



The Levelling Up Funds Assurance Second Line of Defence (Deep Dive) Overview & Key Lessons Learnt



Purpose of Webinar

- To disseminate some good practice and lessons learnt from the first round of the deep dive process
- To introduce and reinforce the Second Line of Defence (deep dive process)
- To answer questions and queries



The Assurance & Compliance team assures a range of Grant Funded Programmes:

Levelling Up Fund

Towns Deals

Future High Streets
Fund

Local Enterprise
Partnerships

European Regional
Development Fund

Mayoral Combined
Authorities

Community
Ownership Fund

Freeports

Community
Renewal Fund

Devo Deals

SPF

Changing Places

Building Safety

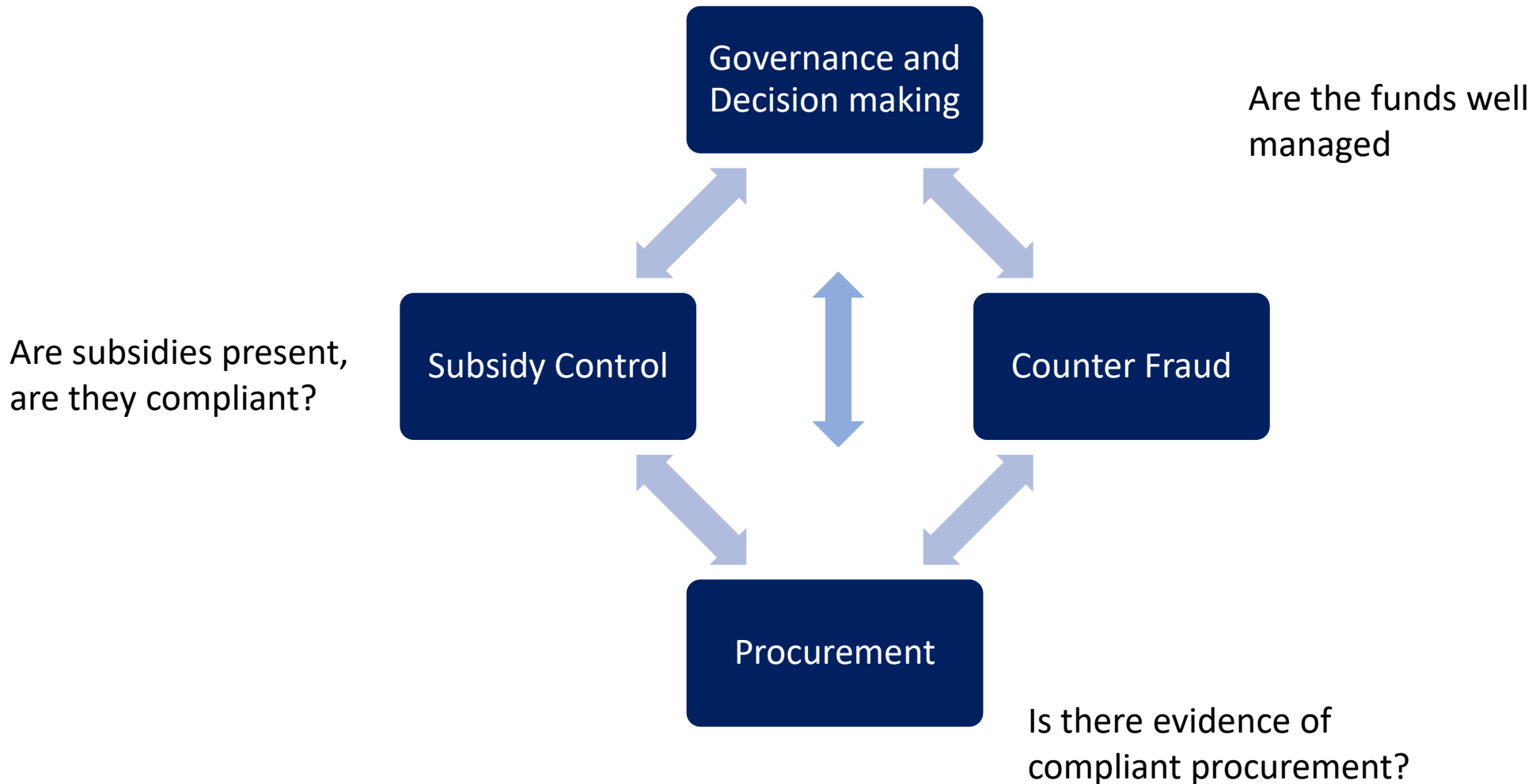


Purpose of a Deep Dive Review

- To provide Department for Levelling Up, Housing and Communities (DLUHC), His Majesty's Government (HMG), stakeholders and the public the necessary assurances that local authorities and grant recipients have the policies and processes in place to ensure the robust stewardship of public money
- To check that the local authorities and grant recipients have appropriate and effective systems in place to ensure *regularity, propriety and value for money (Local Authorities carry out the first line of defence assurance activity)*
- Desk-based check in first instance on documents provided by local authorities



What areas will be assured?



Presentation in two parts

Demonstrating
good practice

Deep Dive –
what to expect



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Demonstrating good practice

Governance, decision making and counter fraud

- Does the structure of the decision groups allow for good governance of the fund in question?
- Do the relevant Boards have terms of reference, are these fit for purpose and is there evidence they are followed?
- Is there evidence of a culture that reflects the Nolan Principles?
- Is there evidence that risks to delivery outcomes *and* to management of public money are appropriately managed?
- Is there evidence that actual or perceived conflicts of interest are well managed?
- Is the relevant counter fraud policy fit for purpose and is there evidence it's being followed?
- Is there a fraud risk assessment? Is there evidence of it being used? (esp. LUF)
- How are relationships with any 3rd parties managed?
- Is there evidence that the local authority has put into place proportionate assurance controls & checks on delivery of funds?
- Is there evidence that the delivery and assurance functions are adequately separated?
- Are all documents available, complete and up to date?



Procurement

- Can fund relevant procurments be identified? Planned/complete, values, works/supplies/services compliant route planned/taken to comply. Give details of frameworks. (We can share a template procurement register)
