

## **Internal Audit Assurance**

### **1. INTRODUCTION**

The City of Edinburgh Council Internal Audit team performs one audit annually to provide assurance over the controls established to mitigate SEStran's specific key risks.

- 1.1 The purpose of this paper is to provide an update on the outcomes of the 2024/25 SEStran internal audit of the People and Place Funding Proposals, progress with the completion of actions agreed as part of previous audits, and to request the Board's input on potential areas for inclusion in the planned 2025/26 audit.

### **2. BACKGROUND, SCOPE, AND OUTCOMES OF 2024/25 IA REVIEW – SESTRAN PEOPLE AND PLACE FUNDING PROPOSALS**

#### **2.1 Audit Background**

- 2.1 The audit was conducted to review the internal processes and controls surrounding the development and management of the People and Place Plan grant funding. The objective was to assess the adequacy and effectiveness of the existing control environment and to identify areas for improvement to support sound decision-making and governance. This work aligns with SEStran's November 2024 risk register, particularly in relation to Governance, Operational (project delivery), Financial, Reputational and External (supplier and partnership relationships) risks. While the review excluded technical assessment of individual proposals, its focus on process and control supports the organisation's wider assurance framework.

#### **Audit Scope**

- 2.2 The objective of the audit was to assess the adequacy of key controls established by SEStran to support management of grant funding proposals and allocations across various delivery partners.

#### **Audit Outcomes**

- 2.3 The review provides reasonable assurance that SEStran has a generally sound framework of governance, risk management and control in place to support the administration of People and Place Plan grant funding. While some areas for improvement were identified, particularly related to the design and operational effectiveness of certain key processes, these are not considered to significantly undermine the overall control environment. Addressing them would provide an opportunity to further transparency, financial stewardship, and regulatory compliance.
- 2.4 Areas for improvement identified in the audit include:
  - i) a documented application and assessment framework should be introduced to ensure consistency in Local Authority grant awards

- ii) financial sustainability assessments should be conducted before approving third-party grants, with checks applied consistently
- iii) anti-bribery and conflict of interest compliance procedures should be implemented including register maintenance and timely policy reviews
- iv) grant claims should be reconciled with a clear capital / revenue split to better manage project budgets and reduce overspend risk
- v) claims should be supported by compliant documentation with editable formats avoided and VAT inclusion subject to prior approval
- vi) advance claims should have written justification and clear referencing in claim forms by grantee and formal prior approval.

2.5 Several areas of effective practice were also identified as part of the audit and are included in the Executive Summary section of the detailed report.

### **Progress with audit actions raised in previously completed audits**

- 2.6 Two of the eight actions raised in the Financial Sustainability completed in May 2024 have been addressed.
- 2.7 A status update on the remaining six management actions for the Financial Sustainability audit is provided in Appendix 2.

## **3. 2025/26 INTERNAL AUDIT**

- 3.1 The City of Edinburgh Council's 2025/26 Internal Audit annual plan was approved by the Council's Governance, Risk, and Best Value Committee on 27 March 2025. The plan includes allocation of time for completion of one audit for SEStran, which is consistent with the level of assurance provided in prior years.
- 3.2 The most significant areas of risk and potential areas for SEStran 2025/26 annual audit will be discussed with the management team and the Chief Internal Auditor by November 2025. It is proposed that the 2025/26 audit will be completed between January and April 2026.

## **4. RECOMMENDATIONS**

The Board is requested to:

- note the outcomes of the 2024/25 internal audit of the SEStran People and Place Funding Proposals, including IA findings and recommendations and agreed management actions and implementation dates
- note the progress with completion of management actions from previous audits
- provide input on key risks or any areas of concern that the Board would like Internal Audit to consider including in the 2025/26 audit plan.

