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Council Building
2 High Street
Perth
PH1 5PH

27 November 2020

A meeting of the **Audit Committee** will be held virtually on **Wednesday, 02 December 2020** at **09:30**.

If you have any queries please contact Committee Services - Committee@pkc.gov.uk.

KAREN REID
Chief Executive

Those attending the meeting are requested to ensure that all notifications are silent on their device and other devices are in silent mode.

Please note that the meeting will be broadcast online and recorded. The recording will be publicly available on the Council's website following the meeting.

Members:

Councillor Eric Drysdale (Convener)
Councillor Stewart Donaldson (Vice-Convener)
Councillor Harry Coates
Councillor David Illingworth
Councillor Roz McCall
Councillor Xander McDade
Councillor Mike Williamson

Audit Committee

Wednesday, 02 December 2020

AGENDA

MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.

- | | | |
|-----------------|--|----------------|
| 1 | WELCOME AND APOLOGIES | |
| 2 | DECLARATIONS OF INTEREST | |
| 3 | MINUTE OF MEETING OF THE AUDIT COMMITTEE OF 16 SEPTEMBER 2020
(copy herewith) | 5 - 10 |
| 4 | INTERNAL AUDIT FOLLOW UP
Report by Chief Internal Auditor (copy herewith 20/234) | 11 - 14 |
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Report by Chief Internal Auditor (copy herewith 20/235) | 15 - 20 |
| 6(ii) | CORPORATE AND DEMOCRATIC SERVICES | |
| 6(ii)(a) | 20-12 - LEADER
Report by Chief Internal Auditor (copy herewith 20/237) | 21 - 28 |

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PERTH AND KINROSS COUNCIL
MEETING OF THE AUDIT COMMITTEE
16 SEPTEMBER 2020

AUDIT COMMITTEE

Minute of Meeting of the Audit Committee held virtually via Microsoft Teams on Wednesday 16 September 2020 at 10.00am.

Present: Councillors E Drysdale, S Donaldson, J Duff (substituting for Councillor H Coates), D Illingworth, R McCall, S McCole (substituting for Councillor M Williamson) and X McDade.

In Attendance: J Clark, A O'Brien, S Mackenzie, S Walker, P Johnstone, K Johnston, C Flynn and K Molley (all Corporate and Democratic Services); B Renton and C Guild (Housing and Environment); and J Cockburn (Education and Children's Services).

Also In Attendance: M Wilkie and C Windeatt, KPMG; and N Williams, Horsecross.

Councillor E Drysdale, Convener, Presiding.

1. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting and apologies were noted above.

2. DECLARATIONS OF INTEREST

- (i) Councillor S Donaldson declared a non-financial interest in item 6(i)(a) as a Director of Horsecross Arts Ltd.
- (ii) Councillors E Drysdale declared a non-financial interest in item 4 as the Chair of the Perth and Kinross IJB Board and Councillors, J Duff and X McDade declared a non-financial interest in item 4 as Board members of the Perth and Kinross IJB Board.

3. MINUTES

(a) Minute of Meeting of the Audit Committee of 5 February 2020 for Approval

The minute of meeting of the Audit Committee of 5 February 2020 was submitted and approved as a correct record.

(b) Minute of Special Meeting of the Audit Committee of 22 July 2020 for Approval

The minute of meeting of the Audit Committee of 22 July 2020 for was submitted and approved as a correct record subject to the following amendment –

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16 SEPTEMBER 2020

Councillor X McDade expressed unhappiness towards the Unaudited Accounts being sent to Auditors for final sign off before these had been considered by members of the Audit Committee.

COUNCILLOR S DONALDSON TOOK THE ROLE OF CONVENER AT THIS POINT

4. DRAFT AUDITED ANNUAL ACCOUNTS 2019/20 AND DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH AND KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2020

There was submitted a report by the Head of Finance (20/162) presenting the Council's Draft Audited Annual Accounts for financial year 2019/20 in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and includes the Draft Annual Audit Report to Members of Perth and Kinross Council and the Controller of Audit for the Year Ended 31 March 2020.

In response to a question from Councillor R McCall regarding loans to others and experience of default, A O'Brien explained that loans to others included cases where clients required assistance with payment of care fees –charges are guaranteed against property and mortgages for essential property repairs in shared ownership properties and advised that there had been no significant defaults on this in the past, and that percentages are based on previous years. A O'Brien added that due to the pandemic situation the percentages would be reviewed during the year and may need to be reassessed.

