

Item: 7.1

Monitoring and Audit Committee: 22 September 2022.

Internal Audit Report: Orkney LEADER Programme.

Report by Chief Internal Auditor.

1. Purpose of Report

To present the internal audit report on procedures and controls in relation to the administration of the Orkney LEADER Programme.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken a review of compliance with the LEADER Programme Service Level Agreement and relevant European Commission Regulations.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the administration of the Orkney LEADER Programme during the period 1 October 2021 to 31 January 2022.

It is recommended:

2.3.

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

The Service Level Agreement between the Scottish Ministers and the Council, acting as the Accountable Body for the Orkney LEADER Local Action Group, defines the responsibilities and obligations, duties and accountabilities of both parties as a result of the Accountable Body's role as a delivery partner in the Scottish Rural Development Programme for the period 2014 to 2020.

3.2.

The Service Level Agreement requires the Council to provide an internal audit function which shall carry out an annual assessment of adherence to the requirements of the Service Level Agreement and relevant European Commission Regulations. The internal audit function must provide the report to the Rural Payments and Inspection Directorate.

3.3.

The period covered by the audit report is 1 October 2021 to 31 January 2022, covering the period from the last annual report until the end of the programme. The audit covered all stages of the grant process including application, awards, claims, project monitoring and completion.

4. Audit Findings

4.1.

The audit provides substantial assurance that the procedures in place for the administration of the Orkney LEADER Programme were sound, and testing carried out found that controls were in place and working well.

4.2.

The internal audit report, attached as Appendix 1 to this report, does not include any recommendations.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officers

Andrew Paterson, Chief Internal Auditor, extension 2107, email andrew.paterson@orkney.gov.uk.

Peter Thomas, Internal Auditor, extension 2135, email peter.thomas@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Orkney LEADER Programme.



Internal Audit

Audit Report

Orkney LEADER Programme

Draft issue date: 20 July 2022

Final issue date: 23 August 2022

Distribution list:	Corporate Director, Enterprise and Sustainable Regeneration Head of Enterprise and Economic Growth Service Manager (Enterprise) LEADER Development Officer
---------------------------	---

Contents

Audit Opinion	1
Executive Summary	1
Introduction	2
Audit Scope.....	2
Audit Findings	3
Key to Opinion and Priorities.....	4

Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

Our audit confirmed that the procedures in place for the administration of the Orkney LEADER Programme were sound, and testing carried out found that controls are in place and working well, with several areas of good practice evident. For example:

- Formal detailed written processes and procedures covering all aspects of the Orkney LEADER Programme from project enquiry to project end, are in use.
- The online grant management system provided by the Scottish Government, LARCS (Local Actions in Rural Communities System), is used for all aspects of the process i.e. application, awards, project monitoring and claims processing.
- Project documentation held within LARCS is comprehensive, containing all required information relating to the projects examined.
- Applicants are provided with a professional level of support throughout the process. This has included a comprehensive start up meeting and applicants being provided with a named Officer from within the team as a point of contact.

The audit work has shown that for the period 1 October 2021 to 31 January 2022, that the Orkney LEADER Programme was compliant with both the service level agreement (SLA) and relevant EU Regulations.

Payments relating to projects which could be made from the Orkney LEADER Programme came to an end on 31 December 2021. Over the life of the programme the Officers within the LEADER team provided a high standard of professional support to the community with funding of £2,432,419 being distributed amongst projects carried out within Orkney.

It has not been necessary to make any recommendations as a result of our audit review.

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The Internal Audit Section have, as per requirement number 5.4 of the Service Level Agreement (SLA) between the Scottish Ministers and Orkney Islands Council (OIC) acting as Accountable Body, carried out an audit to confirm adherence to the SLA, the relevant EC Regulations and to provide an overall assurance on the efficacy of the systems and processes in place. The current SLA was signed by OIC on 14 August 2015.

The period covered by the report is 1 October 2021 to 31 January 2022.

This review was conducted in conformance with the Public Sector Internal Audit Standards.

Audit Scope

The audit approach undertaken was to examine compliance with Annexes A and B of the SLA and the Orkney LEADER Programme 2014 to 2020 Procedures and Guidelines. All seven individual projects which received funding during the period covered by the report were selected for examination.

The projects which were examined during the audit were:

1. Veg, Visitors & Vibrancy for Papa Westray.
2. Collections Development Team – Orkney Natural History Society Museum (Stromness Museum)
3. North Isles Landscape Partnership – Staffing
4. North Isles Landscape Partnership – Biodiversity Project
5. Redland Luxury Lodges
6. Blackhall Holiday Cottages
7. Promoting Orkney

Audit Findings

1.0 Claims Processing and Monitoring

- 1.1. 12 claims were processed during the period of the audit review for the seven projects receiving funding.
- 1.2. Our review found that each claim was examined, in detail, by the LEADER Assistant Project Officer (LAO) who completed both a manual and LARCS based checklist. The items detailed on the invoices were relevant and eligible and all claims included reasonable costs only.
- 1.3. The procurement regulations had been complied with for all seven projects reviewed.
- 1.4. All invoices were dated after the date of approval for each project and all invoices were addressed to the applicants.
- 1.5. Proof of payment was received for each invoice. VAT was correctly accounted for, and all information had been received before the claims had been processed. All claims were correctly totalled and showed signs of being double checked.
- 1.6. Each claim had been appropriately authorised.
- 1.7. Each claim, where approved, was paid promptly.

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.