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Internal Audit Report - Crowdfunder Frome - Grant Funding

Introduction

At the request of the RFO a review has been carried out of the Grant Funding arrangements for the Town Council to establish the processes used with particular emphasis to check that the internal control framework for Crowdfunder Frome is sound.

A meeting was held with the Community Projects Officer and Finance Apprentice on the 13 September 2017 to review the control systems in place for Crowdfunder Frome and the processes used to check and process applications received from organisations looking for funding support.

This report recognises the work carried out by the Community Projects Officer to promote Crowdfunder Frome. It also shows there are concerns that since its introduction the applications received for grant funding by Community/Voluntary Groups has reduced overall.

As part of this review it is also recognised that the Town Council should consider if they wish to give their continued support to Crowdfunder Frome. The limited number of applications received and approved since its inception may influence any decision whether to continue with Crowdfunder Frome or consider the use of other grants programmes and the use of the Participatory Budget process.

In discussion with the Community Projects Officer it was suggested that consideration be given to market test other Town Councils where Crowdfunder system is used. This would benefit the Town Council to gain further knowledge and experience of how they have implemented such a grant funding process. It would also be useful to check further opportunities when promoting Crowdfunder Frome to increase the number of potential organisations submitting applications for grant funding.

Crowdfunder Frome – Formalisation of Agreement

Crowdfunder Frome was introduced at the Town Council in 2016 and replaced the large grant application process used before its introduction. Although the Town Council have adopted an eligibility criteria and terms of reference for its use there is little evidence that the arrangements have been formalised in its relationship with Crowdfunder Frome.

It is noted that:

- information received and recorded with Crowdfunder Frome is not sufficiently formalised through written correspondence.
- insufficient documentary evidence is provided by Crowdfunder Frome on all the activities with the Town Council.
- no regular reports are received from Crowdfunder Frome which highlight the real time position for each project including the pledges received, monies paid or balances remaining to be used for new projects.

Recommendation

We recommend that:

- the Town Council should request regular statements from Crowdfunder Frome on all pledges, monies paid and balances remaining. This should be received on a regular basis and at least quarterly.
- the formalised agreements held with Crowdfunder Frome should be reviewed. Provision for regular management reports to be received from Crowdfunder Frome on the overall position of all activity placed with them should be detailed in writing and sent to the Town Council for information.

Crowdfunder Frome - Application Process

The Crowdfunder Frome eligibility criteria and terms and conditions given to applicants provides for a step process to be followed. When applications are considered and grant application pledges agreed, there is little evidence that sufficient due diligence has been carried out as:

- limited details are provided by the applicant showing the up to date and historic position on financial accounts, or the details contained in their Constitutions
- sufficient breakdown of the budget requirements from details shown on the application forms have been provided to allow the Town Council to check how sums will be spent.

Recommendation

We recommend that:

- a more robust approach should be taken by the Town Council to check documentary evidence. This should include checking that the applicant is sufficiently financial sound and to demonstrate this by sending their financial accounts and Constitution for inspection.
- a budget breakdown for each application amount should show how organisations have met sufficiently the set Frome Crowdfunder eligibility criteria to the satisfaction of the Town Council.

- a generic template should be developed to record that all due diligent checks have been completed and signed off from the application process by the Projects Officer/RFO before the details are entered and posted to the dedicated Crowdfunder Frome website.

Crowdfunder Frome – Budget allocation

The Town Council budget amount for 2016/17 was approved and is held by Crowdfunder Frome. The amount allocated against this budget amount for 2016/2017 has not yet been used up although the Town Council have allocated another sum from the budget for 2017/2018.

Recommendation

We recommend that:

- the Town Council should consider whether the sums held in the budget from Crowdfunder Frome for 2017/2018 should be revised or reallocated.
- as the take up of applications for Crowdfunder Frome has not reached the expected levels, the allocated sums in the budget for 2017/2018 should be reviewed and reallocated to other budget headings if appropriate.

Crowdfunder Frome - Amount paid to Organisations

The set Crowdfunder Frome eligibility criteria sets out in its Terms and Conditions the requirements for organisations to provide evidence of how monies have been used and spent. The Town Council do not have a formal follow up process to review or receive details of how these funds have been used.

Recommendation

We recommend that:

- the set terms and conditions provided to applicants for Crowdfunder Frome should be reviewed and implemented to ensure that sufficient post implementation review is carried out with applicants including that they have used the monies received for the purposes proposed on their application form.
- it is further recommended that the generic template should be extended to include a further sign off by the Project Officer/Community Manager to confirm that follow up has been completed and the use of funds has been confirmed to the satisfaction of the Town Council.

Crowdfunder Frome - Feedback to Town Councillors

The Community Projects Officer has now informed Town Councillors at a meeting on Tuesday 19 September 2017 of the current position of Crowdfunder Frome. They have now taken the decision to reconsider the arrangements for providing grants to Community Groups and Voluntary Organisations. A recommendation to the full Town Council in November 2017 will be made to reintroduce the Larger Grants scheme in favour of the current Crowdfunder Frome which will be terminated after 2018.

Further consideration was given at this meeting to the recommendations in this report to strengthen the current control systems for Crowdfunder Frome. It was agreed that the current control framework for Crowdfunder Frome should be enhanced to ensure that the processes are robust and sound whilst it is used by the Town Council.

Furthermore it was also recommended that a policy will be introduced to ensure these enhanced procedures will be introduced for future grant funding systems to include where any grant monies that remain unspent at the end of year financial year will be reallocated to other budgets.

Audit Opinion

In our opinion, which is based on the evidence obtained, we can give limited assurance that the internal control systems to manage the risks identified enable the objectives to be achieved as:

- the current framework of control in place to manage the risks is insufficiently robust to give full assurance that eligibility criteria and terms and conditions of the Crowdfunder Frome have been met.



Tim Light FMMAT
Internal Auditor
19 October 2017