



**ORKNEY**  
ISLANDS COUNCIL

## INTERNAL AUDIT

**Orkney LEADER Programme**

**Audit Report**

**Grant Period - 2014/15**

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Infrastructure  
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### 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, 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 existence. These are regularly updated.
  - Individual files are held for each project. These are set out in a logical way ensuring a comprehensive audit trail is available for all stages. These files are all marked with disposal dates in accordance with the Service Level Agreement (SLA).
  - Reports and claims were prepared in line with current LEADER guidelines, with submitted claims being in accordance with the underlying records and costs incurred.
  - Inspections and checks are being carried out in accordance with the SLA.
- The assistance provided by officers contacted during the course of the audit is gratefully acknowledged.

## INTRODUCTION

The Internal Audit Section have, as per requirement 5.6 of the Service Level Agreement (SLA) between the Scottish Ministers and Orkney Islands Council (OIC) acting as Lead Partner, carried out an annual audit to confirm adherence to the SLA and the relevant EC Regulations and to provide an overall assurance on the efficacy of the systems and processes in place. The SLA signed by OIC on 8 September 2011 was end dated 31 December 2013 to coincide with the end of the current Scottish Rural Development Programme programming. Therefore an extension was signed in December 2013 by the Executive Director of Development and Infrastructure via a 'side letter' to cover the period until the closure of the current Programme in December 2015.

The period covered by this report is 1st October 2014 to 30th September 2015.

## AUDIT SCOPE

The audit approach undertaken was to examine compliance with Annexes A and B of the SLA by auditing a sample of performance progress reports and claims and a number of individual projects. As the Programme was approaching its end point and all funding had been committed, no projects were approved during the period. Therefore the audit of individual projects concentrated on the claims process and project monitoring during the audit period and on project completion.

The following projects were examined during the audit.

1. Development and Expansion of Deerness Geo Slipway and Surrounding Area.
2. Hofn Youth Centre Development.
3. Creation of Public Area in Palace Village Birsay
4. Creation of Heritage Centre and Enterprise Area - Temperance Hall, Lady Village Sanday.

## AUDIT FINDINGS

### 1. Maintenance of Documents

- 1.1 The Orkney LEADER Programme 2007 – 2013 Procedures and Guidelines and Internal Procedures and Guidelines documents cover all aspects of the Programme from project enquiry through to project completion. These have been updated regularly with the most recent version issued in November 2014.
- 1.2 Individual files are kept for each project within locked cabinets and each of the project files examined were marked with the date to which they should be retained.

***No recommendation required***

### 2. Reporting

- 2.1 The SLA requires a number of monitoring and reporting activities to be done. The audit found that these were being carried out. All annual, quarterly and monthly reports were submitted in a timely manner apart from one quarterly report which was submitted eleven days late. Adequate explanations were obtained as to the reason for the late submission. There was no impact on the funding received by the Council.
- 2.2 One of the quarterly reports and claim packs was audited in detail. It was confirmed for each claim that the quarterly report had been presented in accordance with LEADER requirements and that the claim submitted was an accurate record of the underlying records and of the costs incurred.

***No recommendation required***

### 3. Claims Processing and Monitoring

- 3.1 The Projects listed in the Audit Scope on page 2 were selected for audit. Our audit found that a clear audit trail existed for the claims process for each project.
- 3.2 With the Programme coming to an end during the period under review, it was essential that all project claims were processed before the Scottish Government deadline of 30 June 2015. Our audit found that for the four projects audited, all final project claims were submitted within the deadline. It was reported at the Local Action Group Meeting on 18 August 2015 that all projects in the Programme had been completed by 30 June. The final claim to the Scottish Government was submitted on 29 June 2015.
- 3.3 Where anticipated types of expenditure are likely to be different from that contained in the application, or changes are required to the timescales of a project, a change request should be completed. Our audit found that in these circumstances change requests had been completed on all occasions. As required, change requests were presented at the LAG meeting held on 18 August 2015.
- 3.4 All claims contained performance progress reports and for each claim examined, a manual claims checklist had been completed. The items detailed on the invoices were relevant and eligible, and all claims included reasonable costs only.

- 3.5 All audited projects completed tendering forms where relevant and all were found to have complied with LEADER procurement regulations whereby the requisite numbers of quotes were obtained for the purchase of goods and services over £1,000.
- 3.6 All invoices were dated after the date of approval for each project and all invoices were addressed to the applicants. All invoices were date stamped.
- 3.7 VAT was correctly reflected in all the claims audited. Proof of payment was received for each invoice. All information had been received before the claims had been processed. Each claim was correctly totalled apart from two in-kind claims. The differences were small however and resulted in an overpayment of £2.50. The correct percentages had been applied to all claims.
- 3.8 All claims had been appropriately authorised, and letters to the claimants were provided for each claim confirming satisfactory completion of the form and authorisation of payment. All claims were paid via BACS.

***No recommendation required***

#### **4. Project Completion**

- 4.1 The above four projects were selected for audit. Our audit work found that for each of these projects, a project inspection had been carried out prior to the final claim being paid.
- 4.2 All final claims were submitted within two years of initial project expenditure and represented at least 25% of the total grant awarded.

***No recommendation required***

#### **5. Project Monitoring and Evaluation**

- 5.1 The audit carried out for the period 1st October 2013 to 30th September 2014 found that Project Evaluation Forms had not been issued at the end of each project and recommended that the forms should be sent out to those projects completing after the end of September 2014.
- 5.2 Our audit found that this recommendation had been actioned and that Project Evaluation Forms had been issued to the four projects audited

***No recommendation required***

#### **6. On-the-Spot and Ex-Post Checks**

- 6.1 One project was subject to an On-the-Spot check during the period under audit. This took place in December 2014 and was not one of the projects selected for audit. The project was chosen on a random basis with the inspection being carried out by a Council employee who was not connected either to LEADER or the project. A report was prepared following the check incorporating comments made by the Council employee and a representative of the project and was signed by both.
- 6.2 An Ex-Post check of a project was carried out in November 2014. A report was prepared following the check incorporating comments made by a representative of the project and was signed by them.

- 6.3 A summary report covering both On the Spot and Ex-Post checks was submitted on time to the Scottish Government. This showed that the requirements of the SLA were being met.  
*No recommendation required*

## 7. Irregularities, potential fraud cases, recoveries and overpayments

- 7.1 According to the LEADER Development Officer, none of these took place during the year. None were found during our audit work.  
*No recommendation required*

## 8. Orkney LEADER Programme 2014-2020.

- 8.1 In August 2015 the Orkney LEADER Programme 2014-2020 was allocated over £2.5m of funding. Although the Programme is not yet open for applications, groups are invited to submit Expressions of Interest about project ideas that have linkages with the Programmes core themes. These are:-
- Support for Orkney’s tourism, cultural heritage, crafts and food and drink sectors.
  - Support for Orkney’s community services and facilities.
  - Support for Orkney’s natural environment and development of sustainable energy.
  - Support small business and enterprise start-up, growth and diversification.
- 8.2 An SLA for the new Programme was signed by the Council on 13/08/15 and was signed off by the Director of Agriculture, Food & Rural Communities on 14/08/15. The SLA states that it should remain in force until at least 31/12/22. The Scottish Government is currently working on guidance for the new Programme. It is anticipated that the new Programme will be open for applications towards the end of the year.

## CONCLUSIONS

The audit work has shown that for the period covered by the report the OIC LEADER Programme was compliant with both the SLA and relevant EU regulations.

Staff should be commended for ensuring that all projects were completed within the deadline set by the Scottish Government.