



GRANT PAYING BODIES - PART 2



About our mini-guides

These mini-guides are written with you in mind if you are:

- a grant manager or administration at a funding body;
- a fundraiser or grant applicant;
- a manager running a grant funded project; or
- an internal or external auditor, or an accountant reporting on claims.

These advise you of what you should consider at each stage of the grants 'lifecycle' and outline the benefits for you when:

1. A new programme or project is proposed.
2. Applications are invited and grant offers made.
3. Projects are managed and delivered, with progress reported and payments made.
4. Activity is evaluated and good practice disseminated. Successful projects may become normal activities while other projects end, maybe with grant recovered.

Here are our mini-guides:

- Funders – programme planning and preparation
- Funders – management of active grants
- Applicants – fundraising and grant applications
- Recipients – management of active grants
- Auditors and Reporting Accountants – risk and reporting

Grant paying bodies - Part 2

This mini-guide aims to help you actively manage your programme once you have decided on your awards and your grants have become 'live'.

It complements our other guide for funders which covers the early planning and preparation stages and dealing with applications.

These guides lead you through a set of questions intended to help you think about what you might need to do at every stage of your programme's life. But always check your proposed arrangements with any guidance or 'minimum standards' which your organisation already has and any applicable mandatory requirements, such as the Welsh Government's Code of Practice for Funding the Third Sector.

For simple grants – those in the nature of 'gifts' with few or no strings attached – you will not need to think about all of the questions featured here. It's good to keep things as simple as possible with approval systems, other management controls, and arrangements for monitoring and evaluation kept proportionate to the value of your programme and its level of risk. But it's still good to know as much as possible so that you can be ready for whatever might crop up in future.

We have related guides for grant applicants and recipients and for auditors and accountants who report on grant claims and returns. You may find these of interest too.

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Stage 1. Making awards

Effective terms and conditions ensure that the best possible outcomes are achieved for the amount given. Sensible payment terms help with recipients' financial stability and create positive incentives for them to perform. Active monitoring helps you identify any problems early enough to be able to take effective corrective action.

1.1 Are my offer letters fit for purpose?

Reference to a model offer letter is useful and you should ensure that letters are carefully checked before issue. High-value or complex schemes will usually need a solicitor's involvement throughout the drafting stages.

As a minimum, the offer letter must set out:

- the names of the recipient and paying bodies;
- the project title and any reference number identifying it;
- the name of the grant scheme under which funds are given;
- what the funding is for (its purposes, the well-being objectives, and the expected outcomes);
- the start and end dates for project delivery and eligibility of expenditure;
- the maximum amount of grant on offer;
- the rate at which grant is given;
- the maximum amount of eligible project expenditure;
- whether funding is capital, revenue or contains both elements;
- the basis of grant (receipts and payments, or income and expenditure);
- whether grant works on a gross basis, or net of any receipts/income;
- whether instalments of grant will reflect a retention;
- the timetable for making claims and any last date for claims;
- timetable for submission of any progress or evaluation reports or updated plans;
- the names and contact details of the responsible project managers of the funder and the recipient; and
- a requirement for written acceptance.

1.2 Have I set milestones, PIs and targets for project outcomes?

As mentioned above, your offer letters should clearly detail the agreed well-being objectives and outcomes which recipients must work towards. Set performance indicators and milestones, against which project delivery and its progress towards the end targets can be monitored.

All of this is discussed in more detail below, under monitoring arrangements.

1.3 Are my terms and conditions fit for purpose?

You can refer to any model Terms and Conditions your organisation uses. But don't – in a hurry – simply follow any terms and conditions used for other programmes a long time ago! They will not be right for you in your current circumstances.

Be as clear as possible about the terms and conditions under which your grants will be paid, so that recipients can prepare their claims on a fair and consistent basis.

As with your offer letter, carefully check your terms and conditions before issue.

Terms and conditions should be issued alongside your offer letter. They will normally cover issues around any preconditions of funding, general obligations, notification events and their consequences, specific monitoring and audit requirements, intellectual property rights, access to information and sustainability, equalities and the Welsh language.