M Wilkie and C Windeatt, KPMG, referred to the Executive Summary and the audit conclusions of their Audit report.

In response to a question from Councillor Donaldson regarding which KPI's have improved, remain steady and need attention, C Windeatt advised that there are 63 indicators with 20 remaining steady, 8 needing further attention and the rest have largely improved.

In response to a question from Councillor X McDade regarding the Perth and Kinross Offer, M Wilkie agreed that a number of recommendations in the Best Audit Value report referred to the Perth and Kinross Offer and he advised that External Auditors would like to see a clear plan of the steps of the implementation of the Perth and Kinross Offer by next year end. This plan should highlight culture, changes in process and plans for communication with communities.

In response to a question on pensions from Councillor S Donaldson regarding the McCloud and Goodwin Cases and the potential liability which could arise, M Wilkie advised that in terms of the McCloud case, this would change the liability but not by material amounts in the financial statements. KPMG are satisfied with the enhanced disclosure with the ongoing changes to each of these cases without quantification.

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16 SEPTEMBER 2020

Councillor S Donaldson and other members on the Committee thanked Internal Auditors and the Finance Team for all their work on the Audited Annual Accounts throughout these difficult circumstances due to the COVID-19 pandemic.

Resolved:

- (i) KPMG's Draft Annual Audit Report to the members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2020 attached as Appendix C to Report 20/162, be noted.
- (ii) The 2019/20 Audited Annual Accounts, be approved and the Leader of the Council, the Chief Executive and the Head of Finance be authorised to sign them.
- (iii) The Head of Finance be authorised to sign the Letter of Representation.

COUNCILLOR E DRYSDALE RESUMED THE ROLE OF CONVENER AT THIS POINT.

5. INTERNAL AUDIT UPDATE

There was submitted a report by Chief Internal Auditor (20/163) presenting a summary of Internal Audit's work, including outcomes from consultancy work undertaken as part of the Internal Plan.

Resolved:

- (i) The completion of assignments undertaken by Internal Audit since the last meeting of the Audit Committee on 22 July 2020, be noted.
- (ii) The pausing of Internal Audit activity during the COVID-19 pandemic, be noted.
- (iii) The outcomes from the consultancy work, be noted.

The Committee considered the following final reports:

6 (i) Corporate and Democratic Services

(a) 19-12 – ALEOS – Horsecross

There was submitted a report by the Chief Internal Auditor (20/164) on an audit to ensure that the risks highlighted in the Audit Glasgow report are mitigated.

In response to a question from Councillor R McCall regarding if there could be any issues in delivering the outcomes set out in the report, N Williams assured the Committee that there were no substantial issues which could prevent the outcomes of the report being delivered. K Johnston added that through a joint approach between Horsecross Arts and Perth and Kinross Council, discussions had taken place regarding monitoring meetings and finance will be on the agenda when these meetings are up and running. KPI's will also be reviewed regularly to make sure everything is being covered in terms of Horsecross Arts as a business and for the Council to assist Horsecross Arts with their future recovery.

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In response to a question from Councillor S McCole regarding Section 3.19 of the Glasgow Audit report on financial management and if the other areas outlined had gone through a similar audit exercise, N Williams confirmed that Horsecross Arts will be re-establishing all of their formal processes, checks and balances. K Johnston added that as part of the Council's monitoring these areas will be included.

In response to a question from Councillor X McDade regarding SLA Payments being withheld, J Clark advised that this report was due to go to committee in March and withholding SLA payments would have only been the final option if Horsecross Arts had shown little progress. K Johnston agreed that all options have been reviewed due to the pandemic and that this will continue to be monitored.

In response to a question from Councillor J Duff regarding special tax rules for hiring workers through an intermediary, the liability around income tax and if there had been any audits taken in relation to this, N Williams advised that this has been a significant piece of work undertaken by Horsecross Arts. Throughout the summer all contractual freelancers were under review for redevelopment and he believes the liability should be mitigated in advance of the deadline in April 2021.

Convener thanked N Williams and K Johnston for their attendance.

Resolved:

Internal Audit's findings, as detailed in Report 20/164, be noted.

