



INDEPENDENT SCRUTINY REVIEW

# COAST TO CAPITAL

Version and Status- Management Response - Final  
15 November 2019

IDEAS | PEOPLE | TRUST



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# 1. Purpose of review

## Background

BDO performed a scrutiny review of the Growth Grants Programme as tasked by the Head of Communication and Corporate Affairs, Katie Nurcombe. The objective of the scrutiny review was to assess the Growth Grant Programme processes and controls in place to ensure that fraud and bribery are sufficiently mitigated and dealt with appropriately.

## Scope

We undertook an independent scrutiny review of the Growth Grants Programme to ensure you have established good governance and facilitate future allocation of the funds. To provide assurance, our scope included the review of:

- Your due diligence process for potential grant recipients
- grant agreements to ensure they include clear direction on governance/anti-bribery/conflicts of interest/sub-contracting/project delivery reporting/financial reporting etc.
- processes in place for monitoring and evaluation (pre-application, in-flight and *post-mortem*).

## Out of Scope

This review is limited to the scope outlined above and this review will not test the due diligence of each grantee or assess individual grants.

## Methodology

We reviewed the grant process ‘cradle-to-grave’ to ensure agreements, policies and check/controls are ‘fraud-proofed’. Given budget and time limitations, we undertook a high level review and did not test individual grants for compliance.

1. We reviewed the checking processes to ensure applications are made from the sectors identified as key for the Coast to Capital region economy.
2. We reviewed the checking processes to ensure applications are additional to existing business activity and ensured start-up businesses, property owners and those in the retail/wholesale sector are declined.

3. We reviewed the checking processes to ensure applications for grants between £10,000 and £170,000 (subject to *de minimus*) are made available to businesses, on a match-funded basis, and
- are equivalent to a maximum of 40% of the total project costs
  - that only capital expenditure items are grant eligible
  - that applicant businesses will need to provide at least 60% of the total project costs and confirm they have these funds available
  - that applicants evidence that they cannot source the gap in project funding from other sources (and that they have fully explored other sources of funding, without success and show other investment alongside the grant, mindful that the grant can provide up to a maximum of 40% of the total project costs [to a maximum £170,000] and that businesses will need to provide the remaining match-funding).
4. We reviewed the checking processes to ensure applications demonstrate how the grant will lead to improved productivity resulting in business growth of at least 20% per annum, over the next three years and Introduce an innovative product or exploiting new technology to access new markets.
5. We reviewed the checking processes to ensure applications from Social Enterprises demonstrate how they are adding social value.
6. We reviewed the checking processes to ensure applications have premises in, or be planning to re-locate in the Coast to Capital LEP specified.

Assurance that the grant agreements include clear direction on governance

7. We reviewed the application forms and supporting guidance to ensure all documentation gives clear direction on anti-bribery, conflicts of interest, sub-contracting, project delivery reporting and financial reporting etc. This included forms/agreements/contracts they have to return etc. to confirm compliance etc.
- 8, We looked for evidence of information that should be provided to applicants on your policy on fraudulent claims (and subsequent actions/sanctions that will be considered).
9. We looked for evidence in contracts/agreements with recipients to ensure they contain appropriate provisions for dealing with fraud so that all are aware of their respective roles and responsibilities for the prevention, detection and reporting of fraud.

10. We reviewed the process of how grant recipients change and update their bank account details. This is to ensure that the process is robust in mitigating bank mandate fraud and to provide assurance that funds are deposited in the correct bank accounts.

Assurance that there are appropriate processes in place for monitoring and evaluation (pre-application, in-flight and *post-mortem*).


11. We considered how the grant scheme is fraud-proofed, particularly against multiple applications to either the one organisation or to a number of different funders.

12. We reviewed the controls in place to ensure that:

- the project been completed (or is in progress according to milestones)
- the actual performance and delivery match to agreed budgets, targets, KPIs and milestones
- the finances balance (and is there adequate proof?)
- there have been no significant changes in structures/personnel/ownership
- all funds and any assets are fully accounted for.