Terms and conditions need to detail how payments will be made:

- State whether claims are to be on the 'receipts and payments' (cash) basis or an 'income and expenditure' (accruals) basis. Other than in exceptional circumstances, income and expenditure should be used because most bodies prepare their accounts on this basis.
- State any particular accounting treatment required (for overheads, pension costs, fixed assets and provisions) which should accord with proper accounting practice.
- Provide clear definitions of eligible expenditure, supplemented as necessary by further guidance explaining the policy objective so that recipients are given a clear steer as to how grant monies must be used.
- Explain what recipients need to do to show they have complied with particular terms (eg if the grant is to fund 'additional' expenditure, the conditions need to set out the baseline from which this additional expenditure is to be measured).
- Where the grant is to be paid on the basis of performance (for example, the number of people trained), specify the conditions which need to be satisfied before an event is assessed as having taken place or a task having been adequately performed.
- State the basis on which grant is payable, for example, how a percentage grant rate is to be applied to eligible expenditure.
- State the amount of grant available or the basis on which it is calculated, including approval and virement arrangements.
- Set out who is to be held accountable for public funds in partnership arrangements (for example, for repayment in the event of default), in particular, the responsibilities of the lead partner and other partners.
- Specify minimum standards for documentation.
- Cover the arrangements for dealing with overpayments and errors, and other circumstances where performance might be rewarded or penalised.

Keep an eye on topical issues to ensure that your terms and conditions are fully up to date.

1.4 How will I get written acceptance?

You must secure the applicant's full and written acceptance of the offer letter and the terms and conditions before any grant is paid. Often this is done most easily by including a proforma acceptance form with your offer letter.

Stage 2. Routine programme management

2.1 Is my Programme Guidance fit for purpose?

For high-value and complex grants, issue Programme Guidance setting out your detailed guidance for how recipients should manage your grant. This may include guidance on financial procedures (accounting, budgeting, stocks and inventories); general management and administration; procurement; delivery planning; partnership working and sustainable development; and monitoring, reporting and evaluation. It may also set out expected internal controls and the responsibilities of the recipient's Project Manager or Coordinator and Finance Manager.

This will help you to hold recipients accountable if there is any future suspicion of poor management or irregularities – as you will be able to refer to the clear standards expected of recipients.

2.2 Is my Claim form (and any final statement) fit for purpose?

See claim arrangements as an integral part of your programme. Claim preparation often highlights ambiguities or uncertainties in the underlying terms and conditions that should be addressed – perhaps recipients will need to collect certain information or keep records in such a way that would not otherwise have been obvious but which will be key to showing the appropriate use of funds or that your policy aim has been achieved.

The claim form is your main way of collecting the information you require to show the appropriate use of your grants. It will include the recipient's certificate and, where appropriate, the auditor's (or independent Reporting Accountant's) certificate, with a view to providing assurance to you that funds were used for their intended purpose and in accordance with your terms and conditions.

Design claim forms carefully, so as to collect the information needed to calculate the grant entitlement. A claim form should:

- have a reference number identifying it as the appropriate interim or final claim;
- have a logical user-friendly structure, collecting related information in identifiable sections and providing cells with precise descriptions and space to make clear entries;
- require only necessary information and exclude information unrelated to calculation of grant entitlement;
- calculate grant entitlement;
- require nominal estimated data;
- be clear about the basis of individual entries such as income and expenditure, approval amounts or actual expenditure, 'total expenditure' or 'qualifying expenditure';
- be supported by guidance notes that are timely, helpful, clearly cross-referenced to the form contents and other scheme documents and balanced in their expectation of the efforts recipients need to make to ensure the accuracy of the figures;
- include appropriate chief finance officer and auditor certificates;
- follow appropriate routing arrangements to ensure undue delays are avoided; and
- be required to be completed and certified to a prescribed timetable, with appropriate retentions to encourage prompt submission and compliance.

The claim form will often show the grant approved, expenditure to date, an indication of future expenditure and progress against performance milestones.

2.3 How will I make payments?

Do not make any payment to a recipient until they have accepted the offer letter and its terms and conditions unequivocally and in writing!

Claims should be required on a regular basis (monthly, quarterly or annually); or at key project stages; or on the basis of results achieved.

Payments should not be made 'in advance of need'. However, for grants to the voluntary sector the Welsh Government's Code of Practice for Funding the Third Sector provides for advance payments in circumstances where a financial need for them is established. In these cases, you should check that the recipient has accepted the offer letter and there will be later accountability and assurance for the amounts eventually spent.

Very simple and small grants to individuals can be made in one instalment, though all others will normally be made on the basis of claim forms prepared, certified and submitted by recipients (and, where necessary, certified by an auditor or independent reporting accountant too).

You may require recipients to provide original documents (invoices etc) with claim forms if auditor certification is not needed.