**Appendix 1:** Internal Audit Report – SEStran People and Place Funding Proposals

**Appendix 2:** Progress with previously raised management actions as at 29 May 2025

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Policy Implications	None
Financial Implications	SEStran is charged an annual fee for provision of the annual IA assurance review. The fee for 2024/25 is £5,000, which remains consistent with the 2023/24 fee applied. Fees will be reviewed in 2025 and where required a revised fee will be agreed.
Equalities Implications	None
Climate Change Implications	None



# South East of Scotland Transport Partnership (SEStran) Internal Audit Report

## People and Place Funding Proposals

14 May 2025

OO2402

<b>Overall Assessment</b>	<b>Reasonable Assurance</b>
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This Internal Audit review is conducted for the SEStran under the auspices of the 2024/25 internal audit plan. The review is designed to help the SEStran assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Global Internal Audit Standards (UK Public Sector) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the SEStran. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management as appropriate.

# Executive Summary

Overall Assessment	Reasonable Assurance
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## Engagement conclusion and summary of findings

There is a generally sound system of governance, risk management and control in place to support the administration of grant funding. While some areas for improvement were identified, particularly related to the design and operational effectiveness of certain key processes, these are not considered to significantly undermine the overall control environment. Addressing them would provide an opportunity to further transparency, financial stewardship, and regulatory compliance.













The following improvement actions were noted:

- a documented application and assessment framework should be introduced to ensure consistency in Local Authority grant awards
- financial sustainability assessments should be conducted before approving third-party grants, with checks applied consistently
- anti-bribery and conflict of interest compliance procedures should be implemented including register maintenance and timely policy reviews
- grant claims should be reconciled with a clear capital / revenue split to better manage project budgets and reduce overspend risk
- claims should be supported by compliant documentation with editable formats avoided and VAT inclusion subject to prior approval
- advance claims should have written justification and clear referencing in claim forms by grantee and formal prior approval.

## Areas of effective practice

- clear eligibility, scoring, and assessment criteria have been established for third-party funding applications and consistently applied throughout the application assessment process
- key programme delivery risks have been proactively identified and documented, with effective escalation and management through SEStran's risk management framework
- robust financial monitoring and reporting mechanisms are in place to ensure timely tracking and reporting of funding proposals in line with the programme delivery plan
- effective oversight arrangements enabled identification and correction of errors in grant claims.

## Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
1. Grant Application Assessment, Approval and Monitoring			Finding 1 – Assessment of Local Authority Grant Applications	Medium Priority
			Finding 2 – Financial Sustainability Assessment	Medium Priority
2. Governance, Risk Management, and Fraud Prevention			Finding 3 – Non-Compliance with Anti-Bribery and Conflict of Interest Declaration Requirements	Medium Priority
3. Financial Management			Finding 4 – Deficiencies in the Grant Claim Reconciliation Process	Medium Priority
			Finding 5 – Non-compliance with Grant Claim (Payment) Process	Medium Priority
			Finding 6 – Process of Advance Grant Claims	Medium Priority

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

# Background and scope

Transport Scotland introduced the People and Place Programme in December 2023 to increase active travel (walking, wheeling, and cycling) through behavioural change projects. The programme encouraged Regional Transport Partnerships like SEStran to collaborate with local authorities and other delivery partners to deliver measurable improvements in active travel behaviour across the region in coordination with the Regional Transport Strategy and local plans. Transport Scotland outlined four key themes for People and Place Programme: schools and young people, workplaces, developing accessible and inclusive communities, and capacity and capability building within the public sector and community-based organisations.

The programme included funding of £5.3m for SEStran in financial year 2024-25, aimed for distribution across different regional projects that deliver in line with the programme’s key objectives. The funding of £5.3m was divided into 40% for revenue expenditure, 60% for capital investment, and includes £2.5million provided to local authorities to deliver on their local priorities in line with the regional plan.

SEStran developed a strategic approach to achieve programme objectives through a People and Place delivery plan which considered local authorities’ priorities and Regional Transport Strategy. The plan also included a list of funding proposals to be delivered through a combination of third-party delivery partners and local authorities. The SEStran Partnership Board noted the plan in March 2024 and approved the eligibility criteria, scoring criteria and assessment process for the grant fund to support plan delivery through third parties.

## Scope

The objective of this review was to assess the adequacy of key controls established by SEStran to support management of grant funding proposals and allocations across various delivery partners.