(b) 19-07 – Workforce Planning

There was submitted a report by the Chief Internal Auditor (20/165) on an audit to ensure the effectiveness of workforce planning measures.

In response to a question from Councillor S Donaldson regarding the timeline of the next Workforce Planning Report for 2021, P Johnstone advised that there has been engagement in the forums by providing information on workforce an update on actions in the current Workforce Plan 2018-2021 which are still relevant. Due to the pandemic, there will be a short-term Interim Workforce Plan as part of recovery and renewal which will touch on the work in the Organisational Development Plan. There are skills, behaviour and culture shift as part of the Perth and Kinross Offer which are key to how we use and deliver resources. P Johnston added that by early 2021, there will be a new long-term Corporate Workforce Plan and preparation is now underway.

In response to a question from Councillor S McCole regarding engagement with Elected Members, P Johnstone advised that updates will continue to be shared at the Employees Joint Consultative Committee and Joint Negotiating Committee for Teaching Staff.

In response to a question from Councillor X McDade regarding expertise across the workforce to manage cultural change over such a large scale in the organisation, P Johnstone advised that work that is being undertaken by Human

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16 SEPTEMBER 2020

Resources and Organisational Development to see how we can mobilise our staff to give them the necessary skills to deliver activities. P Johnstone added this will not be through one culture shift as the Council is a diverse organisation with many different cultures, although there will be a set of agreed principles. C Guild added that the Organisational Development Plan will go to the Council meeting in October and details arrangements for cultural change. C Guild added that Organisational Development are currently working with an external agency on risk and ground rules and are developing a train the trainer approach to create a wider core team in developing cultural change within the organisation.

B Renton added that the draft Organisational Development Plan will be shared with elected members at a future meeting of the Offer Member/Officer Working Group for discussion prior to it being considered at the next Council meeting in October.

Resolved:

Internal Audit's findings, as detailed in Report 20/165, be noted.

7. INTERNAL AUDIT STRATEGY AND PLAN 2020/21

There was submitted a report by the Chief Internal Auditor (20/166) presenting the strategy for the delivery of Internal Audit and the proposed approach for the direction of planned Internal Audit work for 2020/21.

Resolved:

The Internal Audit Strategy and Plan for 2021 as detailed in Report 20/166, be approved.

8. INTERNAL AUDIT COMMON DEFINITIONS

There was submitted a report by the Chief Internal Auditor (20/167) presenting a proposal to adopt the use of common definitions for the reporting of overall results for Internal Audit assignments.

In response to a question from Councillor S Donaldson regarding CIPFA's Internal Audit Common Definitions and if it was mandatory for local authorities to adopt this document, J Clark advised that it is not mandatory for local authorities to use these definitions, however this is a helpful document and would provide consistency across other bodies, such as the Integration Joint Board as to what these definitions mean.

Councillor S Donaldson asked another question regarding how many local authorities have adopted CIPFA's definitions and if this could be used to compare with other Councils, J Clark advised that this could be used as a benchmarking tool with other local authorities. She added that there have been discussions among the Scottish Local Authority Chief Internal Auditor's group with many welcoming this document. J Clark confirmed that there will be a review in a years' time to see how

PERTH AND KINROSS COUNCIL
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16 SEPTEMBER 2020

the standardisation has worked for Internal Auditors, Services and Elected Members throughout the Council.

Resolved:

- (i) Contents of the CIPFA document, outlined in Appendix 1 to Report 20/167, be noted.
- (ii) It be approved that these definitions be applied for future Internal Audit work.

9. THE NATIONAL FRUAD INITIATIVE

There was submitted a report by the Chief Internal Auditor (20/168) presenting the reported findings of the 2018/19 National Fraud Initiative exercise.

Resolved:

The outcomes as reported within the National Audit Scotland report of the National Fraud Initiative 2018/19 as detailed in Appendix 1 of Report 20/168, be noted.

PERTH AND KINROSS COUNCIL

Audit Committee

2 December 2020

INTERNAL AUDIT FOLLOW UP

Report by Chief Internal Auditor
(Report No. 20/234)

PURPOSE OF REPORT

This report presents a current summary of Internal Audit's 'follow up' work relating to actions agreed arising from Internal Audit Reports.

