

Audit Objective

To evaluate the controls and governance for allocating and monitoring grants, ensuring robust financial management and accountability within SRA.

Executive Summary



Assurance Opinion

The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives.

Management Actions

Priority 1	0
Priority 2	3
Priority 3	1
Total	4





Organisational Risk Assessment

Medium

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.

Key Conclusions

	Policies and procedures governing the SRA process have not been formally developed. With the introduction of the new process for accepting applications and providing grants to external organisations, there is a risk that non-standardised practices may be followed, potentially compromising consistency and accountability.
	As outlined in the Memorandum of Understanding and the Constitution (MOU), Somerset Council, as the host authority, is required to provide any interest accrued from SRA funds to Somerset Rivers Authority (SRA). However, during the review it was identified that no such interest has been allocated to SRA or incorporated into its budget. Management should review the current arrangement and agree appropriate next steps.
	SRA management do not directly oversee the procedures carried out by the grant recipient or undertake site visits to verify completed works. Instead, SRA receive quarterly updates from the partner to track and monitor progress. The lack of direct oversight increases the risk that issues with a given project could go undetected or funds could be mismanaged. Management should be cognisant of these risks if the grant application process is extended to external organisations.
	Somerset Rivers Authority have developed new guidelines and updated grant application forms keeping in consideration the decision of accepting applications from external organisations from 2025/26. This will enhance the efficiency of the grant application process.

Audit Scope

The Somerset Rivers Authority (SRA) was established following the severe winter floods of 2013-14, which caused significant damage and costs to Somerset. The floods prompted the creation of a 20-Year Flood Action Plan, recommending a dedicated partnership to enhance local water management. The SRA is funded annually through council tax to support its activities amounting to £3,079,000 for 2024-25, and a further £20,000 from the Internal Drainage Boards.

The scope of the audit assessed the design and operational effectiveness of controls in the following areas:

- The process for reviewing grant applications and developing a programme of work.
- Monitoring the performance of projects which have been awarded grants.
- Processes for monitoring the performance of third parties and other contractors.
- Financial oversight and governance controls.
- The framework for inviting applications for non-partner and private organisations.
- SRAs objectives and strategy.

Additional Audit Commentary

Somerset Rivers Authority (SRA) have decided to accept grant applications from external organisations for funding related to the 2025-26 financial year. In line with this decision, SRA is updating its mechanisms and developing new guidelines to facilitate external organisations in the application process. As part of this initiative, five organisations were selected to participate in a pilot program during the first year. This will help assess the effectiveness and efficiency of the new process before wider implementation.

Currently, the SRA receives quarterly updates on projects funded through grants, primarily provided to its partner organisations. The monitoring process involves receiving quarterly progress updates and claim forms, signed by the S151 officer or suitably qualified person of the respective partner, which offers some assurance given the SRA's limited resources.

Audit Findings & Management Action Plan – November 2024

<p>Finding 1.</p> <p><u>Policies and procedures are not documented</u></p> <p>There are currently no formal procedures in place to guide staff in the SRA's process for receiving, reviewing, scoring, approving, and monitoring grants. Management has indicated that a process flow chart has been devised and they are in the process of developing written procedures that will cover these aspects of the grant process.</p> <p>As the SRA begins to accept applications from external third parties, it is essential that new controls and procedures are developed. Management should ensure that the procedural documents comprehensively cover the entire grant lifecycle, including the application, assessment, and monitoring processes, with specific attention to the acceptance of grant applications from third parties.</p>	<p>Action</p> <p>Management will establish comprehensive written procedures to guide SRA staff in the grant process, covering application, assessment, approval, and monitoring, paying specific attention to controls and procedures for accepting grant applications from third parties.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Priority</td> <td style="width: 10%; text-align: center;">2</td> <td style="width: 30%;">SWAP Reference</td> <td style="width: 40%;">AP#4883</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager, SRA</td> </tr> <tr> <td>Timescale</td> <td colspan="3">31 May 2025</td> </tr> </table>	Priority	2	SWAP Reference	AP#4883	Responsible Officer	Service Manager, SRA			Timescale	31 May 2025		
Priority	2	SWAP Reference	AP#4883										
Responsible Officer	Service Manager, SRA												
Timescale	31 May 2025												

<p>Finding 2.</p> <p><u>Interest accrued is not provided to SRA</u></p> <p>As outlined in the Memorandum of Understanding and the Constitution (MOU), Somerset Council, as the host authority, is required to provide any interest accrued from SRA funds to Somerset Rivers Authority (SRA). However, during the review, it was identified that no such interest has been allocated to SRA or incorporated into its budget. Failure to transfer accrued interest to SRA may result in non-compliance with the governing agreements and shortfall in available funds for SRA projects, reducing the overall resources needed to meet strategic objectives and creating potential reputational risks for the Council.</p> <p>Discussions with SRA management revealed that, in the past, due to lower interest rates, no interest was provided to SRA. In exchange, Somerset Council, as the host authority, did not charge for the services it provided to SRA. However, with the recent rise in interest rates, SRA is now reviewing the potential interest that could have accumulated over the past three years. Additionally, host authority will perform a full review of apportionment based on which charges for services can be apportioned to SRA.</p>	<p>Action</p> <p>Management will seek the advice of the Board and the host authority, Somerset Council, during the annual review of the Memorandum of Understanding and Constitution. Decisions will be made following the receipt of advice and the apportionment provided by the host authority.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Priority</td> <td style="width: 10%; text-align: center;">2</td> <td style="width: 30%;">SWAP Reference</td> <td style="width: 40%;">AP#5222</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager, SRA</td> </tr> <tr> <td>Timescale</td> <td colspan="3">31 March 2025</td> </tr> </table>	Priority	2	SWAP Reference	AP#5222	Responsible Officer	Service Manager, SRA			Timescale	31 March 2025		
Priority	2	SWAP Reference	AP#5222										
Responsible Officer	Service Manager, SRA												
Timescale	31 March 2025												