- Who is conducting the procurement? It is not true that the rules only apply to local authorities.
- Has the Public Contracts Regulation (PCR) 2015* been complied with. What route is appropriate?
- Is open procurement an important way of mitigating risks beyond value for money?
- When considering thresholds:
 - Have works/services/supplies been correctly classified
 - Has the full value been considered – artificial splitting? Likelihood of extensions?
- Direct awards whatever the value must comply with the Treaty Principles. They must be exceptional particular for higher value contracts. Is there robust evidence justifying a direct award in terms of compliance with the PCR 2015 and risks around conflicts, fraud and value for money?
- If a call off from a framework, is there evidence that the conditions of the framework have been met?
- Do those conducting the process have access to the necessary expertise?
- **Is the audit trail easy to follow? Is it complete?**



Subsidies

- Consider subsidy compliance from two angles:
 - As the LA from the point of view of the beneficiary of a transfer of financial assistance from Government
 - if the LA has made an onwards transfer of financial assistance to a 3rd party, through the lens of the awarding body.
- Is there evidence that the risks around subsidy control are being actively managed?
- Is there evidence that those with appropriate expertise have had an input into decision making?
- When did the transfer of financial assistance take place? Which regime applies? (Trade and Cooperation Agreement Principles, Subsidy Control Act.)
- Is the correct terminology used? (Don't use 'state aid' or 'GBER exemptions' when discussing the subsidy control regime)
- Is there a clear record of the rationale for whether a subsidy is present? Does this cover
 - Entire funding package for each award (not just the funding from DLUHC)
 - Each beneficiary of economic activity
- How are subsidy related risks monitored during the delivery phase?
 - If there is a subsidy
 - is there an assessment of the subsidy and how it complies with the relevant regime? If the regime has requirements this assessment needs to meet, is there evidence of this?
 - is there a requirement to register it in e.g., the transparency database? If so, whose responsibility is it and has this been done within the required timeframe?
 - are there conditions that need to be met? Is there evidence that records this is being done? Are checks on 3rd parties prudent?
 - How is consideration given to the impact of project change on subsidy related matters? Be particularly aware of changes to balance of public/private funding contributions or the nature of beneficiaries.