1. BACKGROUND AND MAIN ISSUES

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to establish a follow-up process to monitor and ensure that management actions have been effectively implemented. Internal Audit request evidence from Services which confirms that actions have been implemented and, therefore, controls have been improved.
- 1.2 There are 52 actions arising from Internal Audit reports which have previously been reported to this Committee for which evidence of completion has not been considered by Internal Audit. Of these, 9 had a completion date after September 2020, with the remaining 43 having dates between February and September 2020.
- 1.3 Internal Audit paused follow up work during the COVID-19 pandemic and has recently re-engaged with Services on the outstanding actions. It is appreciated that Services have been concentrating on delivering the key services throughout the pandemic and, as such, some areas of agreed activity have not been completed as anticipated.
- 1.4 Of the 43 actions due for completion prior to September 2020, 15 were classed as of high importance, with 22 medium- and 6 low-importance actions.

2. PROPOSALS

- 2.1 Of the 15 high importance actions, 11 related to Internal Audit Report 19-01 Live Active Leisure: Income Collection and Reimbursement. Due to the lack of activity within campuses relating to this area of business since the commencement of the COVID-19 pandemic, it is not possible to verify the completion of these actions as sufficient evidence is not yet available. As a result, it is proposed to delay following up these actions until January 2021, subject to further developments with the COVID-19 pandemic. The remaining 4 actions, which relate to 3 other reports, will be followed up in December 2020. The outcome from this exercise will be considered by Audit Committee around March/April 2021, depending upon the Committee timetable.

2.2 The remaining actions are being followed up currently and a detailed update of these actions, where they are not completed, will be provided to the next meeting of the Audit Committee.

3 CONCLUSION AND RECOMMENDATIONS

3.1 It is recommended that the Audit Committee approves the proposed action to be taken to progress the agreed Action Plans following the commencement of Services as a result of the COVID-19 pandemic.

Author

Name	Designation	Contact Details
Jackie Clark	Chief Internal Auditor	InternalAudit@pkc.gov.uk

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Corporate Plan

1.1 The Council's Corporate Plan 2018– 2022 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.2 This report relates to all of these objectives.

2. Assessments

Equality Impact Assessment

2.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

- 2.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Risk

- 2.3 There is a risk to the strength of the control environment if the agreed action plans are not carried out in a timely manner.

3. Consultation

Internal

- 3.1 The Chief Executive and the Executive Directors have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

None

PERTH AND KINROSS COUNCIL

Audit Committee

2 December 2020

INTERNAL AUDIT UPDATE

Report by Chief Internal Auditor

(Report No.20/235)

PURPOSE OF REPORT

This report presents a summary of Internal Audit's work undertaken as part of the Internal Audit Plans for 2019/20 and 2020/21.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit Committee on internal audit activity and on performance relative to the approved plan.
- 1.2 From September 2020, Internal Audit has been contacted 4 times for advice/guidance. Internal Audit will follow up on these areas during the year, where necessary. Where control issues arise as a result of this work, Internal Audit will provide the Audit Committee with a report.
- 1.3 Appendix 1 shows the areas of work which have been undertaken since the meeting of the Audit Committee in September 2020.
- 1.4 In addition to undertaking work in connection with the Internal Audit Plan for Perth & Kinross Council, the team was undertaking assignments in relation to the Perth & Kinross Integration Joint Board. Internal Audit has also supported Services in preparing for the National Fraud Initiative's data upload.
- 1.5 Local authorities have been requested to provide support for the NHS Test & Protect service as part of an agreement with COSLA. For Perth & Kinross Council, Internal Audit is providing part of this support, as the team had previously been provided with the relevant training in this area. This reduction in Internal Audit available resources is impacting on the timing and completion of internal audits in line with the approved Internal Audit Plan. It is also noted that Services' ability to support Internal Audit activity at a time when managing exceptional circumstances may also impact on the timing of reports being made available for Audit Committee. The situation will be under review and any detrimental impact will be provided in an update to the next meeting of the Audit Committee.

2. CONCLUSION AND RECOMMENDATIONS

- 2.1 This report presents a summary of Internal Audit's work.

2.2 It is recommended that the Committee notes:

- i) the assignments undertaken by Internal Audit since the last meeting of the Audit Committee; and
- ii) the potential impact of Internal Audit supporting the NHS Test & Protect service on the delivery of the Internal Audit Plan 2020/21.

