INTERNAL AUDIT REPORT

FROM:	Audit & Risk Manager	**SUBJECT:**	Rural and Urban Capital Improvement Schemes
TO:	Head of Finance	**DATE:**	31 March 2021
	Head of Revenues, Benefits and Customer Services		
C.C.	Chief Executive		
	Deputy Chief Executive (AJ)		
	Exchequer Manager		
	Finance Admin Manager		
	Portfolio Holder (Cllr Hales)		

1 Introduction

1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.

1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or Teams video calls.

2 Background

2.1 The Council has historically operated Rural and Urban Capital Improvement Schemes (RUCIS) whereby grants of between £1,000 and £30,000 are available to local, not-for-profit organisations which make use of volunteer labour for capital projects within the District's area. Capital is generally deemed to be funds used to purchase or upgrade a physical asset such as property or equipment.

2.2 As a result of COVID and the associated funding constraints, the schemes have not operated during the current financial year. However, the unspent grants that had been awarded in previous financial years continue to be paid out when the relevant conditions have been met.

3 Scope and Objectives of the Audit

3.1 The audit was undertaken to test the management and financial controls in place.

3.2   In terms of scope, the audit covered the following areas:

- Policy and publicity
- Application processing
- Grant approval
- Budgets and payments.

3.3   The control objectives examined were:

- Grants are awarded in a fair and structured manner
- Eligible organisations are aware of the funding available to them
- Grants are assessed in a structured manner
- Grants are only awarded to eligible schemes
- The Council is aware of who has applied for and received funding under the scheme
- The Council complies with data protection regulations
- Members of the Council can ensure that the funds are used for appropriate schemes
- Applicants are aware of why their application has been successful or otherwise
- Applications are only approved in line with available funds
- Payments are made in line with approved schemes.

4   Findings

4.1   Recommendations from Previous Reports

4.1.1   There were no recommendations included in the previous audit report from July 2017, so this section is not applicable.

4.2   Policy & Publicity

4.2.1   The criteria in place for the RUCIS grants were approved in March 2016. Approval for changes to these criteria (in terms of maximum (percentage) contribution) was given by Executive in December 2019, but these changes have effectively not been enacted due to the closure of the scheme.

4.2.2   The criteria cover (amongst other things) the types of works that can and cannot be funded, the types of organisation that can apply, the funding available and the Council's aims that the projects need to contribute towards.

4.2.3   The Finance Admin Manager (FAM) advised that, under normal circumstances, the scheme is publicised through various channels but, understandably, this has not been undertaken during the current financial year with the scheme being closed.

4.2.4   Details regarding the scheme are still available on the Council's website which provides a link to the application form along with details of previous grants awarded and case studies to give potential applicants details of the types of projects that the Council supports through the scheme.

4.3   **Application Processing**

4.3.1   All grants that had been awarded since April 2019, as detailed on the Council's website, were reviewed. This confirmed that formal application forms had been completed in each case.

4.3.2   In order to confirm eligibility, the applicant is required to submit various documents to support the application including the organisation's accounts, quotations for the work and details of other funding sources.

4.3.3   The review confirmed that appropriate supporting documentation had been submitted for each successful application, although some documentation in relation to one grant was still held in hard copy, as the FAM had not been able to scan the documents due to COVID homeworking restrictions.

4.3.4   The FAM advised that he speaks to the majority of applicants before the formal application is submitted and draft applications are generally produced before the final application is received. Whilst not explicitly stated, the FAM's review of the draft document confirms that the criteria are being met and the reports to Executive confirm these points.

4.3.5   The documentation relating to ach application is held within specific folders on the Council's network. The FAM was unsure whether the documents were specifically covered by the Finance department's document retention plan but suggested that, as the documents related to finances, the 'six plus one' approach was followed.

4.3.6   He highlighted that, due to COVID, some older documents had not yet been purged, but he agreed to delete documents relating to the 2013 and 2014 applications. Following the production of the draft report, this action was undertaken.

Advisory

The need for retaining documents relating to completed projects that have been supported through the provision of RUCIS grants should be considered.

4.4   **Grant Approval**

4.4.1   Applications that meet the grant criteria are presented to Executive for their approval. Upon review, it was confirmed that the selected grants had all received formal approval. Due to the cancellation of the March 2020 meeting of Executive as a result of the onset of the COVID pandemic, approval for four grants was initially given under delegated powers. These decisions were subsequently ratified on 29 June when Executive met remotely.

4.4.2   Documentation retained on the network confirmed that the successful applicants are formally notified of their award along with any conditions that are attached, such as the need for confirmation to be provided that (financial) support is received from the organisations detailed on the applications.

4.5   **Budgets & Payments**

4.5.1   The FAM maintains a budget spreadsheet which sets out the current budget position and the status of each grant that has been awarded. He highlighted that the budget for this financial year was the outstanding payments relating to previously approved projects. Upon review of TOTAL, it was confirmed that the only variance was the underspend on one of the projects carried forward.

4.5.2   Payment of the grant is conditional upon the applicant providing copies of the invoices for the works performed relating to the approved scheme. These can be for the whole grant or at stages of the work depending on the size of the project. It was confirmed upon review that supporting invoices had been submitted as appropriate for all payments made.

4.5.3   The FAM advised that he normally undertakes site visits both before and after the project is undertaken in order to confirm that the works relating to the grants have been performed. Due to COVID, some of the 'post-project' reviews have relied on the applicant providing photographic evidence of the completed work. Upon review, it was confirmed that photographs were held in the network folders for all relevant grants.

5   **Conclusions**

5.1   Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Rural and Urban Capital Improvement Schemes are appropriate and are working effectively.

5.2   The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3   No formal recommendations are included within the report. However, one advisory note has been made. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:

- Document retention requirements should be reviewed.

Richard Barr
Audit & Risk Manager