

<b>Committee:</b>	<b>Dated:</b>
City Bridge Trust	23 November 2017
<b>Subject:</b> Compliance and unannounced monitoring visits	<b>Public</b>
<b>Report of:</b> The Chief Grants Officer	<b>For Decision</b>
<b>Report author:</b> Tim Wilson, Principal Grants and Social Investment Officer	

### Summary

Unannounced and compliance visits of selected City Bridge grantees are part of the Trust's standard monitoring processes. These visits are used to ensure funds are properly spent and that accurate records are maintained. The way organisations are selected for these visits, and the method used to conduct compliance reviews, was developed in consultation with Internal Audit. Target numbers of compliance and unannounced visits were approved by Committee at its October 2013 meeting. Based on four years of delivery, officers now propose to make changes to the unannounced and compliance visit approach, both in terms of selection and quantum. These changes have been reviewed by the Head of Internal Audit as well as the Head of Charity and Social Investment Finance and both are supportive.

### Recommendations

1. That Members agree to reduce the target number of unannounced visits from 25 to 15 whilst strengthening references to these visits in City Bridge Trust communications; and
2. That Members agree to amend the criteria for selecting compliance reviews based on the bulleted list in paragraph 13 of this report.

### Main Report

#### Background

1. City Bridge Trust's grant monitoring seeks to achieve three outcomes:
  - increased effectiveness by grant-holders and the Trust;
  - improved learning from work funded by the Trust; and,
  - greater accountability by grant-holders to the Trust.

The details of how Investing in Londoners' grants are monitored were approved by Committee at its 3<sup>rd</sup> October 2013 meeting, covering both the reporting required from grantees as well as the proactive steps officers take to gather further detail.

2. At the same meeting, and following advice arising from a 2012 review of the Trust by Internal Audit, two new categories of grantee visit were introduced: compliance and unannounced. Both visits types are concerned with ensuring grantee accountability, the first through checking that accurate spending records are kept, the second through verifying services take place when stated. The Trust typically awards restricted grants to fund agreed services and post-holders over a set period of time. Grantees are expected to report annually on the progress they are making, and release of funding is conditional on receipt of satisfactory monitoring. At time of application, organisations are expected to present a monitoring framework explaining how they will measure and review progress (if they receive a grant), whilst the terms and conditions of the Trust's funding highlight the ways in which officers may check grant records kept.
3. Based on four years' learning, officers now recommend updating the selection and target numbers for both compliance and unannounced visits.

### **Current Position**

4. Unannounced visits are spot-checks of funded services, verifying they are taking place on the dates and times publicised. The grant team selects organisations suitable for unannounced visits, excluding any delivering sensitive services (such as work with survivors of trauma) where the arrival of an outsider may cause distress to clients.
5. Compliance visits involve a thorough review of the record keeping retained by the grantee in relation to the restricted funds provided by City Bridge Trust, as well as checks of any employee posts funded by the same grant funding.
6. In its 2012 review, Internal Audit noted that the Trust should not seek to make unannounced or compliance visits with all grantees, but rather make an appropriate selection:

*"judgement should be used to determine those organisations for which this [compliance] approach is suitable. Internal audit plan to work with the City Bridge Trust to develop enhanced checks, including a fraud risk assessment approach to their deployment. It is recognised that additional monitoring checks have resource implications and should be deployed according to risk. This equally applies to the use of unannounced monitoring visits which have recently been introduced."*

7. City Bridge Trust and Internal Audit agreed to focus compliance reviews on organisations with three or more of the following criteria:
  - Organisations with a turnover of <£250,000
  - Organisations established < 7 years ago
  - Organisations with < 5 trustees
  - Organisations providing several different services: where the grantee organisation provides 3 or more different services (e.g. 1-2-1 meetings, telephone advice, group sessions, mentoring, advocacy) or provides the same service but to a significantly different client group.

- Organisations employing several part time staff: 4 or more part time staff
8. The October 2013 Committee ratified these criteria together with a target of 25 unannounced visits and 40 compliance visits each year. Officers subsequently developed a compliance review method in collaboration with Internal Audit, including a process by which any concerns would be escalated through the Corporation.
  9. Due to the time involved and benefits arising from using an independent viewpoint, both compliance and unannounced visits are currently delivered by consultants under the instruction of City Bridge Trust officers.

## **Proposals**

10. Following a meeting with the Head of Internal Audit in early October 2017, Trust officers now seek your approval to change the target numbers for both unannounced and compliance visits, and to adjust the criteria for selection of compliance visits.
11. Officers recommend reducing the annual target for unannounced visits from 25 to 15. None have flagged concerns since the Trust started undertaking them. It would not be cost-effective to conduct unannounced visits with all grantees, and as a fraud mitigation control officers believe the effectiveness of the unannounced visit lies in the potential for it to take place. We would, therefore, make more prominent in our correspondence with applicants and grantees that we make spot-checks. The grant team would continue to flag up organisations suitable for unannounced visits so we continue to screen those whose work is of a particularly sensitive nature, and we would agree the cohort of visits at the start of each financial year. Additional visits might take place if an officer was concerned at any point that services were not taking place as expected.
12. The criteria set in 2012 for compliance visits has transpired to be problematic. In practice, a relatively small proportion of the Trust's grantee caseload qualify for the "three or more flags" criteria, and those which do are generally smaller charities. Whilst skewed selection is of concern in itself, there is evidence that we may not have chosen the right risk criteria since none of the visits delivered since the compliance process began have raised concerns requiring additional action or escalation to Internal Audit.
13. Instead, officers propose the following criteria, any of which would always trigger a compliance visit:
  - a delayed return to Charity Commission of >30 days since grant was awarded (even if this relates to the financial year prior to when first payment was drawn down);
  - a change of post-holder without providing the Trust with prior notification;
  - a 100% increase or 50% reduction in total organisational turnover from one year to the next during the life of the grant (on the assumption that internal systems may then be under some stress and Trust record keeping could be compromised);

- the unplanned resignation of 25% of the trustee board or senior management team;
- the materialisation of any key risk factor identified by Chamberlain or Committee during grant assessment or approval; or
- at the request of the grant officer based on concerns arising from monitoring reports and/or communication with the charity.

14. It is likely that fewer compliance visits would take place, but those which do will be better directed at organisations where there is legitimate concern.

15. Although the prime reason for this request is to bring an improved focus on those grantees where there may be higher risk, there is an additional benefit in cost reduction. Reducing the total number of compliance and unannounced visits is a consultancy budget saving of approximately £12,000 pa.

<b>Current arrangement</b>	<b>Proposed arrangement</b>
25 unannounced visits pa	15 unannounced visits pa
40 compliance visits pa	Approximately 20 compliance visits pa
Total cost: c. £26,000	Total cost c. £14,000

16. Officers have discussed the proposed revisions with the Head of Internal Audit and the Head of Charity and Social Investment Finance. Both are in agreement with the recommendations.

## **Conclusions**

17. It is proposed that you amend the criteria for compliance visits, introducing an improved risk-based selection so the Trust concentrates on those organisations which are more likely to be experiencing difficulty. It is likely that this will reduce the number of compliance visits the Trust undertakes, but make those visits more valuable in terms of learning and accountability. The Trust also proposes to reduce the total number of unannounced visits each year, whilst publicising the existence of these visits more prominently. Your officers have discussed these proposals with officers in the Chamberlain's Department who are supportive.

### **Tim Wilson**

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