

Causeway Coast and Glens Borough Council

Internal Audit Report Peace IV

2018
Final

MOORE STEPHENS

INTERNAL AUDIT REPORT

Peace IV

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2018/19. This report summarises the findings arising from a review of

Through our audit we found the following examples of good practice:

- A schedule for the provision of monitoring reports was issued by the PEACE IV officer to the projects as a guide and reminder of when to prepare and submit timely monitoring information.
- The Procurement process for externally funded PEACE IV projects is in line with Council and SEUPB guidelines.

There were 4 findings or recommendations from our audit.

There was 1 priority 2 finding:

- All PEACE IV Partnership members should be reminded of the importance of signing conflict of interest declarations and the PEACE IV secretariat should ensure that they are all retained together in 1 file.

The table below summarises the key risks reviewed:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be inadequate management of funding agreements which could lead to a lack of transparency and accountability and poor decision making	-	1	-
Appropriate assessment procedures may not be applied in relation to the provision of the programme funding, leading to ineligible organisations receiving funding from the Council, or funding for ineligible costs being provided by Council.	-	-	1
Claims for project costs, relating to the PEACE IV programme, may not be processed in a timely manner and accurately assessed leading to delays in processing payment to recipients and project spend.	-	-	1
The overall funding programme spend may not be delivered in line with the programme budget, leading to potential claw-back and financial loss to Council	-	-	1
Total recommendations made	0	1	3

Based on our audit testing we are able to provide the following overall level of assurance:

Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Points for the attention of Management

We have identified one system enhancement during the course of the audit which do not form part of our formal findings but may help enhance the existing controls. This is detailed at Appendix III.

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	August 2018

Audit progress	Date
Audit commenced	15 th August 2018
Draft Report issued to senior management for response	7 th October 2018
Responses Received	20 th November 2018
Responses Agreed	23 rd November 2018
Report Issued	28 th November 2018

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council’s internal control system.

1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and considered the main risks in relation to PEACE IV and a review the key systems and controls in place to address these focusing on the main risk associated with:

- Governance
- Identification and management of project implementers
- Project cost claims
- Monitoring of delivery of project spend

2 Background

Under PEACE IV, Causeway Coast and Glens Borough Council has been provided with an opportunity to develop a new PEACE IV Plan. The aim is to build upon the experience of previous Peace Programmes by tackling the remaining challenges that exist in building positive relationships and developing shared spaces across the Borough.

Causeway Coast and Glens Borough Council has successfully been awarded approximately £3.5 million of funding from the European Union (the Special EU Programmes Body - SEUPB) to implement its PEACE IV Local Area Action Plan.

This Programme has a number of key priority areas, against which Council plans to focus on three. These are:

Children and Young People (the budget should be confirmed in June)
Shared Spaces & Services (budget confirmed in March)
Building Positive Relations (budget confirmed in March)

The PEACE IV Partnership for CCAG is a board comprising 11 elected members and 10 social partners. The partnership is an advisory body, making recommendations to the Council on the development, monitoring and delivery of the PEACE IV Strategy and Action Plan. The Council is the lead partner and as such is the ultimate decision-making body.

Council plan 10 sub-projects under PEACE IV; 4 will be implemented directly by council and 6 by externally contracted organisations. Council has access to the PEACE IV 2014-2020 Programme eMS (e-monitoring system) through which all forecasts, progress reports and claims will be submitted.

3 Risks

The potential risks identified by Internal Audit relating to grounds maintenance and agreed with management are as follows:

1. There may be inadequate management of funding agreements which could lead to a lack of transparency and accountability and poor decision making
2. Appropriate assessment procedures may not be applied in relation to the provision of the programme funding, leading to ineligible organisations receiving funding from the Council, or funding for ineligible costs being provided by Council.
3. Claims for project costs, relating to the PEACE IV programme, may not be processed in a timely manner and accurately assessed leading to delays in processing payment to recipients and project spend.
4. The overall funding programme spend may not be delivered in line with the programme budget, leading to potential claw-back and financial loss to Council

4 Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
PEACE IV Coordinator
PEACE IV Officer

