PERTH &
KINROSS
COUNCIL

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

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 *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*
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 *Issue represents a control weakness which could have, or is having, major adverse effect on the ability to achieve process objectives*
3	Medium	Observations regarding the effectiveness of key controls requiring reasonably urgent action. Management should consider these when updating any divisional / team risk registers

		Issue represents a control weakness which could have, or is having, significant adverse effect on the ability to achieve process objectives
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

Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives |
| 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

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. |

Authorisation

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

This report is authorised for issue:

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J Clark
Chief Internal Auditor
Date: 12 November 2020