Author(s)

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Community Plan/Single Outcome Agreement

Corporate Plan

1.1 The Council's Corporate Plan 2018 – 2022 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
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- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.2 This report relates to all of these objectives.

2. Assessments

Equality Impact Assessment

2.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

- 2.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Risk

- 2.3 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

3. Consultation

Internal

- 3.1 The Chief Executive and Head of Legal and Governance have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix 1 – Internal Audit Activity

INTERNAL AUDIT UPDATE

Internal Audit Activity

Audit No.	Title	Service(s)	Status as at December 2020	Audit Committee
2019/20				
A19-04	Transformation	All Services	Completed	December 2020
A19-06	Contracting	All Services	In progress	February 2021
2020/21				
C20-01	Recovery & Renewal	All Services	In progress	April 2021
A20-02	Financial Sustainability	Corporate & Democratic Services	Planned	April 2021
A20-03	Digital IT Assets	Corporate & Democratic Service	Planned	June 2021
A20-04	Contracting	All Services	Planned	April 2021
A20-05	EU Withdrawal	Housing & Environment	In progress	February 2021
A20-06	COVID-19 Grants	Corporate & Democratic Services	Planned	April 2021
A20-07	Violence & Aggression	Education & Children's Services	Completed	December 2020
A20-08	Scottish Welfare Fund	Corporate & Democratic Services	Planned	June 2021
A20-09	Education & Children's Services Payments	Education & Children's Services	Ongoing	April 2021
A20-10	Horsecross Arts	Corporate & Democratic Services	Ongoing	April 2021
A20-11	Tay Cities Deal	Corporate & Democratic Services	Planned	June 2021
A20-12	LEADER	Housing & Environment	In progress	February 2021
A20-13	Bus Service Operators Grant	Housing & Environment	Planned	Not applicable



Internal Audit Report

Corporate & Democratic Services

20-12 - LEADER

November 2020
(Report No.20/237)

Final Report

Corporate & Democratic Services
Perth & Kinross Council
2 High Street
Perth PH1 5PH

20-12 LEADER Contents

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1. Introduction

1.1 The audit of LEADER was undertaken as part of the Internal Audit Plan for 2020/21, which was approved by the Audit Committee on 16 September 2020. The indicative scope was to review regulatory compliance for the LEADER projects.

2. Background and Approach

2.1 LEADER is a community-led funding programme aimed at increasing support to local, rural community and business networks to build knowledge and skills and encourage innovation and cooperation in order to tackle local development objectives. It is funded by the Scottish Government and the European Union, as part of the Scottish Rural Development Programme, with other contributions from local partners and organisations. Grants are awarded by Local Action Groups (LAG) to projects that support delivery of a Local Development Strategy (LDS).

2.2 PKC have agreed to act as the 'Lead Partner' or 'accountable body' on the LEADER project, whereby they have entered into a Service Level Agreement with the Scottish Government on behalf of the LAG. The purpose of the agreement is to define the obligations, duties and accountabilities of both parties in regard to the Scotland Rural Development Programme. Included within Annex A of the agreement is the undertaking that the Council will provide internal audit coverage of the functions undertaken on behalf of the Scottish Government and will submit as part of an annual report, confirmation there has been compliance with applicable Regulations.

2.3 Internal Audit have carried out five previous assignments in respect of LEADER in which we have undertaken consultancy and audit work (Committee [reports 16/310](#) and [17/57](#) consultancy and [17/386](#), [19/30](#), and [20/39](#) audits)

2.4 This report is the result of our audit work covering the LEADER year ended 15 October 2020.

3. Scope and Limitations

3.1 The Service Level Agreement refers to the requirement to comply with all EU regulatory requirements but in particular 1306/2013, 907/2014, 259/2008, 1305/2013 and 1303/2013. The Scottish Government has issued guidance which is based on the Regulations. Internal Audit have limited their assurance to compliance with that guidance and the service level agreement.

4. Executive summary:

Assessment of the Control Environment

4.1 The table below contains a summary of the findings against each control objective and Internal Audit's assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit. There are no actions arising from this audit.