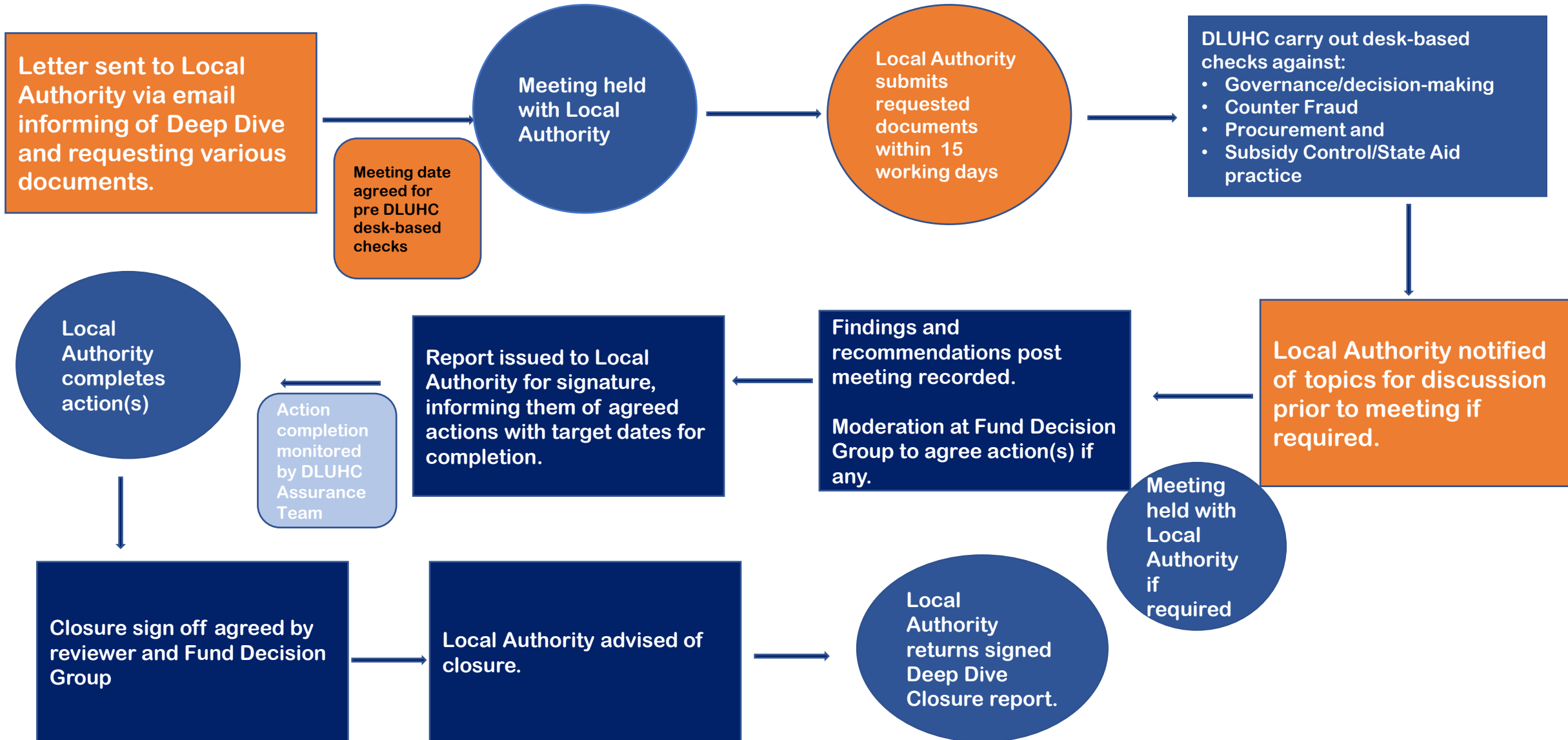
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Any questions?

