

# Argyll & Bute Council - Internal Audit Report

February 2018

Final

## Rural Resettlement Fund

Audit Opinion: Substantial

	High	Medium	Low
Number of Findings	0	1	1

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## 1. Executive Summary

### Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll & Bute Council's (the Council) system of internal control and governance in relation to the Rural Resettlement Fund (RRF).
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and we would like to record our appreciation for the cooperation and assistance we received from all officers over the course of the audit.

### Background

4. Argyll and Bute is one of four council areas in the last census that recorded a falling population in a number of areas particularly amongst economically active people of working age. The Council's 2016-17 Budget included an announcement of a one-off £500,000 Rural Resettlement Fund (RRF) to help incentivise new residents and/or businesses to relocate to Argyll and Bute and help grow our population. The fund is particularly focussed on attracting and retaining economically active individuals and smaller businesses into the area.
5. The RRF has been targeted at three groups namely personnel relocations, persons already self-employed wishing to relocate to Argyll and business relocations. Since the fund was launched in December 2016 £240,000 has been awarded to personnel relocations, £20,000 to self-employed persons and £nil to business relocations.

### Scope

6. The scope of the audit was to carry out general control testing around assessment and award criteria, payments and records maintenance as outlined in the terms of reference agreed with the Head of Economic Development on 16<sup>th</sup> January 2018.

### Audit Opinion

7. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
8. Our overall audit opinion for this audit is that we can take a **substantial** level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

## Key Findings

9. We have highlighted one medium priority recommendations and one low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- Procedures should be established for the assessment of RRF grants for both self-employed and business relocations.
- There should be greater clarity over the regularity of RRF performance reporting to the Policy and Resources committee with this regularity adhered to.

10. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

## 2. Objectives and Summary Assessment

11. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

### Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	There are appropriate and accessible policies/procedures to support the management of the rural resettlement fund.	Substantial	RRF policy is set out in papers agreed by Council in May 2016 and clear procedures for the award of personnel relocation grants have been documented. There are no procedures for the processing of self-employed and business relocation grant applications though it is recognised these account for only 8% of grants awarded.
2	Current practice is compliant with the Council's agreed policy and procedures	Substantial	Comprehensive controls, aligned to Council policy, are in place for both personnel and self-employed relocation grant applications. There is appropriate internal performance reporting however reporting to the Policy and Resources Committee could be improved.
3	Documentation is complete, accurate and not excessive, is stored appropriately and is compliant with the data retention policy	Substantial	All documentation relating to grant applications and award are securely held within the RRF shared drive.

12. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

*There are appropriate and accessible policies/procedures to support the management of the rural resettlement fund.*

13. Development and Infrastructure services are responsible for RRF governance arrangements with award approval delegated to the Head of Economic Development and Strategic Transportation (EDST) services.
14. Council policy on the RRF was approved by the Policy and Resources (P&R) Committee via recommendations to the August 2016 committee. This included:
  - the types and levels of support to be funded
  - that the fund will operate on a “first come first serve basis”
  - £10,000 has been allocated for marketing of RRF
  - that the RRF will be administered by EDST
15. EDST have assigned the assessment of grant applications across three separate teams within the service to handle applications from:
  - personnel relocations
  - self-employed persons
  - business relocation.
16. Comprehensive procedural documents for the assessment and award of personnel grants have been implemented which are aligned to Council policy and have clearly defined roles and responsibilities. Equivalent procedures for the processing of self-employed and business relocation applications have not been written although there is a technical checklist that staff follow to ensure compliance. It is recognised that these areas account for only 8% of funds awarded to date.

#### **Action Plan 1**

17. Comprehensive technical assessment checklists have been created to help assess personnel and self-employed applications. This details the documents/evidence required from each applicant prior to approval or rejection. They also detail the appropriate authorisation levels for checking and final clearance of award by management. This helps ensure RRF awards are aligned to Council policy.

*Current practice is compliant with the Council's agreed policy and procedures.*

18. As at January 2018 there have been fifty approved applications for personnel relocation grants, four approved applications for self-employed relocation grants and no approved applications for business relocations grants.
19. A sample of ten approved personnel relocation awards and one approved self-employed award were tested to ensure they had been subject to the appropriate procedures and controls established in the documented procedures and technical assessment checklists referenced in paragraphs 16 and 17. No exceptions were noted providing assurance that controls are operating well with applications considered and approved in line with Council policy.

20. RRF performance is reported to the monthly Council policy meetings attended by the Executive Director of Development and Infrastructure, EDST Head of Service and the Council Leader. The report includes information on the total number of applications made and awarded, the total awarded by sector and the total number of persons who have relocated to Argyll and Bute. In addition a comprehensive report on the RRF was presented to the P&R Committee in August 2017.
21. The policy document presented to the P&R Committee in August 2016 stated that *“the Executive Director for Development and infrastructure will report to the P&R Committee on a regular basis as part of the reporting on the Argyll, Lomond and the Islands Rural Regeneration Initiative”*. The fund commenced in December 2016 and, as at January 2018, only one report has been presented to the P&R committee. There is no clarity as to how often the P&R Committee should be updated on progress.

## Action Plan 2

### Documentation is complete, accurate and not excessive and is compliant with the data retention policy

22. All documentation pertaining to RRF applications and awards are contained within the RRF shared drive and access is restricted to designated personnel. Documentation reviewed within the sample chosen were found to be complete and accurate.
23. Papers reported to Council and the P&R committee are public documents in line with standard practice

## Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p><b>Procedure Note for Self-Employed and Business Applications</b></p> <p>There is a comprehensive procedural document in place for the assessment of personnel RRF applications however there is no equivalent document in place for either self-employed or business relocation applications.</p>	Failure to document procedures and processes may lead to non-compliance with Council policy.	A procedural document will be prepared and followed as suggested.	Ishabel Bremner 29 March 2018
Low	2	<p><b>Performance Reporting to P&amp;R Committee</b></p> <p>RRF performance is supposed to be reported to the P&amp;R Committee on a 'regular basis' as agreed by the Committee in August 2016. The fund commenced in December 2016 and, as at January 2018, only one report has been presented to the committee. There is no clarity as to how often the P&amp;R Committee should be updated on progress.</p>	Failure to report regularly to the P&R Committee may result in a lack of transparency in the use of public funds and lead to ineffective decision making.	Discussion to be had at D&I DMT on frequency of reporting and an agreed timescale provided. In the meantime it has been agreed with the Head of the EDST Service that a report will be submitted to the P&R Committee on 17 May 2018.	Ishabel Bremner 17 May 2018

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
<b>High</b>	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
<b>Medium</b>	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
<b>Low</b>	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

## Appendix 2 – Audit Opinion

Level of Assurance	Definition
<b>High</b>	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
<b>Substantial</b>	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
<b>Limited</b>	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.