5 Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

5.1 Risk 1 – Inadequate Management of Agreements

ISSUE 1 – Declarations of Conflict of Interest

- a) **Observation-** A PEACE IV Partnership agreement is in place dated 28th August 2018 and is signed by the Partnership Chair. A review of the partnership agreement revealed it is comprehensive and that the role of the Council has been well defined. Testing of the conflicts of interest declarations for Partnership members revealed that 11 out of 13 were signed and up to date, although some had been filed in a different location to the others.
- b) **Implication-** In the absence of readily available signed conflict of interest declarations for all PEACE IV members of the Partnership there is an increased risk of the perception of a lack of transparency and accountability
- c) **Priority Rating-**
2
- d) **Recommendation-**
All Partnership members should be reminded of the importance of signing the conflict of interest declarations and the PEACE IV secretariat should ensure that they are all retained together in 1 file.
- e) **Management Response-**
This is accepted and will be implemented
- f) **Responsible Officer & Implementation Date-**
PEACE IV Co-Ordinator – December 2018

5.2 Risk 2 – Lack of Appropriate Assessment Procedures

ISSUE 2 – Procurement; Scoring and Evaluation

- a) **Observation-** Council has 6 externally managed PEACE IV projects. Testing of the procurement process for 3 of these projects revealed an appropriate process was followed in line with Council and SEUPB guidelines. It was however noted a number of the scoring/evaluation sheets were not signed and the sequence of the use of the scoring sheets was difficult to follow; i.e. lack of clarity over which score sheet was the initial eligibility check and which was the final summary of the score and decision.
- Implication-** In the absence of complete clarity in the use and signing of scoring sheets used during assessment procedures there is a small risk of a lack of appropriate supporting documentation providing evidence of the decision-making process.
- b) **Priority Rating-**
3

<p>c) Recommendation- For any future procurement the PEACE IV secretariat should review the format, content and sequencing of the score/evaluation sheets and ensure all are appropriately completed and signed.</p>
<p>d) Management Response- This is accepted and will be implemented as soon as possible once new staff are in post</p>
<p>e) Responsible Officer & Implementation Date- PEACE IV Co-Ordinator – February 2019</p>

5.3 Risk 3 – Claims not Processed Accurately or in a Timely Manner

ISSUE 3 – Checking of Claims from External Projects (invoices for payment)
<p>a) Observation- Under PEACE IV externally funded projects submit invoices to Council for payment in line with a pre-determined schedule of expenditure. Testing of the payment of invoices for 3 of the 6 externally funded projects revealed invoices paid were accurate and timely. It was however noted that some supporting documentation had been erroneously filed. Eligibility and accuracy checks were performed, including cross checks to details on the monitoring reports, by the PEACE IV officer on invoices received. However, this was not comprehensively recorded in every instance.</p>
<p>b) Implication- In the absence of appropriate checks on eligibility and accuracy checks being performed there is an increased risk that claims for project costs, relating to the PEACE IV programme, may not be processed in a timely manner and accurately assessed leading to delays or errors in payments to recipients and in project spend.</p>
<p>c) Priority Rating- 3</p>
<p>d) Recommendation- A checklist should be developed containing all relevant eligibility and accuracy checks which should be carried out by the PEACE IV secretariat. This should be signed by the officer who performs the check on the invoice and signed/initialled by the PEACE IV coordinator before the relevant invoice is authorised and passed for processing to Finance. The checklist should remain on file with a copy of the invoice and all supporting documentation.</p>
<p>e) Management Response- This is accepted and will be implemented as soon as possible once new staff are in post</p>
<p>f) Responsible Officer & Implementation Date- PEACE IV Co-Ordinator – February 2019</p>

5.4 Risk 4 - Funding Programme not in line with Budget

ISSUE 4 – Budget Monitoring

- a) Observation-** A review of the documentation retained for managing the funding programme budget revealed that a spreadsheet is retained for each year of the programme which contains details of budget, actual expenditure to date and commitments. Within each year the actual (and committed expenditure) against the budgeted expenditure is monitored within these spreadsheets.

Audit was advised that the profile of the PEACE IV budget changes throughout the duration of the programme and that this information is recorded on the e-Monitoring System.

