

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager      **SUBJECT:** Rural and Urban Capital Improvement Schemes

**TO:** Head of Finance      **DATE:** 31 July 2017

**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Exchequer Manager  
Finance Admin Manager  
Portfolio Holder – Cllr Whiting

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### 1 Introduction

- 1.1 As part of the 2017/2018 Audit Plan an audit has recently been completed on the systems and procedures in place to manage the grants made under the Council's Rural and Urban Capital Improvement Scheme (RUCIS).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

### 2 Background

- 2.1 The Council operates a grants scheme 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 The small grants scheme supports projects with overall costs up to £10,000. The maximum grant payable is 80% of the cost. The main grants scheme supports projects with an overall cost greater than £10,000. Up to 50% of the cost can be paid with the maximum grant being £30,000.
- 2.3 The budget for 2017/2018 currently stands at £150,000.
- 2.4 The system is managed by the Finance Admin Manager in Finance.

### 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 following control objectives were examined:
- There is an approved scheme governing the eligibility for grants
  - The schemes are publicised by all appropriate means
  - There is a standard application process
  - Applications are vetted for compliance with conditions and eligibility

- Evidence of all applications and subsequent correspondence is retained
- Grants are approved at member level
- Grants are paid as approved and budgets are controlled
- There is a follow up procedure in place to measure the success of the project
- The risks associated with RUCIS are identified, recorded and managed.

## 4 **Findings**

### 4.1 **Recommendations from previous report**

- 4.1.1 An audit was undertaken in September 2007 which covered contributions to parish councils and rural initiatives schemes as they were then called. There were no recommendations arising. This is the first time that RUCIS has been audited as a single subject.

### 4.2 **Approved scheme**

- 4.2.1 The scheme has been in existence in one form or another for many years and certainly since the 1990s. The current scheme was originally approved by Executive and it is kept under review both to ensure that any reported uncertainties or ambiguities are clarified and on occasion to encourage take up particularly for smaller organisations who might otherwise struggle to match fund the cost of a project.
- 4.2.2 The last amendments to the scheme criteria, which effectively reapproved the scheme, were approved by Executive in March 2016.

### 4.3 **Scheme publicity**

- 4.3.1 In order to achieve the scheme's objectives the Council is keen to encourage applications and to make the details of the scheme available in as many ways as possible.
- 4.3.2 Inevitably the main source of information and advice is the WDC website where details of the scheme and an application form are available. The pages also include details of previous projects supported by the scheme.
- 4.3.3 A range of other options is employed in an attempt to ensure that the scheme is publicised as widely as possible and that access to the scheme is open to all. These will include articles in newsletters of voluntary organisations, particularly those who advise other organisations on funding opportunities, attendance at meetings of relevant bodies to speak about the scheme, press articles covering grants made and press releases, internal publicity, the Media Team and social media.
- 4.3.4 It could be argued that the scheme needs no publicity at all as most officials of voluntary organisations know that grants are available from a vast range of public and private bodies – e.g. the National Lottery or the local council – and they will make enquiries regardless of any knowledge of any specific scheme.

#### **4.4 Standard application process**

- 4.4.1 Applications for grants are only accepted if the standard application form downloaded from the WDC website is used. Then they will only proceed if all of the necessary supporting evidence and information is provided and if it is of the requisite standard to meet the scheme's criteria. The application form is quite demanding and so may not be fully compliant on the first attempt and a second or third version may be required.
- 4.4.2 Once a fully completed form has been received and all of the necessary supporting documentation is provided it will follow a standard route which ends with formal Executive approval and eventual payment.

#### **4.5 Vetting of applications**

- 4.5.1 Although the application process is quite rigorous, it is clear; it will be evident in most cases if the application is valid and so merits consideration and submission to members.
- 4.5.2 The vetting of applications is undertaken by the Finance Admin Manager and it will usually be fairly clear if the application is suitable for consideration or if a number of the criteria are not being met. If an application is rejected the reasons why will be explained to the applicant. There is no formal appeals process but if an applicant wishes they can pursue the matter through any of the usual channels.
- 4.5.3 In cases where there may be some uncertainty or grounds for interpretation such that the application may or may not proceed, the decision is referred to the Finance Admin Manager's line manager or the Head of Finance. In any event the ultimate decision rests with Executive.

#### **4.6 Retention of records**

- 4.6.1 The grant process from initial application or applications through to eventual payment generates a considerable amount of documentation, evidence and correspondence. This will include not only the application but also, amongst other things, three years' accounts, quotes for the work, invoices, evidence of the organisation's policies e.g. equality, photographs before, during and after the work, committee reports, email correspondence etc. etc.
- 4.6.2 It is vital for audit and transparency purposes that all relevant detail be retained and is readily available and accessible. In this instance the standard of record keeping is exemplary, aided in part by the fact that it is all retained electronically. In the event that an application or other record is received in paper form it is scanned and then filed.
- 4.6.3 All of the documentation relating to RUCIS is available in Finance Common on the L Drive and it includes, as well as an individual folder for each application, archive information, budgetary details, committee reports and general information including publicity articles.

## **4.7 Grant approval**

- 4.7.1 All grants that meet the eligibility criteria are presented to Executive for their consideration and approval. All applications presented are accompanied by a detailed précis of the organisation, the project and how it meets the scheme's criteria and the Council's objectives. Members are able to make a well informed decision.

## **4.8 Grants are paid as approved / budgetary control**

- 4.8.1 A detailed examination of grants approved and the resultant payments revealed no anomalies. Given the time factor, some of the projects approved in 2016/2017 will have had no payments or only part payments against them until this year.
- 4.8.2 Given the potential delay between approval and payment it is important that budgetary control procedures are sound. Some reliance is placed on TOTAL and the support of an accountant in Finance but the main assurance is provided by a long established spreadsheet that details all approvals and the corresponding payments.

## **4.9 Follow-up procedure**

- 4.9.1 While there is no formal follow-up or post project evaluation procedure in place the Council reserves the right to monitor the works and to visit the site as the works progress and when the project has been completed.
- 4.9.2 In the unlikely event that an organisation folds, sells its land or buildings or undergoes a change of use within five years of the project the Council may require repayment of all or part of the grant.

## **4.10 Risk management**

- 4.10.1 There are no specific risks relating to RUCIS in the Finance risk register and the reports to Executive seeking approval for payment usually contain the phrase "There are no main risks for this proposal", under the heading "Risks".
- 4.10.2 There are risks with any system or process and in this case they will be mainly of the generic variety e.g. staffing, accommodation, communications, IT, banking etc.
- 4.10.3 As RUCIS is in effect giving money away, one of its key aims is to support the Council's Sustainable Communities Strategy and as the budget tends to be underspent and therefore handed back to the general fund it may be worth considering if there are any risks specific to RUCIS that could merit inclusion in the Finance risk register.

## **5 Conclusion**

- 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 the management of RUCIS are appropriate and are working effectively.

5.2 The assurance bands are shown below:

<b>Level of Assurance</b>	<b>Definition</b>
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.

## 6 **Management Action**

6.1 As there are no recommendations arising from the audit there is no management action required.

Richard Barr  
Audit and Risk Manager