2.4 Will I hold back 'retentions'?

You may wish to retain a small proportion of grant (perhaps 5-10%) until you receive the final certificate from the auditor and any closing report – this provides an extra safeguard for you.

It gives an incentive for recipients to comply with your terms and conditions and protects the paying body if there has been any accidental or deliberate overclaim.

2.5 How will I manage my budget?

Monitor expenditure against your budget and a related profile of expected payments. Reconcile payments to the original awards.

2.6 How will I monitor progress?

Monitoring checks whether performance milestones and outcomes targets are being met; that money is being spent as agreed; and to provide an early warning of poor performance (so that any necessary intervention can be made quickly and effectively).

The scope and frequency of monitoring should be proportionate to the size, nature and sensitivity of your grant and the track record and circumstances of the recipients.

Where 'match funding' is involved, cooperate with other funders and exchange information to minimise the bureaucratic burdens for all.

All recipients should be required to monitor their own progress and provide you with progress reports in a pre-specified format according to a fixed timetable.

In the light of your available resources, consider who will be monitored, when this will be done and what factors will be considered. These may include:

- financial matters (eg spending against budget, actual provision of match funding and contributions in kind, the recipient's continued status as a 'going concern' and the project's viability and value for money);
- actual performance against milestones or achievement of outcome targets; and
- general compliance with terms and conditions and other guidance (eg the eligibility of expenditure claimed, payments to partners and third parties, notification of overspends, agreement of virements, document retention and audit trails).

Milestones can relate to the stages of project delivery (such as having staff in place, premises ready, publicity distributed and services commences) or to the level of activity (such as the number of beneficiaries being worked with and the number of events held).

Monitoring of the reported outcome indicators lets you see how far your programme is to achieving the overall end outcomes you are moving towards. Information for these indicators can often come from what the project beneficiaries are saying; what they are now doing differently, and what the project delivery staff and volunteers see (examples being changes in awareness, attitudes, confidence, resilience or behaviour).

You could choose to visit projects or inspect activities and assets before meeting any final claim for payment. Meaningful visits will help you build an effective working relationship with those you support.

If other funders are involved, join up or standardise everyone's monitoring arrangements so that recipients are not overburdened and can focus on delivering your programme!

Perform risk-assessments as part of monitoring work. This entails identifying the key risks that will (or may) be encountered and the corrective action which is being taken to address them.

Monitoring will give you information about what works and what doesn't – helping you plan any future developments to fine tune your scheme. Effective monitoring ensures:

- appropriate data is collected, analysed and reported;
- activity levels and performance are identified; and
- there is accurate management information for decision making.

In any case, there will be mandatory requirements for project monitoring if EC Structural Funds are supporting a project.

2.7 How will I carry out interim evaluation?

Refer back to the evaluation plan you drew up at the planning stage and make sure that your monitoring and reporting requirements are appropriate for collecting the information you will need.

Consider whether the evaluation results suggest that everything is still on course for you to achieve the expected final outcomes. Might there have been any external changes which require you to make an appropriate and flexible response?

2.8 How will I deal with virements, changes and slippage?

Any change to your offer letter needs to be justified and agreed beforehand in writing. Your terms and conditions should set the procedures to be followed.

Changes may be needed if unexpected priorities arise, if spending does not go exactly as planned, or if there is some delay in project delivery.

2.9 How will I deal with poor performance?

Develop a clear and robust procedure to deal with breaches of grant conditions, taking into account what you intend to achieve by this. Breaches need to be dealt with effectively – but also equitably and sensitively.

If the rate of expenditure or progress in meeting milestones has slipped, a full explanation should be obtained from the recipient.

If information or documents are not provided on time and to an acceptable standard, consider suspending further payments, or recover grant if your terms and conditions have been significantly breached.

2.10 How will I share concerns with other funders?

Share concerns with other funders and with colleagues giving other grants to your recipients – this is where a grants database and a joint working protocol are very valuable.

2.11 Do I know what to do if fraud is suspected?

You should refer to your employer's staff handbook and any other instructions given to you. Discretion is important.

Normally you will tell your Line Manager who will consult with others and arrange for further action, such as an investigation or liaison with auditors and the police.

The Auditor General for Wales is a 'prescribed person' to which certain public sector employees can report concerns over 'the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services. His role is set out in the Public Interest Disclosure Act 1998, and the Wales Audit Office booklet on 'whistleblowing' is available [here](#).

2.12 When should grant be suspended, terminated or recovered?

Your terms and conditions should have specified circumstances in which grant payments may be adjusted, terminated or recovered.

