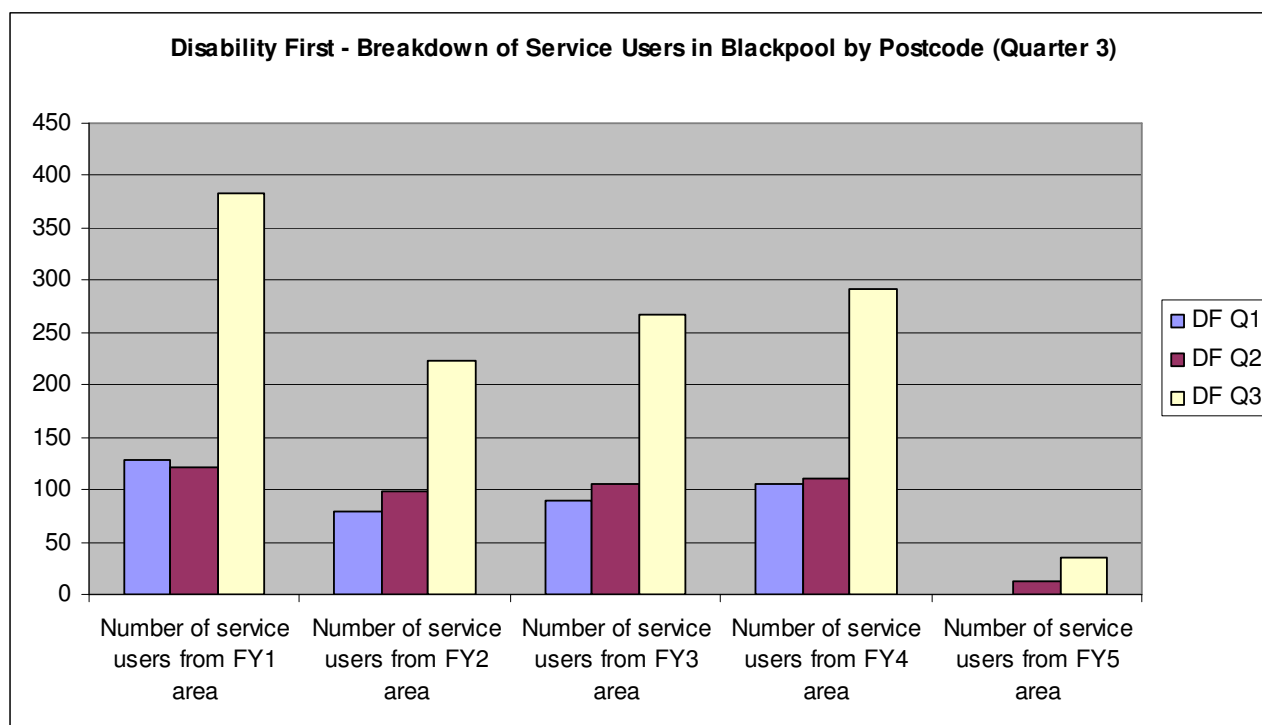
4.4 Disability First

- 4.4.1 Disability First was allocated £25,000 through a service level agreement for the 2013/14 financial year. The grant was paid in four instalments of £6,250.
- 4.4.2 The SLA application stated that the money would be used to run an information and advice service with a special focus on welfare benefits advice. A sample of 12 expenditure items was selected for testing from the financial records submitted by Disability First. The expenditure appeared to be mainly on general expenses such as travel, salaries, insurance, telephones and bank charges, which is in line with the stated objectives of the grant.
- 4.4.3 All expenditure items selected for testing had valid invoices/supporting documentation. Therefore we are satisfied that the expenditure tested had been spent appropriately and had an appropriate audit trail in place.
- 4.4.4 The total cost of the disability advice service as stated on the SLA funding application form is £53,549. Disability First only applied to Blackpool Council for just under 50% of the total running costs.