## 2. Review summary

### Overall conclusion on control framework (see Appendix 1 for definitions)

Weak	Needs improvement	Acceptable	Strong
			

As part of this review we have raised one Performance Improvement Observations (PIOs) and within this, 18 specific recommendations have been identified. We have rated the overall control framework as ‘Needs improvement/Acceptable’, therefore there are some areas of improvement required. There are controls at present, however, Coast to Capital would benefit from implementing some additional controls which would further enhance the processes currently in place.

### Performance Improvement Observations (PIOs) - see Appendix 1 for definition of significance of PIOs

	<b>0</b>		<b>1</b>		<b>0</b>	Total no. of PIOs	<b>1</b>
No. of recommendations	<b>0</b>	No. of recommendations	<b>18</b>	No. of recommendations	<b>0</b>	Total no. of recommendations	<b>18</b>

### Report status

<b>Counter Fraud Specialist:</b>	Sophie Brown
<b>Dates work performed:</b>	25 February 2019 - 27 February 2019
<b>Draft report issued:</b>	28 February 2019
<b>Final report issued:</b>	


### 3. Executive summary

The Coast to Capital team are committed to providing wrap-around support and developing and maintaining positive relationships with businesses. The internal evaluation process works well due to positive relationships and communication between sections; thus the process continues evolving and aligning with Coast to Capital needs. The team are focused on 'lessons learned' to improve the Growth Grant Programme and any process changes are duly documented, providing a rationale. Conflicts of Interest is an area that has been successfully managed by Coast to Capital. All those in senior positions are required to complete a declaration annually and include spouse/partner interests. Our review identified that should an interest arise, they are positively managed and dealt with. Overall, Coast to Capital has adequate processes and procedures in place to mitigate the risk of fraud and bribery, in relation to monitoring and evaluation of the Growth Grants Programme.

However, the governing key policies and documentation could be strengthened by including anti-fraud and bribery controls. Taking a more proactive approach will allow Coast to Capital to effectively deal with emerging fraud risks and communicate expectations to businesses. For example, we have suggested that the website includes an anti-fraud and bribery statement and a concerns-reporting mechanism. This would promote the zero tolerance approach and reduce Coast to Capital becoming a fraud target. We identified that the deadlines imposed for businesses to submit supporting documentation and evidence are not always adhered to. On occasion this has resulted in incomplete submissions and resulting in extending deadlines, therefore a review of the deadline process should be considered. This will assist in Coast to Capital resources being effectively used.

Below is a summary of our findings against each scope area and suggested actions for improving compliance.

## 4. Performance Improvement Observations

PIO 1: Due Diligence and governance				
Observation/ issue	Sig.	Recommendation		Management response
<p>Following the review of the Coast to Capital due diligence process arrangements and governance, we noted the following areas of improvement in relation to the Growth Grants Programme:</p> <ul style="list-style-type: none"> <li>Internal policies, forms used by applicants and guidance notes in place could be updated and enhanced in order to protect Coast to Capital against emerging fraud risks. The absence of robust policies and guidelines exposes Coast to Capital to fraud and bribery. Furthermore, applicants and grantees are uninformed of the Coast to Capital policies, which once implemented could strengthen working relationships.</li> <li>There have been delays in receiving completed submission data from applicants. This has resulted in delays in panel assessments and requiring extra resources.</li> <li>Coast to Capital have not received any fraud, bribery or whistleblowing</li> </ul>		<p>We recommend that Coast to Capital consider the following actions:</p> <ol style="list-style-type: none"> <li>Coast to Capital should consider including testing criteria for innovative ideas of the business plan within the Initial Questions for the Growth Grants.</li> <li>All applicants should be provided with Coast to Capital Code of Conduct Policy, Whistleblowing Policy and Complaints Policy. This will ensure that applicants are clear of policies in place and what is expected.</li> <li>Page 17 of the EoI form should include the authoriser's position within the business and a declaration that all the information provided is true and correct to the best of the applicant's knowledge.</li> <li>The Grant Agreement is absent of any reference to subcontracting.</li> </ol>		<ol style="list-style-type: none"> <li>Implemented</li> <li>Implemented</li> <li>Implemented</li> <li>Implemented</li> </ol>



training. This should be explored to ensure that staff are fully aware of the risks and are clear on what to do should they have any concerns.