You need to operate active and sound management and monitoring processes to be able to pick up on:

- project slippages and underperformance;
- budget problems such as overspends or underspends;
- poor management and administration by recipients;
- poor record keeping and accounting;
- financial difficulties (eg cash flow problems, credit problems or debt repayments);
- hasty or ill-advised procurement or contracting;
- poor quality of project activities;
- misuse of grants and assets;
- non-provision of performance information and progress reports;
- changes in risks (eg loss of match funding, withdrawal of partners or partnership tensions); and
- any breaches of key terms and conditions.

Consider what steps you should take to ensure that matters are corrected and that your funds are safeguarded. This may entail:

- suspending payments until problems are rectified or there is a credible recovery plan;
- reprofiling grant into later periods;
- reducing the amount of grant on offer;
- terminating grant; and
- recovering some or all of the grant already paid.

Stage 3. Closedown, succession, accountabilities

Let's look at what you need to think about when your programme nears its end.

On financial completion, there is sometimes a need for the final claim or statement of expenditure to be independently certified. And you may want to set ongoing obligations on recipients to safeguard the public's interest in (or access to) valuable assets paid for by your grant. Think whether any materials or properties can be re-used or put to other good purposes. What might you do to retain any capacity which your programme has built-up?

Saying 'goodbye' to recipients is a natural part of grant-making. This is why thought should have been given to the exit process way back at the initial programme planning stage. It should also be kept in mind throughout the funding relationship. A well-managed exit process can minimize any adverse issues from your grant ending. Good communication during the life of your programme – and especially towards its end – sets a positive and supportive tone.

It can even support the long-term stability and sustainability of the projects you supported. Evaluation and post-project learning help you identify what worked well and what didn't, so that lessons can be learned and remembered for the future.

3.1 How will I make final settlements?

Deal promptly with certified claims and, in particular, with qualified certificates. Failure to do so undermines the whole process and throws into question the purpose of seeking assurance in the first place.

Check claims to see whether they are valid, acceptable and contain the necessary certifications.

3.2 How will assurance be given (eg by auditors)?

This will entail either:

- for most public sector bodies, agreeing a certification instruction with the Wales Audit Office; or
- for commercial and voluntary sector grants and a minority of public sector bodies, issuing defined procedures/engagement letters to other auditors or independent reporting accountants.

For claims certified under the Auditor General for Wales' arrangements, the Wales Audit Office issues a specific certification instruction (CI) for his appointed auditors and contractors to follow. This sets out the key financial terms for the grant, advises auditors of the reference documents they will need to refer to; and a list of tests they must perform. It also confirms which document is to be certified and how and when it is to be submitted to the paying body.

Grant paying bodies need to agree the CI with the Wales Audit Office before the latter is able to provide it to auditors and the certification work begins.

3.3 How will I pursue overdue audits?

Operate clear arrangements for dealing with 'stragglers' where deadlines are missed. Keep a register of recipients expected to submit claims and monitor their eventual receipt and processing. Chase up overdue claims, particularly where an auditor or reporting accountant certificate is needed – in case there has been some misuse of money which is being concealed.

3.4 How will I control extensions?

If the recipient misses their deadline for the submission of a certified claim, they will not have fully complied with your terms and conditions. To prevent this, recipients may ask you to allow them more time to arrange for production of the auditor's or reporting accountant's certificate.

How you respond will be influenced by a number of factors, including the recipient's track- record and performance, the information you have from recent monitoring, and anything you can find out from the grants database. It may also be worth you obtaining a quick credit reference.

If you allow an extension, ascertain the reason for the applicant's request, examine it with due caution, and then confirm it in writing setting out the deferred deadline clearly. The recipient will bear any other consequences of late certification provided for in your terms and conditions.

3.5 How will I follow up auditor reports and qualifications?

You should resolve any uncertainties you may have about the contents of certified claims. Process amendments accurately and notify recipients promptly if any amendments need further investigation before being accepted.

Similarly, matters in reports and qualification letters should be dealt with promptly and effectively. You should:

- consider all of them and treat issues consistently;
- decide how to act on the facts provided;
- require recipients to confirm the lessons learned and the corrective action taken;
- consider if any further information/documents should be provided to you by the recipient;
- consider whether any further work is needed by the auditor or reporting accountant;
- consider whether to recover overpaid grant and/or suspend future payments; and
- consider any wider action needed by your colleagues.

Where qualifications suggest your future terms and conditions should be revised to provide further clarity or eliminate ambiguity, this should be done. This will help to reduce the likelihood of future adverse reports and qualifications and help everyone administer future awards correctly.