Table 2: Breakdown of actual costs for year ended 31 March 2014

Expenditure	£
Salaries	33,708
Bank Charges	105
Virgin Media	799
HMRC	11,066
C Cabs	614
Insurance	855
Policy Consultant	272
Training	187
General Expenses	2,743
Total	50,349

- 4.4.5 The service users who access the disability advice service are all Blackpool residents. A breakdown of the number of service users in Blackpool by postcode as per the quarter 3 monitoring report is illustrated in the following chart.



4.5 One Blackpool

4.5.1 One Blackpool was allocated £96,500 through a service level agreement for the 2013/14 financial year. The first instalment paid was in the sum of £48,250 followed by two further instalments of £24,125.

4.5.2 The purpose of the grant was to deliver seven strands of activity which individually and collectively form a programme of support for the voluntary, community and faith sector organisations in Blackpool. With the exception of requirement 5, which had been undertaken by One Blackpool, all strands of activity had been sub contracted to the following organisations for delivery:

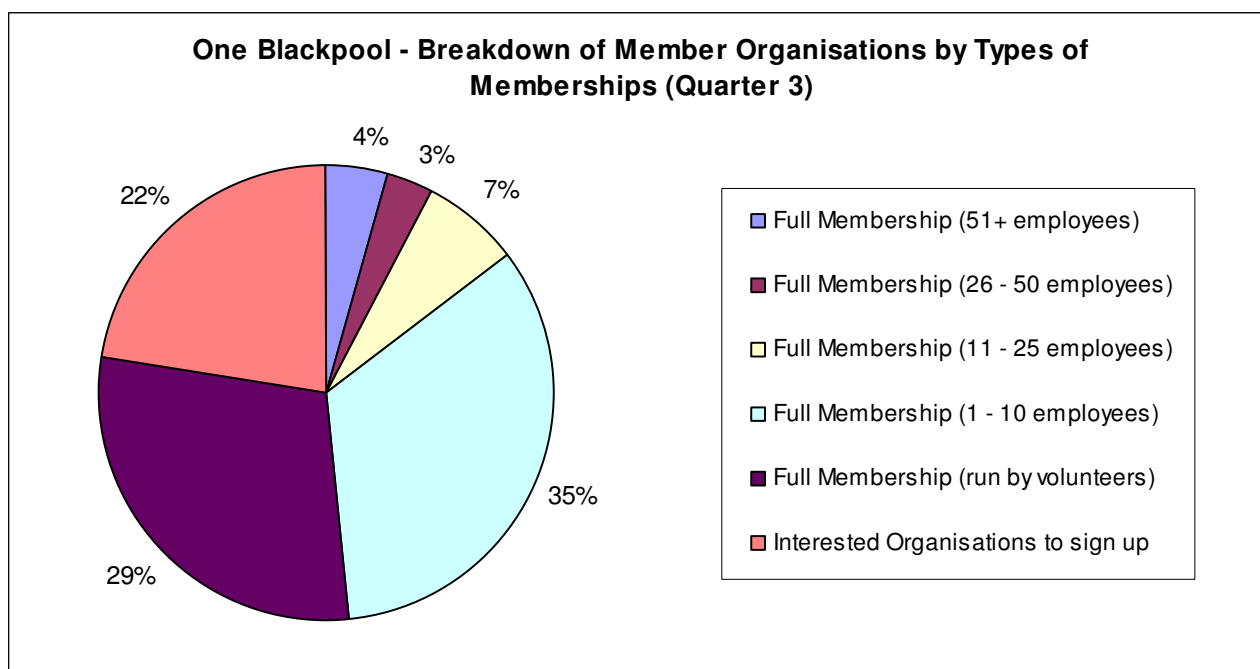
- Blackpool, Fylde and Wyre CVS (requirements 1, 2 and 3)
- Volunteer Centre (requirement 3)
- Social Enterprise Solutions Ltd (requirement 4)
- UR Potential (requirements 6 and 7)