- Understandably, the panel has a heavy focus on the finances of a project, however it could be considered that more discussion surrounding the wider impact of the project and specific project detail is included to provide balance.
- In addition to the financial focus, additional questions could be included on the applicant's anti-fraud controls and capability to reduce the risk of fraud.

It is recommended that wording is added to state that funding is not permitted and cannot be undertaken without the express permission from Coast to Capital.

- |    |   |   |
|----|---|---|
| 5) | The Small Panel should consider incorporating standardised questions to facilitate better decision making when inviting to full application or otherwise.   | 5) Implemented  |
| 6) | The Growth Grant Project Manager is keen to update the Word application forms by making the forms an online process and to be fillable PDF documents. It is also intended that the fillable PDF's have guidance attached via help boxes to ensure that the guidance is easily accessed. | 6) Continues to be an intention for the application process |
| 7) | The Growth Grants Project Manager has proposed to submit a template business plan and a cash flow forecast document to applicants to ensure clarity going forward. It would be positive for this process to be formalised.  | 7) Continues to be the planned approach                     |
| 8) | The deadline process should be evaluated to ensure time delays  | 8) Implemented  |

are avoided, which would enhance Coast to Capital resources being used as intended.

- |   |                        |
|---|------------------------|
| <p>9) At present, there is no formalised list of conditions for when a decision cannot be finalised at a panel meeting, however the Growth Grant Project Manager has begun drafting a list of conditions in order to promote time effectiveness at panel meetings. A formalised conditions list should be considered.</p> | <p>9) Implemented</p>  |
| <p>10) A declaration of interest should be mandatory for all applicants within their application forms and inclusive of 'nil returns'.</p>  | <p>10) Implemented</p> |
| <p>11) The Account Manager undertakes the initial sift where they shortlist and steer businesses (if deemed appropriate by the AM) for the Growth Grant Programme). Due to the influential nature of the role of the Account Manager, it would be prudent to obtain a declaration of interest from this position to</p>   | <p>11) Implemented</p> |

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- minimise the risk of conflicting interests.
- 12) Fraud, bribery and whistleblowing training should be explored to ensure that staff are fully aware of the risks and are clear on what to do should they have any concerns.
- 13) It should be considered that a fraud and bribery statement be added to the Coast to Capital website to promote the organisation's zero tolerance to criminal activity.
- 14) The Whistleblowing Policy contains little reference to fraud and bribery. It is recommended that wording is added as a matter of priority to provide clarity to readers of definitions and their responsibilities. In support of this, a link could be publicised on the website to report concerns.
- 15) A standalone Fraud Policy could also be considered. Without sufficient policy content, it can become a line of defence for an individual who has committed fraud against the organisation. The sanctions for committing
- 12) Accepted - training opportunities are being explored for staff across the organisation
- 13) An anti-fraud and anti-bribery policy has been published
- 14) An anti-fraud and anti-bribery policy has been published
- 15) See response to point 13 and 14
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	offences should also be referred to.	
16)	Changing bank mandate guidance should be formalised for both grantees and internal staff members.	16) To consider
17)	A standardised template for due diligence could be implemented to increase ease of interpretation. It should be considered for Geoff Duck, Director of Ledger Licences Ltd to complete a 'mini' due diligence at the EoI point prior to the full due diligence. Personal wealth checks should also be considered as further clarity surrounding the need of funding has extended the process.	17) Implemented - however, due diligence will not be limited to being delivered by one person
18)	It could be considered that panel discussions include wider consideration of the impact of the project and specific detail is included to provide balance. Discussions should also include more focus on the project's controls to mitigate fraud risk.	18) Implemented
		Owner: Malcolm Brabon
		Completion Date:



## 5. Detailed findings

Scope	Areas of good practice	Areas for development
<p><b>Governance and due diligence</b></p>	<ul style="list-style-type: none"> <li>✓ At Coast to Capital, an Account Manager is assigned a business, and a relationship is developed. The Account Manager will guide and mentor the business and assess whether they would be applicable for the Growth Grants Programme. The Account Manager will follow a set of criteria to determine business eligibility. The advice from the Account Manager, ensures that businesses do not waste their time should their company not be aligned to a particular type of funding eligibility criteria. The team are committed to managing business expectations of the type of funding which is available.</li> <li>✓ Discussions are held between the business and Coast to Capital regarding the innovation of the project. Despite this not being formally documented in the initial questions for the Growth Grants document, it is explored with the business on each occasion. To be eligible for the Growth Grants Programme, the accounts manager will measure innovation by assessing whether new practices, new technologies or new products will be used and how the implementation of such will transform the project.</li> <li>✓ The onus is on businesses to provide information if they have received funding elsewhere and</li> </ul>	<ul style="list-style-type: none"> <li>✗ The Initial Questions for the Growth Grants document is absent of detail regarding innovative ideas of the business plan. Including this testing criteria would align itself to the application form and assist in determining eligibility in a consistent manner.</li> <li>✗ At present, no Coast to Capital policies are provided to applicants. All applicants should be provided with Coast to Capital’s Code of Conduct Policy, Whistleblowing Policy and Complaints Policy. This will ensure that applicants are clear of policies in place and what is expected.</li> <li>✗ Page 17 of the EoI form could include the authoriser’s position within the business and a declaration that all the information provided is true and correct to the best of the applicant’s knowledge. This would place responsibility on the authoriser to provide correct information and that a person at a suitable level has provided the information.</li> <li>✗ The Grant Agreement is absent any reference to subcontracting. It is recommended that wording is added to state that funding is not permitted and cannot be undertaken without the express permission from Coast to Capital.</li> </ul>

Scope	Areas of good practice	Areas for development
	<p>under the <i>de minimis</i> threshold. The Eol form includes a robust declaration that ensures that any false information provided could result in funding being reimbursed to Coast to Capital by the business. The Head of Finance also scrutinises accounts if there is any evidence of such funding.</p> <ul style="list-style-type: none"> <li>✓ Should a business not be suitable for the Growth Grants Programme, the Account Manager will discuss other funding options available.</li> <li>✓ Once an Eol is received, the Growth Grants Project Manager works closely with the business to gather the relevant information to support the completion of the full application.</li> <li>✓ Coast to Capital undertake site visits to the businesses once an expression of interest has been received. This is continued throughout the project to substantiate claims and maintain a positive working relationship.</li> <li>✓ The Small Panel is made up of Growth Grant Project Manager, Head of Services and an external panel member. It was noted by an Internal Audit review that an external panel member could also be present at the deciding panel as a voting member. It has been suggested that an external panel member be removed from</li> </ul>	<p>Without this in place, exposes Coast to Capital to the grant agreement being manipulated.</p> <ul style="list-style-type: none"> <li>✗ The Small Panel should incorporate standardised questions to support and justify decision making when inviting to full application or otherwise.</li> <li>✗ At present the Eol form and full application forms are Word documents and on occasion, are not user friendly due to formatting issues. The Growth Grant Project Manager is keen to update this process by making the forms an online process and to be fillable PDF documents. It is also intended that the fillable PDF's have guidance attached via help boxes to ensure that the guidance is easily accessed and followed.</li> <li>✗ Discussions have highlighted that there is little consistency between business plans and cash flow forms received from applicants. Therefore, the Growth Grants Project Manager has proposed to submit a template business plan and a cash flow forecast document to applicants to ensure clarity going forward. This will in turn reduce time managing the applications, correspondence and waiting for eligible supporting documentation.</li> <li>✗ The deadline process should be evaluated to ensure that Coast to Capital resources are used effectively and as intended. If data</li> </ul>