No.	Control Objective	Action Rating					Control Objective Assessment
		5	4	3	2	1	
1	To ensure Regulatory requirements are met by reviewing the systems in place to deliver LEADER as well as the financial processes.						Substantial
2	Assess compliance with the SLA and conduct a review of a selection of LEADER projects						Substantial

4.2 The following areas of good practice have been highlighted during the audit:

4.2.1 The LEADER team personnel is stable, having been in place since October 2018, with the LEADER Co-ordinator being in post since November 2015, the Project Officer since April 2017 and one of the Finance Claims & Admin Officer since January 2018, ensuring that knowledge and experience has been retained.

4.2.2 The PKC officer acting as Accountable Body representative has been doing so since April 2019, ensuring knowledge and experience has been retained.

4.2.3 The LEADER team have a workplan to confirm that all relevant documentation is on LARCs (the Scottish Government IT system for LEADER) for every project.

4.2.4 The LEADER team have a comprehensive checklist that it uses to ensure that all relevant documentation is on LARCs for each project.

5. Summary of Findings

5.1 The systems in place to deliver LEADER, as well as the financial processes, were reviewed. There has been no change in systems from last year. There is no evidence that regulatory requirements are not being met.

5.2 Compliance with the Service Level Agreement was reviewed. There is no change in systems from last year. There has been no change to the SLA since 2015. There is no evidence that the SLA was not complied with.

5.3 Since the last audit last year, the LEADER team have instigated a two-stage process to ensure that all required documentation is on LARCs.

5.3.1 For each project, the lead officer will use a checklist as an aide-memoire to ensure all the documents required are on LARCs, but she will not record the existence of each document on the checklist. She will update the work plan entry to 'completed' as evidence of the control being undertaken. The intention is that this control will be carried out for all projects, current and completed, prior to 31 March 2021.

5.3.2 Subsequently, an officer other than the lead officer, will verify that each document required is on is LARCs, completing the checklist, and type her name into 'Audit Completed' section as evidence of the control being undertaken. The intention that this control will be carried out for as many projects as possible prior to 31 March 2021, but given the work on claims that will be required and the number of projects, current and completed, possibly the control will not be carried out for all projects. If this is the case, the LEADER Co-ordinator will inform the Accountable Body representative of the projects for which the control has not been carried out.

5.4 The ability for the LEADER team to undertake the controls in 5.3.1 and 5.3.2 is reliant upon the availability of resources. Additional resources, in the form of extensions to fixed term contracts, has been approved which will facilitate these controls.

6. Conclusion

6.1 The Internal Audit review is able to place substantial assurance on the overall control environment for LEADER.

7. Acknowledgements

Internal Audit would like to thank the RPK LEADER Co-Ordinator for her assistance.

8. Management Action and Follow up

8.1 Responsibility for the maintenance of adequate and effective controls rests with management.

9. Assessment Definitions

The following table contains the definitions of the control objective assessment.

Control Objective Assessment	
Level of assurance	Definition
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.

The following table contains the definitions applied by Internal Audit in rating audit findings/actions.

Risk Rating for Individual Findings		
Rating	Rating description	Definition
5	Critical	Significant observations / major concerns which require immediate action. Management will need to add these to the appropriate Service risk register <i>Issue represents a control weakness which could cause, or is causing, severe disruption of the process or severe adverse effect on the ability to achieve process objectives</i>
4	High	Significant observations regarding the absence / failure of key controls requiring urgent action. Management should consider adding these to the appropriate Service / divisional risk register <i>Issue represents a control weakness which could have, or is having, major adverse effect on the ability to achieve process objectives</i>
3	Medium	Observations regarding the effectiveness of key controls requiring reasonably urgent action. Management should consider these when updating any divisional / team risk registers

		<i>Issue represents a control weakness which could have, or is having, significant adverse effect on the ability to achieve process objectives</i>
2	Low	Minor observations regarding the adequacy of controls which require action to improve the efficiency, effectiveness or economy of operations or which otherwise require to be brought to the attention of Senior Management <i>Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives</i>
1	Trivial / Minor	Very minor observations which will be raised during the course of the audit and may not be included within the final report <i>Issue represents a very minor control weakness with negligible impact on the ability to achieve process objectives. The issue will be raised during the course of the audit and may not be included within the final report.</i>

Authorisation

The auditor for this assignment was M Stewart. The supervising auditor was J Clark.

This report is authorised for issue:

J Clark
Chief Internal Auditor
Date: 12 November 2020