4.5.3 In addition to the grant funding of £96,500 One Blackpool provided approximately £31,000 in matched funding. The breakdown provided shows expenditure against the Blackpool SLA as follows:

Table 3: Breakdown of expenditure for the year ended 31 March 2013

Expenditure	£
Blackpool, Fylde and Wyre CVS	53,000
Social Enterprise Solutions Ltd	20,000
UR Potential	35,000
Halton and St Helens Voluntary and Community Action	5,040
One Blackpool (management fees / requirement 5)	12,500
Northbridge Digital	2,000
Total	127,540

- 4.5.4 All expenditure items were supported by valid invoices/supporting documentation and we are satisfied that the expenditure reviewed had been spent appropriately and was in line with the intended objectives of the grant.
- 4.5.5 Most of the requests for payment from the sub contractors had been actioned within 30 days. However we noted that the quarter two and quarter four requests for payments to UR Potential had been delayed. Whilst we acknowledge that the quarter four payment was in dispute, One Blackpool did not provide an explanation as to the reasons for the delay in payment of the second quarter or an explanation as to why the quarter four request was in dispute. Steps should be taken to ensure that organisations have procedures in place to ensure that payment requests from providers and suppliers are paid within an appropriate time period.
- 4.5.6 One Blackpool was able to provide data on member organisations by type of membership. A breakdown from the quarter 3 monitoring report is illustrated in the chart below.



4.6 Annual Grant Allocations

- 4.6.1 In 2013/14, the Scrutiny Committee awarded £29,611 of funding across sixteen voluntary sector organisations for the 2013/14 financial year.
- 4.6.2 Organisations in receipt of grant funding are now issued with terms and conditions which specify what the funding can be used for; the need to operate effective financial management systems and retain evidence of how the grant funding has been spent; and that the grant expenditure is subject to audit by the Council. This was a recommendation made in the previous audit for the financial year 2012/2013.

4.7 Blackpool Boys and Girls Club

- 4.7.1 Grant funding of £3,434 was allocated to Blackpool Boys and Girls Club for the 2013/14 financial year.
- 4.7.2 The organisation applied for £4,512 and stated that the monies would be used to provide two to three nights residential breaks for young people who live in Blackpool, primarily aimed at those considered to be disadvantaged, vulnerable and most in need. The

residential breaks were to be held at a purpose built centre in Cumbria run by the Lancashire Association of Boys and Girls Clubs (LABGC). As an affiliated member BBGC would have access at reduced rates.

4.7.3 The application form provided the following breakdown of planned expenditure.

Description	Provider	Cost £
3 x residential 2/3 day breaks	LABGC	3,434.00
Watersports residential weekend	LABGC	1,000.00
Residential Summer Camp	LABGC	240.00
Total		4,674.00

4.7.4 The grant was used to part-fund five residential breaks in total. A breakdown of the actual costs incurred is provided in the table below.

Description	Provider	Total Cost £
Residential 24 Jun – 28 Jun 13	Canals Unlocked	1,008.00
Residential 22 Jul – 26 Jul 13	Canals Unlocked	1,008.00
Residential 7 Jun – 9 Jun 13	Canals Unlocked	2,463.00
Residential 29 Jul – 1 Aug 13	LABGC	352.00
Residential 21 Jun – 23 Jun 13	LABGC	250.00
Total		5,081.00

4.7.5 Blackpool Boys and Girls Club were able to provide copies of all of the above invoices and we are satisfied that the expenditure was in line with the intended objectives of the grant.

4.7.6 On reviewing the invoices from Canals Unlocked we noted that the charity number had not been quoted on the invoice. We checked the Charity Commission website which confirmed that the charity had ceased to exist with effect from 8 August 2012. A further check was made via Companies House and this confirmed that the company was dissolved on 4 December 2012. It would be beneficial to provide voluntary organisations with relevant guidance in relation to general checks that should be made prior to payment of invoices to ensure they include the necessary information.