Scope	Areas of good practice	Areas for development
	<p>the Small Panel to ensure that no conflicts are present. This is currently being considered.</p> <ul style="list-style-type: none"> <li>✓ All senior members of staff with decision making authority are required to complete a declaration of interest and are held on a register. This is inclusive of partner/spouse interests, is required on an annual basis and if any interests arise in the duration. Prior to each panel meeting, the members are informed of the business to ensure that any potential conflicts can be managed in a timely manner prior to the commencement of the meeting. It is also a standing agenda item at each panel meeting to discuss conflicts of interests. The conflicts of interests forms are specified by government.</li> <li>✓ The panel consists of a variety of expertise, such as accountants, legal and business start-up experts, who all are senior in their roles. The wealth of experience successfully assists in assessing applications.</li> <li>✓ An applicant is informed of the panel prior to pitching. On one occasion an applicant informed Coast to Capital of a conflict with a potential panel member; therefore the applicant was requested to present at a later date and thus the conflict was dealt with appropriately. It is not mandatory for applicants to declare interests, however in this instance it was fortunate that</li> </ul>	<p>submissions are incomplete, it results in resources being utilised in extra correspondence and support for businesses.</p> <ul style="list-style-type: none"> <li>✗ Should a decision not be final at a panel meeting, conditions are discussed to be put forward to the applicant for further information. At present, there is no formalised list of conditions, however the Growth Grant Project Manager has been drafting a list of conditions in order to promote time effectiveness and consistency at panel meetings.</li> <li>✗ A declaration of interest should be mandatory for all applicants within their application forms and inclusive of 'nil returns'. This will highlight if an applicant has any contacts within Coast to Capital and thus can be managed effectively.</li> <li>✗ It was noted that the Account Manager is not required to complete a declaration of interest. The Account Manager guides and shortlists businesses to the Growth Grants Programme, if they are deemed suitable. Due to the influential nature of the role of the Account Manager, it would be proactive to obtain a declaration of interest to minimise the risk of conflicting interests.</li> </ul>



Scope	Areas of good practice	Areas for development
	<p>the applicant declared a conflict of interest. This has been raised an area for improvement.</p> <ul style="list-style-type: none"> <li>✓ The Complaints Policy sufficiently references the Whistleblowing Policy, where clear guidance outlines the difference between the two issues.</li> <li>✓ It is intended that a financial assessment will be undertaken by the Head of Finance prior to any due diligence being carried out by an external provider. Although, on some occasions this has not been possible due to applicants returning supporting information very near to the panel meeting. However, since the appointment of the Head of Finance in October 2018, a financial assessment is always completed to complement the due diligence report at the panel meeting. Deadlines for applicants to submit data are in place, however there have been delays in receiving complete documentation, which has resulted in delays in panel meetings. Generating a financial assessment prior to due diligence would enhance the due diligence by highlighting any potential risk areas or areas of focus.</li> <li>✓ The panel agenda is clear and appropriate time scales are in place to facilitate in-depth discussions. The panel are experienced, varying in backgrounds and very risk averse. Ideas and suggestions to improve the process are welcomed and are openly discussed.</li> </ul>	<ul style="list-style-type: none"> <li>✗ The team at Coast to Capital have not received any fraud, bribery or whistleblowing training. This should be explored to ensure that staff are fully aware of the risks and are clear on what to do should they have any concerns.</li> <li>✗ At present the Coast to Capital website does not contain any reference to bribery and there is no anti-fraud statement. It should be considered that a fraud and bribery statement be added to promote the organisation's zero tolerance to criminal activity.</li> <li>✗ The Whistleblowing Policy is current and up to date, however there is little reference to fraud and bribery. It is recommended that wording is added as a matter of priority to provide clarity to readers of definitions and their responsibilities. In support of this, a link could be publicised on the website to report concerns. This would show Coast to Capital's commitment to whistleblowing and a deterrence to criminals considering Coast to Capital as a target.</li> <li>✗ A standalone Fraud Policy could also be considered. Without sufficient policy content, it can become a line of defence for an individual who has committed fraud against the organisation. The various sanctions that can be applied should also be referred to.</li> </ul>

