

Guidance

## **UK Shared Prosperity Fund: assurance and risk (5)**

This page provides information on assurance and risk for the UK Shared Prosperity Fund.

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From: [Department for Levelling Up, Housing and Communities](#)

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5.1 In accordance with the [Cabinet Office Government Functional Standards](#) (<https://www.gov.uk/government/publications/grants-standards>) the assurance for each DLUHC programme provides three separate and defined levels of assurance, referred to as the three lines of defence.

5.2 The first line should be delivered at an operational management level where the management responsibility is owned.

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5.3 Where the grant recipient is a LLA via a Grant Determination Letter, the first line of defence is provided by the LLA and is the responsibility of the Chief Finance Officer as they act at an operational management level within the LLA in receipt of the funding. The Chief Finance Officer is therefore responsible for the delivery of HMG investment, with propriety, regularity, and value for money.

5.4 We recognise the wider legislation and regulations governing local authorities throughout the United Kingdom and as such seek a proportionate approach to assurance. The assurance and performance management for the UKSPF does not duplicate the LLA statutory duties and rules to use public money well.

5.5 Reporting carried out by LLAs to DLUHC will be used to secure evidence of the first line of defence. The Chief Finance Officer will be required to provide written confirmation that they have undertaken all the necessary checks to ensure that the LLA and the programme specific project(s) have in place the processes to ensure proper administration of its financial affairs with regard to the funding programme, and these are in active use. This is particularly relevant to financial administration and transparency of governance.

5.6 The second line of defence should be independent of the first line activity and oversee the management of the risk to ensure that the first line has been appropriately constructed and is delivering as intended. Local Government accountability aligns with the devolved nature of the Fund in seeking assurance that UKSPF activity will be delivered in line with statutory duties of the LLA and the Fund prospectus.

5.7 The third line of defence should be undertaken by independent audit or an independent body to secure an [objective opinion on the effectiveness of governance, risk management and internal controls](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004659/Final-) ([https://assets.publishing.service.gov.uk/government/uploads](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004659/Final-)

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[CO Govt Functional Std GovS015 WEB.pdf](#).' This is inclusive of the second and first lines of defence.

5.8 In respect of this assurance framework, The Government Internal Audit Agency (GIAA) will provide independent risk-based assurance over the design and operation of controls within the arrangements for the UKSPF – as operated within DLUHC – and if required, other government departments.

5.9 The scope and timing of this independent assurance will be discussed and agreed with the DLUHC Audit and Risk Assurance Committee, the Accounting Officer and the respective Senior Responsible Officers (SROs).

5.10 GIAA will liaise with internal audit teams operating within devolved administrations as appropriate.

## **Further first and second line of defence detail:**

### **First line of defence: Chief Finance Officer**

5.11 To secure the first line of defence the Chief Finance Officer will be required to complete two annual returns to DLUHC. As part of routine reporting, the Chief Finance Officer will give the following assurance updates:

- confirm that the Chief Finance Officer has assured themselves that the LLA has in place the processes that ensure proper administration of financial affairs relating to their UKSPF allocation;
- respond directly to questions addressing the governance and transparency for aspects of UKSPF grant management including, procurement, conflict of interest, subsidy control, counter fraud and risk;

### **Second line of defence: Local Government Accountability**

5.12 Reflecting the devolved nature of the Fund, the second line of defence is the wider Local Government Accountability Framework which scrutinises local authority activity. This sits within our commitment to continue to improve wider local government transparency and reporting, DLUHC's specific UKSPF performance reporting and departmental intelligence of local government.

5.13 DLUHC co-ordinates work across government departments that brings different analysis together on a common basis to understand the overall fiscal position of local authorities, and particular risks and opportunities. This will support and manage any risk emerging in the delivery of the UKSPF.

5.14 Local government audit also plays a vital role in providing local authorities with accurate and reliable financial information to plan and manage their services and finances effectively. Local audit also ensures local authority financial arrangements, including whether value for money is being achieved, are transparent to the taxpayer, and facilitates assurance for the public sector.

5.15 This independent structure provides further oversight of the work of the LLA Chief Finance Officers, whose assurance and work is essential to the delivery of the UKSPF.

5.16 In the event that assurance risks or concerns arise from the Second Line of Defence DLUHC may undertake additional desktop audit of UKSPF delivery, in engagement with the LLA.

5.17 We will keep this Second Line of Defence under review, as the department takes forward the objectives of the Levelling Up White Paper to improve transparency, the information and incentives available to local decision makers.

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