



## Government Grants Minimum Standards

**Managing Public Money:** departments' primary concern when administering grants is to have due regard to the guidance set out in Managing Public Money; nothing in this document is intended to contradict or override that guidance.

These standards are not intended to be an additional spending control; departments retain accountability for decisions on all grant expenditure.

### Important note on scope:

These minimum standards apply only to **general grants** made by departments and their Arm's Length Bodies (ALBs) using Exchequer funding.

They do not apply to **formula grants** or **Grant-in-Aid**. The term 'general grants' is broadly defined below, to assist identification:

**General Grants:** grants made by departments or their grant making ALBs to outside bodies to reimburse expenditure on agreed items or functions, and often paid only on statutory conditions. These are the grants, which are most closely related in administration to contract procurement.

## Standard 7: due diligence and fraud risk assessment

*All government grants will be subject to **timely and proportionate due diligence and fraud risk assessment**.*

### Risk Indicators


When developing general grant models and assessing individuals and organisations for a grant award, consideration should be given to combinations of risk indicators, which may include the following:

- grant to revenue ratio;
- website/ search engine/ web presence;
- length of grant period;
- grant value;
- type of recipient, such as, individuals, organisations, new recipients;
- turnover of board members;
- track record;
- late financial reporting; and
- address search/ use of a Post Office (PO) box.

Further work is taking place in the Cabinet Office on assessing fraud risk; details will be added to this guidance note, which will be re-issued in due course.

## Due Diligence

Departments and their ALBs will develop due diligence and fraud risk assessment models, which take account of best practice and guidance and which are proportionate to the value of the grant, as demonstrated in the table below:



### Mandatory due diligence checks to reflect spend and level of risk

Below £100k And Low Risk	£100k £5million Or High Risk	Above £5million
<p>To be conducted by Grants or policy team with support from Finance:</p> <ul style="list-style-type: none"> <li>• Check if individual or organisation has or has had another source of government funding (GGIS)</li> <li>• Evaluate feedback if previous grant recipient (GGIS)</li> <li>• Individual/ legal entity checks (Charities Commission)</li> <li>• Financial viability checks</li> <li>• Basic fraud risk assessment</li> </ul>	<p>Due diligence conducted by internal finance teams</p> <p>Further requirements:</p> <ul style="list-style-type: none"> <li>• <b>Financial:</b> cash flow and reserves consider impact of recipient taking on outcome based grant</li> <li>• <b>Commercial:</b> consider impact on competitors or market if recipient received grant (State Aid)</li> <li>• <b>Operational:</b> investigate if grant recipient has the people processes and products required for delivery – site visit advisable</li> <li>• <b>Governance:</b> is the governance structure robust</li> </ul>	<p>Due Diligence be compliant with HMT guidelines to be conducted by finance team with support from externals if required:</p> <ul style="list-style-type: none"> <li>• Site visit mandatory and detailed analysis of financial accounts</li> <li>• Recommended non-executive member to sit on programme board</li> <li>• Quarterly reviews against performance</li> </ul>

**Grants should not only go to safe bets but steps to mitigate risk must be built into grant agreement such as part payment plan or higher frequency review**

As a minimum, the grants team in the Cabinet Office would expect the following to be considered, as part of the business case process:

- assessment of financial viability and risk in relation to individuals and organisations;
- checks covering capability, track record and credibility;
- the Government Grants Information System (GGIS) and other sources of data;
- verification of identity/ legal status via legal teams, Companies House, the Charities Commission, Verify;
- fraud risk assessment, in line with the toolkit on the Grants Hub and fraud risk indicators; and
- results of the periodic random sampling undertaken by the Fraud, Error, Debt and Grants team in Cabinet Office.

## Financial Viability and Risk Assessment Checking

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The Financial Viability and Risk Assessment (FVRA) is a set of basic yet fundamental checks that will provide assurance and identify the level of financial risk in respect of the grant recipient.

For all types of organisation, the following checks are an example of those, which might be considered to meet Financial Assessment criteria:

- the organisation is established as a formal entity with a trading history;
- the organisation is 'not-for-profit' or has a charitable arm, for example, a Community Interest Company or a Special Purpose Vehicle;
- the grant award under consideration in proportion to existing turnover, for example, the grant does not represent an excessive increase turnover which could result in a management risk; and
- the organisation is viable and has positive equity.

To inform the above checks, the following information might be requested from the organisation:

- Financial Accounts/ Statements for the most recent two years of trading including, as a minimum, Profit and Loss Account and Balance Sheets. The most recent year's accounts should not be older than two years. **To provide evidence that the organisation has a trading history enables Turnover, Profitability and Equity to be validated;**
- Certificate of Incorporation, Charities Registration certificate or alternate form of incorporation documentation (if this cannot be provided, request VAT registration certificate). **To provide evidence that the organisation is established as a formal entity;** and
- Memorandum and Articles of Association or statement of the organisation's constitution: **this should contain a statement or declaration to evidence the organisations 'not-for-profit' status** (where required).

### **FVRA Outcomes**

The three main potential outcomes are:

- fully approved – proceed with the award;
- partially approved – a reduction in grant value is recommended; and
- not approved – do not proceed.

### **Government Grants Information System (GGIS)**

Risk ratings, high, medium or low, can be recorded on the GGIS through a field launched to support these standards. Guidance on how to decide on the appropriate rating is included on the system in the 'Glossary of Terms'.