## Alignment to SEStran Risks

- Governance
- Operational (Project Delivery)
- Financial
- Reputational
- External (Supplier and Partnership Relationships).

## Limitations of Scope

The following area was specifically excluded from the scope of our review:

- technical assessment of individual funding proposals/projects and their alignment to the overall programme objectives.

## Reporting Date

Testing was undertaken between 3 March 2025 and 28 March 2025. Audit work concluded on 8 April 2025, and the findings and opinion are based on the conclusion of work as at that date.



# Findings and Management Action Plan

## Finding 1 – Assessment of Local Authority Grant Applications

Finding  
Rating

Medium  
Priority

As part of the People and Place Programme, grant applications were invited from third-party organisations and, in accordance with the Grant Standing Orders, SEStran collaborated with local authorities in relation to the grants awarded to them. While a clearly defined and documented application process, including assessment criteria and submission guidelines, is in place for third-party applicants, no equivalent application procedure exists for local authority (LA) applicants.

In addition, there is no standardised application form or template available to guide LA applicants through the submission process. Instead, the SEStran team conducted one-to-one meetings with individual LA applicants to explain the application process and programme objectives.

There is no documentation to demonstrate that grant applications were assessed by a panel of officers, which is essential for ensuring transparency, independence, and segregation of duties. Unlike third-party applications, there was no scoring mechanism used to evaluate LA applications, resulting in a lack of clarity around selection and rejection criteria.

While brief notes were provided for rejected applications, they were not sufficient to justify the decisions made. Additionally, there was no documentation to evidence final approval decisions, such as panel minutes or meeting minutes etc.

For the internal Travel Know How and Go e-bike projects, there was no evidence to confirm that a formal internal assessment and approval process was conducted, similar to other projects. This lack of documentation limits the transparency, consistency and accountability of the selection and approval process.

### Risks

#### Operational (Project Delivery)

- the absence of a clearly defined and documented process for assessing LA grant applications increases the risk of biased or inconsistent decision-making, potentially resulting in unfair or inequitable allocation of funds
- reliance on informal, one-to-one meetings instead of a structured and transparent application and assessment process increases the likelihood of subjective interpretation of application requirements and criteria
- lack of documented assessment and approval for projects directly handled by SEStran may lead to reduced transparency, non-compliance, inconsistency and lack of accountability in project selection and implementation.

## Recommendations and Management Action Plan: Assessment of Local Authority Grant Applications

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
1.1	SEStran should develop and implement a formal application process specifically for Local Authority	<b>Risk accepted.</b>	N/A	N/A	N/A

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
	(LA) grant submissions. This process should include clear guidance on application requirements, assessment criteria, submission deadlines, and supporting documentation expectations. A standardised application form or template should be made available to ensure consistency and help applicants understand how to align their proposals with programme objectives.	It is felt that the current approach is appropriate for grants given to LAs. As a Partnership of LAs, SEStran will continue to work with each LA with respect to grant awards to them, as per the Grant Standing Orders. Given the existing demand on LA teams, introducing a new application process for them, where they would be competing against other LAs, is not felt conducive to effective delivery, and would be a reversion to the previous funding model which Transport Scotland have asked RTPs to move away from.			
1.2	To promote transparency, fairness, and accountability, all LA grant applications should be evaluated by a formally appointed assessment panel. Detailed documentation, including meeting minutes, scoring records, and rationale for decisions should be maintained to demonstrate that assessments were conducted objectively and independently.	Do something different. In line with the above, a formal application process and assessment will not be put in place. The keeping of detailed `records of decisions, signed off by the Partnership Director, has already been improved for 25/26 with longer timelines and this will be continued in future years.	Partnership Director, SEStran	Senior Partnership Manager, SEStran	30/09/2025
1.3	Any significant changes to approved grant projects, including the addition of new activities or project components, should be subject to a formal reassessment and approval process.	Do something different. A more formalised change control process and form will be introduced for 25/26, to ensure consistent records are kept of changes to grant awards – recording request details and approval in one location. All grant variations will continue to be signed off in line with the Grant Standing Orders as in 24/25. It should be noted that all grant award			30/09/2025