4.7.7 We were unable to ascertain if the provider was self employed as a unique tax reference had not been quoted on the invoice. A unique tax reference shows that a self employed person is known to HMRC, and there is a risk that organisations paying invoices without a unique tax reference number could be fined by up to £50,000. If it is subsequently found that the self employed person is not registered with the HMRC, the outstanding tax will also need to be repaid. In order to reduce this risk, guidance should be provided to voluntary organisations in relation to tax requirements. In particular, the requirement to only pay invoices submitted by self-employed persons when their unique tax reference number is quoted. The guidance should also include actions to be taken where there is outstanding tax owed to the HMRC.

4.7.8 We were advised by Blackpool Boys and Girls Club that the number of young people attending the residential breaks was 40 in total, all of whom were from the Brunswick Ward.

4.8 Aunty Social CIC

4.8.1 Grant funding of £1,295 was allocated to Aunty Social CIC for the 2013/14 financial year.

4.8.2 The purpose of the grant was to part fund free and subsidised sewing classes in Blackpool town centre. The funding would cover the cost of 6 months' venue hire, an overlocker, dressing forms, equipment testing and haberdashery equipment.

4.8.3 A breakdown of the actual costs incurred is provided in the table below.

Description	Total Cost £
Dressmaking Forms	220
Haberdashery Equipment	314
Overlocker Sewing Machine	249
Venue Hire	495
Total	1,278

4.8.4 All expenditure items were supported by valid invoices/supporting documentation and we are satisfied that the expenditure reviewed had been spent appropriately and was in line with the intended objectives of the grant.

4.9 Follow up of prior years recommendations

4.9.1 An audit review of the Grants to the Voluntary Sector was undertaken in 2012/13. Three recommendations were made as follows:

- The Corporate Development and Engagement Team should work with the voluntary organisations to determine the information that should be kept to enable geographical analysis relating to how expenditure incurred benefits local residents. This has now been included in the monitoring information voluntary organisations that provide services under an SLA are required to submit.
- Organisations in receipt of grant funding should be issued with terms and conditions which specify what the funding can be used for; the need to operate effective monitoring and financial management systems and retain evidence of how the grant funding has been spent; and that the grant expenditure is subject to audit by the Council. This has been incorporated in the grant offer letter.
- Checks should be undertaken to ensure that money is paid to the organisation submitting the grant application. We did not find any occurrences of grant monies being paid to the wrong organisation during our 2013/14 testing.

4.10 New Funding Regime 2014/2015

4.10.1 In 2014/2015 grants to voluntary sector organisations will be reduced. Grants will be managed as previously, however, it is intended to phase out the grants by providing additional support to allow recipients to achieve greater independence and secure alternative funding throughout the next twelve months.

4.10.2 Given the intended changes to the funding regime the recommendations which we are making in this report are forward looking to support the new approach.

4.10.3 As the Community Engagement Team phase out funding to the voluntary sector there are Council services who may continue to commission and contract with the third sector. Therefore we recommend that a copy of this report is shared with both the Corporate

Procurement Team and the Adult and Children's Services Commissioning and Contracting Team so that they are aware of the findings of the audit (Recommendation 1).

- 4.10.4 In addition, we recommend that a copy of the report is provided to the Blackpool, Fylde and Wyre CVS with the request that they consider it when planning their programme of support for the voluntary sector in Blackpool (Recommendation 2).

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5. Action Plan

<i>Recommendation</i>		<i>Priority</i>
R1	A copy of this report should be forwarded to the Corporate Procurement Team and Adult and Children’s Services Commissioning and Contracting Team for their background information.	3
R2	This report should be forwarded to Blackpool, Fylde and Wyre CVS with the request that they consider it when planning their programme of support for the voluntary sector in Blackpool.	3

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.