

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Fisheries Local Action Group (FLAG)

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Fisheries Local Action Group (FLAG).

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 Axis 4 of the European Fisheries Fund (EFF) was launched in Scotland in January 2012 to provide funding to local Scottish fishing communities affected by a decline in fishing activities.
- 3.2 The EFF funding is divided into two main allocations – £1.3m for councils in the Highlands & Islands (Shetland, Highland, Western Isles and Argyll & Bute) and £2.9m for the rest of Scotland (Aberdeenshire, Angus, Fife, Scottish Borders, South Ayrshire, East Lothian, Dumfries & Galloway, and Moray).
- 3.3 Eligible councils were invited to create Fisheries Local Action Groups (FLAGs) to consider applications and decide how the funding will be allocated locally. The East Lothian FLAG supports projects in the fishing communities of Cockenzie & Port Seton, Dunbar and North Berwick.
- 3.4 To access the funds, local authorities were required to provide additional funding (on a 25/75 basis for the Highlands & Islands and a 50/50 basis for the rest of Scotland). East Lothian Council was awarded an EFF grant

of £110,613 and this was match funded by East Lothian Council, giving a total funding for the programme of £221,226.

- 3.5 Internal Audit is required to provide a report to support the annual confirmation certificate, which is submitted by the Council to Marine Scotland, confirming that the Council's obligations under the Service Level Agreement have been fulfilled.
- 3.6 A review of FLAG was undertaken as part of the audit plan for 2015/16. The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.7 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

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DATE	3 September 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT FISHERIES LOCAL ACTION GROUP (FLAG)

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2015/16 a review was undertaken of the internal controls in place for the administration of the Fisheries Local Action Group (FLAG) Programme.

1.2 Areas where Expected Controls were Met

- The Council has appropriate arrangements in place for the administration of the East Lothian FLAG programme – a Local Action Group has been established and membership of the Group comprises of representatives from a number of local organisations including the Council.
- There was evidence to indicate that members of the Local Action Group had scored each grant application received and a summary of the scores were held on file.
- Grant award letters had been issued to applicants detailing the amounts awarded and the terms and conditions of the funding.
- Acceptance of Grant forms had been signed and returned by all applicants confirming their agreement to the terms and conditions of the grant award.

1.3 Areas with Scope for Improvement

- In some cases there had been a failure to ensure that all relevant documentation had been submitted by the applicant with the grant application form. *Risk – failure to comply with the EFF Axis 4 guidance.*
- In one case the applicant had awarded work to a contractor, however there was no evidence on file to confirm that the contractor had submitted a tender. The project costs were in excess of £90,000. *Risk – failure to demonstrate best value.*
- In two cases we found that bank statements were not held on file to evidence defrayment of amounts claimed from the applicant's bank account. *Risk – errors and irregularities may occur and remain undetected.*
- There was a lack of segregation of duties – the checking and approval of grant claims had been undertaken by the same officer. *Risk – errors and omissions may occur and remain undetected.*

1.4 Summary

Our review of the internal controls surrounding the FLAG Programme has identified areas with scope for improvement. We are informed that the 2015-2020 FLAG Programme will not be administered by East Lothian Council, however to ensure compliance with the EFF Axis 4 guidance and the Council's obligations under the Service Level Agreement in place, Management should ensure that the weaknesses identified from our review are fully addressed.

Mala Garden
Internal Audit Manager

September 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.	Management should ensure that areas identified with scope for improvement are addressed.	Medium	Team Manager – Economic Development	Agreed		Ongoing

GRADING OF RECOMMENDATIONS

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.