Currently the PEACE IV secretariat does not have a spreadsheet detailing the budget over the entire life of the programme; including details of the initial budget, allocation of the budget to themes, projects, administration, other expenditure etc. Current spreadsheets do not provide details of changes to or reallocations within the budget; expenditure against budget to date, the balance remaining over the life of the programme and claims made to date.

- b) Implication-** In the absence of a comprehensive comparison of actual against targeted spend for the life of the programme there is a risk that the overall funding programme spend may not be delivered in line with the programme budget, leading to potential claw-back and financial loss to Council.

- c) Priority Rating-**
3

- d) Recommendation-**
In addition to the annual budget monitoring spreadsheets, a single spreadsheet containing details of the budget for the entire life of the programme, expenditure and claims to date to should be created.

- e) Management Response-**
This is accepted and will be implemented as soon as possible once new staff are in post

- f) Responsible Officer & Implementation Date-**
PEACE IV Co-Ordinator – February 2019

Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix II: Summary of Key Controls Reviewed

Risk	Key Controls
There may be inadequate management of funding agreements which could lead to a lack of transparency and accountability and poor decision making	<ul style="list-style-type: none"> • Appropriate agreements to manage the fund are in place and signed by all parties involved • Clear governance arrangements have been established, and <ul style="list-style-type: none"> ◦ documented for each of the parties involved ◦ minutes of meetings are retained, and conflict of interest are declared at each meeting ◦ Conflicts of Interest statements are in place • The role of the Council is well defined • There is evidence of monitoring of the funding arrangements by Council officers and members • There is evidence of monitoring the progress against targets and the output and outcomes by Council officers and members
Appropriate assessment procedures may not be applied in relation to the provision of the programme funding, leading to ineligible organisations receiving funding from the Council, or funding for ineligible costs being provided by Council.	<ul style="list-style-type: none"> • Clear criteria have been developed for the provision of PEACE IV expenditure (including separate criteria for each theme if appropriate) • Funding for projects is awarded by the Council as a result of a procurement process in line with Council and SEUPB guidelines • Appropriate documentation to support the project selection (in line with SEUPB guidelines) is available • Award criteria checklists are used for assessing tenders and only those eligible are recommended to implement a PEACE IV project • The recommendation to select an organisation to implement a PEACE IV project is reviewed by the appropriate body before being decided upon • Successful and unsuccessful applicants for PEACE IV are notified of the decision in a timely manner • A letter of offer/agreement is issued to successful applicants and the successful applicant agrees to the terms and conditions of the funding
Claims for project costs, relating to the PEACE IV programme, may not be processed in a timely manner and accurately assessed leading to delays in processing payment to recipients and project spend.	<ul style="list-style-type: none"> • PEACEIV projects are closely monitored by Officers to ensure that they are progressing, and claims have been received in a timely manner • A process is in place for processing PEACE IV claims • All project costs are eligible • Any back-up information required has been completed to enable processing of the claim • Checks of information by programme staff are recorded before the claim is submitted to the funder • Claims have been submitted in a timely manner to the funder
The overall funding programme spend may not be delivered in line with the programme budget, leading to potential claw-back and financial loss to Council	<ul style="list-style-type: none"> • A summary of spend for each theme within PEACE IV across all years of the programme is retained • A comparison with profiled target spend is carried out • Percentage of administration spend against project spend • Progress of funded projects is considered to identify any impact on programme funding

Appendix III: Points for the Attention of Management

PEACE IV Secretariat

It was noted that the PEACE IV Secretariat has undergone a number of staffing changes since the PEACE IV programme was initiated.

This has made it difficult to introduce consistent processes for managing the PEACE IV programmes and filing of PEACE IV records. While we found no evidence of this having any major impact on the monitoring of projects, payment of PEACE IV expenditure or processing of claims, we did note some inconsistencies in record keeping and filing.

When the new Finance officer and PEACE IV officer are in post; flow charts of key PEACE IV processes should be developed to familiarise the new staff with their responsibilities, to support record keeping, and ensure consistencies in approach should further changes be required in the PEACE IV Secretariat over the life of the programme.

Management Response: The Peace IV Management welcomes the report and findings, and in particular welcomes the recommendations in which The Peace IV Secretariat has begun to implement with immediate effect.