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
		variations will continue to be presented to the Board as in 24/25.			
1.4	SEStran should adopt the same application assessment and grant approval process for its internal projects as is applied to projects delivered through local authorities.	<p>Do something different.</p> <p>In line with the above, a formal application process and assessment will not be put in place. The keeping of detailed records of decisions, signed off by the Partnership Director, has already been improved for 25/26 with longer timelines and this will be continued in future years. Internal projects will continue to be subject to the internal Business Plan process.</p>			30/09/2025

## Finding 2 – Financial Sustainability Assessment

Finding  
Rating

Medium  
Priority

According to the SEStran Grant Standing Orders, the financial sustainability of third-party applicant organisations should be assessed prior to the awarding of any grants. However, for all of our sample of 9 organisations, no such assessment was carried out before the grant offer was made. Instead, financial probity checks were conducted subsequent to the grant offer, by the Council's Finance team.

The results of the financial probity checks performed by Finance were received by SEStran on 21 May 2024. However, the grant funding agreements were signed prior to this date, indicating that the agreements were finalised before the outcomes of the checks were known.

In addition, out of the sample of 9 third-party delivery partners, financial probity checks were only conducted for 8 of them. One delivery partner was not included in this check, due to an administrative error.

### Risks

#### Financial

- grant funds may be allocated to financially unstable organisations, increasing the risk of project failure or misuse of funds
- inconsistent application of financial probity checks undermines the integrity of the due diligence process.

## Recommendations and Management Action Plan: Financial Sustainability Assessment

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	In compliance with the People and Place Plan Grant Fund Application Guidance, all third-party applicants should undergo a financial sustainability assessment prior to final grant offer.	Accept recommendation. Due to compressed timelines and the established nature of the external partners worked with in 24/25, to avoid additional delays to funding awards, financial sustainability checks were carried out at the same time as awards were made. Going forward, with more appropriate timelines, these checks will be made prior to grant award in line with the Grant Standing Orders.	Partnership Director, SEStran	Senior Partnership Manager, SEStran	30/09/2025

2.2	SEStran should ensure that financial probity checks are completed for all selected applicants without exception to ensure completeness and consistency.	Accept recommendation. One organisation was erroneously missed from the financial sustainability checks carried out in 24/25. For 25/26 a post decisions checklist has been put in place to ensure this does not reoccur.			30/09/2025
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## Finding 3 – Non-Compliance with Anti-Bribery and Conflict of Interest Declaration requirements

Finding  
Rating

Medium  
Priority

As per the Anti-Bribery Policy, each employee is required, at the point of commencing employment with SEStran, and annually thereafter to confirm that they have read and understood the requirements of this Policy and related Anti-Bribery Procedure by placing their signature on an Anti-Bribery Agreement form. According to the Anti-Bribery Policy, all employees who engage with external suppliers as part of their work or responsibilities are required to complete the Conflicts of Interest declaration form annually or for specific procurement exercises.

Several non-compliances with this requirement were noted:

- **Incomplete Anti-Bribery Compliance Forms:** 3 of the 7 forms sampled lacked line manager sign-off (for attestation), and 1 form was missing the employee's signed date
- **Missing Conflict of Interest Declarations:** 2 of the 7 sampled staff members had not signed the required declarations. Another form was partially completed.

The Anti-Fraud and Corruption policy requires Partnership Board members and employees to declare any possible conflicts of interest and to record them in a register. Although a conflict of interest register is maintained for Partnership Board members, no such register exists for SEStran employees.

In accordance with the Anti-Bribery policy, the procedure and associated policy should be reviewed annually by SEStran, to reflect organisational changes, best practice, operational experience and legislative updates to maintain its effectiveness. The Anti-Bribery Policy was last updated in March 2023. The associated Anti-Bribery Procedure and the Anti-Fraud and Corruption Policy have not been reviewed since October 2017.