3.6 How will I recover overpayments/shares of future income or asset disposal proceeds?

If some matters set out in your terms and conditions will still apply after funding ends, you will need to continue with your monitoring. This will help you ensure that the assets continue to be used for their approved purpose or that the paying body receives its proper share of ongoing income or the proceeds of any agreed asset sale (as land and buildings may have appreciated in value since they were originally provided).

3.7 What final support might I offer?

For major programmes which have run for many years, you may wish to offer some 'transition funding' for a short while. But support does not have to be financial. Other ways can be to offer help with building organisational capacity, business planning, fundraising and directing recipients to sources of new grants and collaborators.

Are there any measures you can help put in place to ensure that well-being goals will continue to be realised?

3.8 How will I finally evaluate my scheme – and involve stakeholders?

Evaluation is a key part for planning and delivery at both programme and project levels – not an afterthought at the end. It investigates and measures the 'success' (or otherwise) of your programme or project against a set of performance criteria to discover:

- whether objectives were met;
- what outputs, outcomes and impacts were produced by the activities undertaken; and
- at what cost.

Indeed, you should have already drawn up your evaluation plan when your programme was first proposed and you may have already performed an interim evaluation.

All evaluations of grant aided schemes or projects should include an evaluation of the project against your original Well-being goals and sustainable development objectives. What contribution has your programme made towards those? Was it useful? This is a good opportunity to capture good practice.

All schemes should be evaluated at their end – and pilots or long-running schemes evaluated periodically. Evaluation lets you use monitoring and other information to make judgements about the operation and achievements of your scheme. It will help you and the recipients to learn lessons which can lead to future changes and improvements.

The key questions to consider will usually be:

- To what extent did the scheme achieve its aims and objectives?
- If there was a significant shortfall; why did this happen?

- Is there anything else that can be learned from the scheme (examples of good practice and how pitfalls might be avoided in future)?
- Were there any conflicts between the different aspects of well-being and sustainability and how might these be resolved in future?
- What might be done differently for the future?

Evaluation can be done by someone independent – perhaps external consultants and academics. Evaluation will depend on the size and nature of the scheme. Possible approaches include:

- desk research on policy and comparisons to other schemes;
- investigative interviews with beneficiaries, stakeholders and project managers;
- focus groups;
- workshops;
- in-depth case studies;
- feedback forms; and
- surveys (by post, phone or face-to-face).

It should involve stakeholders too.

Develop an evaluation plan. This will set out:

- who evaluation is being done for;
- who will perform the evaluation (internal staff or outside consultants/ academics);
- what will be evaluated;
- how that will be evaluated;
- when evaluation will be done; and
- the costs and budget.

The plan should set out individual responsibilities for all tasks connected with evaluation eg management roles and responsibilities.

Schemes should be flexible enough to allow for periodic review to ensure that provisions remain practicable, understandable and equitable. Where substantial flaws or opportunities for significant improvement are identified, these should be corrected or implemented promptly. However, annual adjustments should normally be kept to a minimum (especially where they would not have a material effect on the way recipients operate a scheme or on their entitlement).

At the end of evaluation, consider what improvements can be made to your scheme (eg in its design or delivery mechanisms) to overcome obstacles and difficulties and exploit the best options for the future. Identify all good practice and learn lessons for the future.

Where a scheme supports major projects, you will usually want to evaluate some of those alongside evaluation work carried out by the grant recipient.

3.9 How will I disseminate good practice?

Successful projects and examples of good practice should be publicised. Methods might include webpages on the intranet, brochures, evaluation reports, roadshows, papers in professional journals and articles in the press and trade magazines.

Any lessons learned should be kept in mind when designing future programmes.

3.10 How do I ensure succession and roll out?

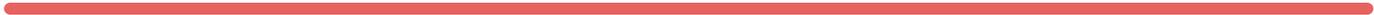
Plan in good time for different situations.

Implement the exit strategy identified when the grant was first designed – with any succession procedures set out in the recipient's application.

3.11 Can I merge this programme, or its successor, with others?

As every grant scheme entails administration and bureaucracy, check if your objectives can be met by another existing scheme (or a merger, rationalising and integrating other schemes). This might let you offer future grants easily, quickly and without undue risk.

Look at your scheme again in the context of your organisation's wider policies and their connectivity to encourage joined-up thinking. This will help you generate new ideas and approaches and identify gaps and inconsistencies between grants and opportunities for new or improved provision.



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