

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	DEVELOPMENT AND INFRASTRUCTURE SERVICES
AUDIT DESCRIPTION	VERIFICATION AUDIT
AUDIT TITLE	FISHERIES LOCAL ACTION GROUP (FLAG)
AUDIT DATE	NOVEMBER 2014

2014/2015



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Fisheries Local Action Group (FLAG) within Development and Infrastructure as part of the 2014 Internal Audit programme.

Argyll & Bute and South Ayrshire Fisheries Local Action Group (FLAG) is a partnership established to oversee the delivery of the European Fisheries Fund (Axis 4). The FLAG, which includes representatives from the public, community and private sectors, has allocated a sum of £400K to projects that seek to promote the sustainable development of communities that have been affected by the decline of the fishing industry. Public, private and third sector organisations operating in fishing communities throughout Argyll & Bute and South Ayrshire are eligible to apply for funding.

FLAG members will oversee the delivery of the European Fisheries Fund (EFF) and will have responsibility for considering funding applications. Applications will be assessed against EFF eligibility criteria, the project's contribution towards the Local Fisheries Development Strategy and the level of community benefit that will be delivered.

Argyll & Bute and South Ayrshire Fisheries Local Action Group will support measures to promote economic diversification and an improved quality of life in areas affected by a decline in fishing activities with a particular focus on the following Axis 4 priorities:

- Revitalising Communities;
- Coastal Community Capacity;
- New Markets and Products; and
- Progressive Coastal Economy.

Internal Audit is required to undertake a review and provide an annual report as part of the supporting evidence in preparation of this Annual Confirmation certificate as outlined in Section 11 of the Service Level Agreement (SLA) with Marine Scotland, Scottish Government. A total of seven projects have been passed as eligible under the European Fisheries Fund Axis 4 eligible criteria by the Fisheries Local Action Group of which two were chosen for audit namely Tobermory Harbour Association and Bowmore Harbour Association.

2. AUDIT SCOPE AND OBJECTIVES

- Evidence the availability and completeness of project records as per the guidance outlined in the SLA between Argyll and Bute Council and Marine Scotland;
- Claim process - to assess the robustness of claim process and compliance with guidance; and
- Review the responsibilities of the FLAG to ensure best practice is being observed.

3. RISKS CONSIDERED

- Contract compliance checking is inadequate leading to inaccurate payments being made.
- Failure to meet the requirements of the SLA between Argyll and Bute Council and Marine Scotland.

4. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

5. FINDINGS

The following findings were generated by the audit:

- Procedures are in place that detail the activities required to be carried out at each step of the application process and subsequent claims processes. This includes specifying the person responsible for ensuring that the activity is properly carried out. The previous FLAG audit had highlighted that no formal procedures had been prepared.
- It was evidenced that procedures are being followed that demonstrated that the projects sampled had gone through a process that complies with the EFF procurement conditions and that demonstrated value for money. It was noted that the procurement process was however not compliant with Councils procedures.
- Documentation was found to be available and complete in respect of the progress stage each project had reached.
- No claims have been submitted and therefore verification of the claims process will be carried out in subsequent audit. However it was noted during the file review that financial information was available.

- Minor administration errors were found. An example being where the project number differed on different documentation relating to the same project.

6. CONCLUSION

This audit has provided a Substantial level of assurance. There are no high or medium recommendations. There are two low recommendations which are not reported to the Audit Committee. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Development and Infrastructure staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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