### Risks

- **Governance** – failure to comply with anti-bribery and conflict of interest policies increases the risk of undetected conflicts, fraudulent behaviour, and bribery, potentially resulting in biased decisions, misused funds, and reputational or financial harm.

## Recommendations and Management Action Plan: Non-Compliance with Anti-Bribery and Conflict of Interest Declaration requirements

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1	SEStran should ensure all Anti-Bribery compliance forms and Conflict of Interest declarations are fully completed and signed by both employees and line managers.	Accept recommendation. Anti-bribery compliance forms will be updated for all employees.	Partnership Director, SEStran	Business Manager, SEStran	30/09/2025

3.2	A formal conflict of interest register for all SEStran employees should be maintained and regularly updated.	A conflict of interest register will be established and maintained.			30/09/2025
3.3	The Anti-Bribery Procedure and Anti-Fraud and Corruption Policy should be reviewed and updated, at a regular frequency to ensure continued relevance and compliance.	The Anti-Bribery Procedure and Anti-Fraud and Corruption Policy were reviewed in 2023 but required no changes. Unfortunately, this was not included in the report to P&A Committee. These policies will be included in the next policy review cycle.			30/09/2025

## Finding 4 –Grant Claim Reconciliation Process

Finding  
Rating

Medium  
Priority

Prior to processing grant claims, a reconciliation is carried out at the overall project level without distinguishing between capital and revenue elements. This practice has affected the accuracy and completeness of financial records and increased the risk of misallocation.

Several instances were noted where claims were incorrectly processed under the wrong budget category:

- **‘Always to Walk’ project:** A total of £35,000 was claimed under Capital budget in Quarter 1 (Q1) when it should have been claimed under Revenue budget. However, this error was not detected during the claim processing and was paid out of Capital budget. This error continued and, as a result, in Q2 the capital budget was exceeded by £7,872. However, it was identified and corrected in Q3 accordingly.
- **Community Active Travel Programme-School’ project:** In Q1, a claim of £7,000 as Management cost and another £7,000 as overhead cost was made

under the Capital budget, but which ‘should have been claimed under Revenue. However, this error was not recognised prior to the payment but later was discovered and corrected in the Q3 claim.

- **‘I Bike Schools’ project:** The Q3 claim was made amounting to £20,000 related to a Revenue expenditure which was incorrectly ledger coded as a Capital claim in the accounting instructions given on the claim form. This resulted in a mismatch between the books of accounts and SEStran records, later rectified by reallocating £18,000 to Revenue and £2,000 to Capital.

### Risks

**Financial** – weaknesses in the grant claim reconciliation process may lead to incorrect budget allocations and overspending, increasing the risk of funding shortfalls and financial mismanagement.

## Recommendations and Management Action Plan: Grant Claim Reconciliation Process

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
4.1	SEStran should ensure that all grant claim reconciliations are reviewed and recorded with clear separation between Capital and Revenue budgets before processing payments.	Accept recommendation. This issue was recognised by SEStran Officers in Q3 and a revised process put in place to ensure reconciliation was being made against revenue and capital budgets. This process will be enhanced in 25/26 with this check being carried out on the grant claim form itself in addition to the programme budget tracker.	Partnership Director, SEStran	Senior Partnership Manager, SEStran	30/09/2025



## Finding 5 – Non-compliance with Grant Claim (Payment) Process

Finding  
Rating

Medium  
Priority

A review of claims made in arrears identified several deviations from the established People and Place Plan Grant Claim Process.

Every claim should be supported with adequate evidence of expenditure. During the review of claim payments, it was identified that a proforma invoice was submitted as evidence of expenditure instead of submitting final invoices by a Local Authority amounting to £22,500 in their Q2 claim that was made in arrears. This did not meet the requirement for final invoices and is non-compliant with the grant claim process.

Delivery partners are allowed to provide itemised lists, purchase ledger extracts or internal invoices as evidence of expenditure for their internal charges, but with either the signature of a relevant officer or bearing the organisation logo. However, following exceptions were noted:

- the delivery partner who conducts the 'Community Active Travel Programme' provided a Profit and Loss statement in PDF format, but it does not carry any signature or organisation logo. Some internal invoices were noted with the organisation's logo, but these were submitted in Word or Excel, which are editable and are less secure
- similarly, a Local Authority submitted a timesheet in Excel format in their Q2 claim.