Finding 3.	Action												
<p><u>The scope of the SRAs oversight and monitoring processes is limited</u></p> <p>Currently, SRA management obtains quarterly progress updates from grant recipients, which are discussed during team meetings. Additional written reports are requested from grant recipients if necessary. SRA management do not directly oversee the procedures carried out by the grant recipient or undertake site visits to verify completed works. This lack of direct oversight presents a potential risk of mismanagement of funds, and undetected quality issues, which could affect the successful completion of the projects.</p> <p>As SRA extends its grant funding to external organisations, it should consider the potential increase in these risks and assess whether it is willing to accept them under the expanded scope of grant distribution or take mitigating action.</p> <p>Management Comment: <i>The SRA is the funding organisation not the delivery organisation therefore we do not feel it is the role of the SRA core team to be overseeing the operational procedures used by grant recipients when delivering a project. The technical expertise for project delivery lies with the grant recipient / delivery organisation. For example, the Environment Agency is a statutory body with expert staff employed to deliver the types of projects the SRA funds. It would be a duplication of staff resource and cost for the SRA to ‘supervise’ its partner’s operational activities.</i></p> <p><i>The core SRA Team has well established monitoring and reporting requirements meaning it gets regular updates on project progress and project spend. This monitoring allows identification of concerns to project delivery timescale, project outputs and monitoring of expenditure (at an appropriate level of detail). Where concerns are identified we work with the delivery organisation to understand the issues and agree how things can be brought on track. Where necessary the SRA Board will receive reports if significant concerns are identified, and the grant recipient may have to attend a Board meeting to respond to queries and propose remedies.</i></p> <p><i>With reference to external organisations – Grant agreements make it clear that it is the responsibility of the grant recipient to follow all necessary rules and procedures for implementing a project. Where technical standards must be met it is the grant recipient’s responsibility to meet those and have them checked by a regulator where necessary. Regular reporting procedures will allow for the core SRA Team to identify any delivery or cost concerns in the same way as with SRA Partner Organisations.</i></p>	<p>Management will work with grant recipients to improve the quality and timeliness of submission of monitoring reports. Processes for identifying and escalating potential project risks to Management Group and the Board will also be reviewed.</p> <p>Additionally, management will review triggers for when project risks and issues should be escalated. Where necessary grant recipients will be required to attend meetings to explain any problems with the project, take questions and explain how the issues will be remedied.</p> <table border="1" data-bbox="1137 1358 2107 1501"> <tr> <td data-bbox="1137 1358 1384 1406">Priority</td> <td data-bbox="1384 1358 1630 1406">2</td> <td data-bbox="1630 1358 1861 1406">SWAP Reference</td> <td data-bbox="1861 1358 2107 1406">AP#5260</td> </tr> <tr> <td data-bbox="1137 1406 1630 1453">Responsible Officer</td> <td colspan="3" data-bbox="1630 1406 2107 1453">Service Manager, SRA</td> </tr> <tr> <td data-bbox="1137 1453 1630 1501">Timescale</td> <td colspan="3" data-bbox="1630 1453 2107 1501">31 May 2025</td> </tr> </table>	Priority	2	SWAP Reference	AP#5260	Responsible Officer	Service Manager, SRA			Timescale	31 May 2025		
Priority	2	SWAP Reference	AP#5260										
Responsible Officer	Service Manager, SRA												
Timescale	31 May 2025												

<p>Finding 4.</p>	<p>Action</p>		
<p><u>SRA are not fully compliant with the Strategic Grant Agreement Reporting Requirements</u></p>	<p>It was agreed with management to amend the strategic grant agreements to require quarterly reporting, aligning with current practices. This adjustment will reduce the administrative burden while still ensuring timely and effective project monitoring.</p>		
<p>Somerset Rivers Authority has a strategic grant agreement with each partner, outlining the general terms and conditions for funding various grant projects. According to this agreement, recipients are required to provide monthly updates on the progress of projects. However, it was identified that progress updates are being obtained on a quarterly basis instead of monthly, due to the administrative burden associated with gathering and compiling the progress for each project. This deviation from the agreement may hinder timely project monitoring and decision-making.</p>	<p>Priority</p>	<p>3</p>	<p>SWAP Reference</p> <p>AP#5131</p>
<p>Responsible Officer</p>		<p>Service Manager, SRA</p>	
<p>Timescale</p>		<p>31 March 2025</p>	