Deep Dive – what to expect



Second Line of Defence (Deep Dive) Key Steps





Criteria for Selection

- Risk Based – selected on a suite of risk factors including:
 - First Line of Defence (statement of grant usage & letter of assurance from S151/95/74 officer) reviews
 - Financial and Delivery performance
 - DLUHC Area Lead intelligence
 - External Auditor's Annual Report
 - DLUHC Assurance Team intelligence
- Sample Based – 5% random



What do we need from the local authority

STAGE 1

Complete the deep dive checklist accurately

- **Insert a link to the checklist and cover some of the key elements**
- Send in the requested documents within 15 working days :-
- **Note:** There is no requirement for the policies or documents to be created specifically for the fund however it should be clear how for example, a corporate policy applies to the fund in question.
 1. Terms of Reference for the relevant funding board
 2. Copies of the previous two board meeting's papers/minutes
 3. Updated Conflict of Interest Policy which covers the relevant fund
 4. Updated copy of Declaration of Interest Register
 5. Local Authority Risk Policy for the relevant fund
 6. Updated Risk Register for the relevant fund
 7. Separation of Duties/Organogram for the relevant fund/project
 8. Organisational Chart for the relevant project/funding
 9. Counter Fraud Policy (including Counter Fraud referrals and whistle blowing process) for relevant project/fund
 10. Updated Gifts and Hospitality register (for Town Deals to include Town Deal Board members)
 11. Updated Fraud Risk Assessment covering relevant project/fund
 12. Updated copy of fund/project Procurement Register
 13. Subsidy Control/State Aid documentation/Assessment



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Stage 2

- A sample of up to 2 procurements to be reviewed as part of the deep dive which will be selected from your updated procurement register
 - A suite of key procurement documents will be requested from you based on your sample.
- Assurance and Compliance team to undertake a desk-based review based on completed checklist and documents
- Queries and topics emailed with a date arranged for a virtual deep dive meeting
- Once the review is completed, we will make a recommendation and issue a report. Assurance conclusions inform payment schedules.



Completion of Checklist

Deep dive Reference Number:	DD1LU002
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Fund:	Levelling Up Fund
Grant Recipient:	Local Authority
Name of Projects:	Building A
Project Reference: [if applicable]	LUF0002

(Add lines if there is more than one project).

The Grant Recipient is required to provide the following documents electronically. Please indicate in the 'Attached' column that the documents requested have been provided, and if not, please state the reason under next column.

Note: There is no requirement to have a bespoke policy or document as requested below, for the respective fund, but it should be incorporated within the local authority's overarching policy or document.

Grant Recipient:	
Signature:	
Name:	
Position:	
Date:	

No.	DOCUMENTS REQUIRED	ATTACHED (Y/N)	NAME OF DOCUMENT	IF NOT ATTACHED PLEASE STATE REASON OR LIST ALTERNATIVE DOCUMENTS
1	Terms of Reference for the Board covering Levelling Up Fund and any other relevant meeting structures.			
2	Copies of previous two sets of Board papers/minutes			
3	Updated Conflicts of Interest Policy covering Levelling Up Fund			
4	Updated copy of Declaration of Interest Register covering Levelling Up Fund			
5	Risk Policy covering Levelling up Fund			
6	Updated Risk Register for Levelling Up Fund – For LUF –only if changed since Project Management Update return			

Project Details:

This will be pre-populated by DLUHC Assurance Team. Ensure the details are correct.

To be completed by a person with the necessary authority to sign on behalf of the Local Authority/project

Forms Requested:

Enter Y or N to indicate if the document is attached.

Enter the file name of the document

If the document is not attached, please list details of the alternative document.



Preparing documents for a deep dive:

- Procurement register up to date and complete.
 - Clear indication of route taken. If e.g., it's a call off from a framework, please make this clear and include details of the framework (*as this will determine the documentation we require*)
 - Clear indication of the status of the procurement.
- Provide a complete and well organised trail of documentary evidence to support the process followed (*based on the documentation requested in the checklist*).
 - Send up to date versions of all documents.
 - Clearly labelled file names. Numerical systems work well - a separate index of all the documents and then files labelled as per the index.
 - Individual documents dated, complete, signed where necessary, including information relating them to the procurement in question (Is it clear what this document is?)
 - Only send documents requested in checklist or procurement document request.



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**Any Questions on the process and or
submission of documentation?**



Coming Soon.....good practice virtual meetings...

- There will be a series of further virtual meetings. We are considering the following topics – is there anything you'd like covered?
- Levelling Up Funds LA Assurance Framework & First Line of Defence lessons learnt and best practice
- Subsidy Control
- Procurement & Public Contract Regulations
- Counter Fraud
- Governance