Value Added Tax (VAT) cannot be included in the claims. However, if the delivery partner is ineligible to reclaim VAT on expenses incurred as part of the grant funded project, depending on the circumstances, SEStran may allow them to include VAT in their claim. The 'Community Active Travel Programme' delivery partner included VAT in all their grant claims., However, there was no evidence of internal prior approval being documented to support the decision to allow the inclusion of VAT in the grant claims.

### Risks

**Financial** – non-compliance with the grant claim process increases the risk of payments being made based on insufficient or unverifiable documents (evidence of expenditure), potentially resulting in unauthorised or inappropriate disbursements.

## Recommendations and Management Action Plan: Non-compliance with Grant Claim (Payment) Process

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
5.1	All grant claims should be supported by supporting evidence in line with the People and Place Plan Grant Claim Process:	Accept recommendation. The one instance identified of a proforma invoice on a claim was found to be an error on behalf of the submitting organising that was not identified by SEStran, and an	Partnership Director, SEStran	Senior Partnership Manager, SEStran	30/09/2025

	<ul style="list-style-type: none"> <li>• proforma invoices or quotations must not be accepted for arrears-based claims; only final invoices should be considered</li> <li>• all electronic documents used as supporting evidence must be in non-editable formats (e.g., PDF), and either signed by a relevant officer or clearly display the organisation's logo</li> <li>• inclusion of VAT in claims must be supported by independent verification of VAT registration status and approved internally before being allowed.</li> </ul>	<p>invoice has subsequently been provided. Project team will review the claim guidance as part of the 25/26 programme preparation to ensure these are implemented fully.</p> <p>Grant claim procedures have been updated for 25/26 to include that internal ledgers and timesheets should be in pdf format.</p> <p>VAT status will be recorded on the grant claim form for 25/26, with each line clearly marked as inclusive/exclusive of VAT to ensure visibility. Evidence of VAT status will continue to be requested, but procedure updated to ensure this is in the form of a letter from the organisation. There are no plans to independently verify VAT statuses at this time.</p>			
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## Finding 6 – Process of Advance Grant Claims

**Finding  
Rating**

**Medium  
Priority**

While grant claims are typically paid quarterly in arrears, the People and Place Plan Grant Claim Process allows for advance payments in exceptional cases, specifically for major capital expenditure where the delivery partner cannot cover costs upfront. Such advance payment requests are considered on a case-by-case basis. According to the Grant Claim process, to proceed with such request, the grantee (delivery partner) is required to submit a supplier quotation, expected payment date, and a written justification explaining why a claim in arrears is not feasible. Advance payments must also be followed by appropriate expenditure evidence.

The delivery partner of Community Active Travel Programme submitted a grant claim in Q2 totalling £84,255.40, of which £74,891.30 was for capital expenditure claimed in advance. This included £51,038.30 for adaptive and e-bikes (based on proforma invoices) and £23,583 for staffing costs (via internal invoices).

However, SEStran did not obtain a written justification from the delivery partner for requesting an advance, nor was there formal approval prior to processing the payment. While an email from the delivery partner was received, it referred only to budget allocations and cash flow considerations, and not a clear request for an advance.

Additionally, the delivery partner did not explicitly indicate on the claim form that a part of the claim was for advance payment. Further, the current claim form lacks a designated section to differentiate between advance claims and arrears claims.





### Risks

**Financial** - non-compliance with the Grant Claim Process increases the risk of unauthorised disbursements, misclassification of payments, and financial misstatements.

## Recommendations and Management Action Plan: Process of Advance Grant Claims

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
6.1	A written justification should be obtained from the delivery partner when requesting an advance payment, clearly stating the reasons for not claiming in arrears. Approval should be secured before processing any grant claim as an advance.	Accept recommendation. The 25/26 grant claim form has been updated with a specific section to identify which lines on a grant claim are in advance so that this is clear throughout the approval chain.	Partnership Director, SEStran	Senior Partnership Manager, SEStran	30/09/2025

# Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

## Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
<b>Grant Application Assessment, Approval and Monitoring</b>	Clear procedures for submission and processing of applications, including processing timeframes and communication protocols, have been established and communicated.
	Eligibility, scoring and assessment criteria have been defined for funding applications and are consistently applied across all delivery partners to ensure their proposals align with the delivery plan.
	Processes and procedures have been established to record the evaluation, scoring and approval of grant funding applications and sign off the approved funding agreements.
	Effective processes are in place to monitor and evaluate the performance of funded projects to ensure the intended programme outcomes are achieved.
<b>Governance, Risk Management, and Fraud Prevention</b>	Effective governance arrangements exist to support senior management monitoring and Committee/Board oversight of grant management processes, including clear roles and responsibilities for decision-making and approval.
	Robust controls are in place to mitigate applications processing risks of bribery, fraud, conflicts of interest, and inappropriate use of funds.
	Key risks in delivery of programme objectives are identified, recorded in project risk register, and escalated/managed through SEStran risk management processes.
<b>Financial Management</b>	Financial controls are established to ensure funding awards do not exceed available allocated funding and payment controls are in place to prevent duplicate, fraudulent or unauthorised payments.
	Processes are in place to ensure timely and accurate disbursement of funds, aligned with contractual terms and project milestones.
	Financial monitoring and reporting mechanisms are in place to ensure accurate tracking and reporting of funding proposals in line

**Appendix 2 – 2023/24 Internal Audit – OO2301 SEStran Financial Sustainability – Implementation Status**

Ref.	Recommendation	Agreed Management Action	Due Date	Status	Management Update
1.1	A financial planning procedure document should be developed that includes key reporting milestones and roles and responsibilities.	A financial planning procedure will be developed.	31 October 2024	Outstanding	Draft procedure document has now been developed.
1.2	Scenario planning exercises should be performed on key budgetary assumptions, as part of the annual financial planning cycle. This should be included in the financial planning procedures and results should be reported along with financial plans for approval.	A scenario planning procedure will be included in the wider financial planning procedure. It will describe how scenarios and sensitivities will be selected.	31 October 2024	Outstanding	Draft developed and currently being tested as part of the 25/26 planning.
1.3	The identification of efficiency savings should be included as a step within the financial planning procedures. Once identified, the achievement of these savings should be monitored and reported.	The requirement to identify and realise efficiency savings will be included in the financial planning procedure and undertaken each year as part of the process.	31 October 2024	Outstanding	Draft procedure document has now been developed.
1.4	The identification of lessons learned from the annual financial planning cycle should be included within the procedures document. These should then be reviewed prior to the next planning cycle and improvements made, where appropriate.	A lessons learned process will be included in the financial planning procedure. A lesson learned process will be included in the financial planning procedure.	31 October 2024	Outstanding	Draft procedure document has now been developed.

Ref.	Recommendation	Agreed Management Action	Due Date	Status	Management Update
3.1	SEStran should develop a central log of all identified potential funded projects. This log should include the deadline for applications and assist in monitoring progress made in preparing these.	A log of all applications for funding – formal or otherwise – will be created and maintained on a project-by-project basis.	31 October 2024	Outstanding	In place and reviewed/updated fortnightly at SEStran team meetings as part of 'ACTIONS' Spreadsheet. Reported to PaSDOS, P&A and Board.
5.1	The implementation of risk mitigation actions should be regularly monitored to ensure risks are effectively managed/mitigated.	A central log of all actions is being created and will include actions from the Risk Log. In order to ensure that agreed actions are rapidly progressed, the Actions Log will be reviewed and updated by action owners on a weekly basis and reviewed by the Partnership Director at Team meetings on a fortnightly basis.	30 June 2024	Outstanding	In place and reviewed/updated fortnightly at SEStran team meetings as part of 'ACTIONS' Spreadsheet. Reported to PaSDOS, P&A and Board.