Scope	Areas of good practice	Areas for development
	<ul style="list-style-type: none"> <li>✓ Throughout the programme the panel frequency has been assessed and changed. Originally, panel meetings were not scheduled until full applications were received. This created time delays in information being received as applicants did not have a deadline to work towards. Since recognising this, panel meetings are now scheduled prior to all information having been submitted by the applicant. This now focusses the applicant and promotes information being obtained in a timely manner.</li> <li>✓ At the beginning of the programme, due diligence was the responsibility of the grantee and they could appoint a company (which had to be other than their accountant). Now due diligence is undertaken by a Coast to Capital appointed due diligence agency funded by capitalisation. This is good practice as potential conflicts of interest are minimised.</li> <li>✓ The scoring criteria (approved by the Executive Committee) at the panel is working appropriately and fit for purpose. It is positive that changes have been suggested throughout the process and open discussions had to ensure that the criteria is current, applicable and fair.</li> <li>✓ The team are committed and keen to evolve from any 'lessons learned'. Of note, there is a 'lessons learned' document where any process</li> </ul>	<ul style="list-style-type: none"> <li>✗ Currently, there is no change of bank account guidance for grantees. This should be incorporated in the grant agreement to ensure that Coast to Capital is protected against potential bank mandate fraud attempts and that any attempts are duly dealt with.</li> <li>✗ Due diligence was discussed at the panel and the consensus was that it was not of consistent standard. A standardised template for due diligence could be implemented to increase ease among panel members to interpret. It was also discussed that Geoff Duck, Director of Ledger Licences Ltd, could complete a 'mini' due diligence at the EoI point prior to the full due diligence which may assist in raising red flags to direct the full due diligence. Personal wealth checks should also be considered as further clarity surrounding the need of funding has extended the process.</li> <li>✗ Despite the panel being risk averse with an understandably heavy focus on the finances of a project, it could be considered that more discussion surrounding the wider impact of the project, specific project detail and attention to fraud risk is included to provide balance.</li> </ul>

Scope	Areas of good practice	Areas for development
<p><b>Monitoring and evaluation</b></p>	<p>change is documented with an explanation as to how it will improve productivity in the future.</p> <ul style="list-style-type: none"> <li>✓ The Head of Finance now provides commentary regarding the finances of the application at the beginning of each panel. Any concerns are communicated.</li> <li>✓ The payment process is sufficiently segregated. The Project Manager will assess the claim to ensure it is in line with the project expenditure and forward it to the Investments Programme Manager for processing. The payment will be assessed by Head of Finance to ensure it is in line with Capital expenditure and will be processed for payment. The segregation of duties is sufficient and in addition, the Head of Finance being from the Accountable Body of Croydon provides another layer of separation.</li> <li>✓ At the start of the programme, claims were originally only paid quarterly, however common feedback from grantees highlighted that cash flow constraints were prohibiting the project progress. Thus, discussions between Finance and project managers agreed that claims could be reimbursed on an <i>ad hoc</i> basis. Furthermore, each time a claim is submitted, the Growth Grants Project Manager and/or the team will undertake a site visit, undertake discussions with key staff and report back to the Investments</li> </ul>	

Scope	Areas of good practice	Areas for development
	<p>team. This is a positive control that confirms the purchase is genuine.</p> <ul style="list-style-type: none"> <li>✓ Each project has their own file within Finance. When each payment is processed it is checked to ensure it is in line with their grant agreement by the Growth Grants Project Manager initially. It is passed to Finance for processing (there are no checks undertaken here) and then the Head of Finance will check the eligibility of the costs proposed. No costs above the agreed amount are paid and the amounts of reimbursements are closely monitored in line with the agreements.</li> <li>✓ The Growth Grant Programme Claim Template is clear and provides a detailed declaration for the submission of a claim. To further enhance the process, it should be considered to add further wording to the claim form and guidance, to state that should a claim be found to be false or fraudulent that they could be subject to a fraud investigation or referred to the police.</li> <li>✓ Payment is paid in arrears and applicants are required to submit an invoice for services and a proof of payment (such as a bank statement/screen print of internal ledger). This mitigates the risk that funds are being spent inappropriately.</li> <li>✓ No payments are made unless sufficient evidence of the expenditure is provided. On one</li> </ul>	




Scope	Areas of good practice	Areas for development
	<p>occasion a piece of equipment was ordered prior to the project end date, but the business would not receive the item until after the cut-off date, thus being unable to claim the cost. Due to the item being purchased prior to the project end date, it was agreed between the Growth Grants Project Manager and Finance that the business will still be reimbursed for the incurred costs.</p> <ul style="list-style-type: none"> <li>✓ If the full amount of project expenditure has not been met by the end of a project, the Growth Grants Project Manager and the Finance team will appropriately adjust the amount of funding for which the grant is eligible in line with Grant Agreement guidelines.</li> <li>✓ A new CRM system is due to be implemented in the near future, which will include a direct link to Companies House and notify the user of any changes to a business. This information will be beneficial when compiling monitoring reports and ongoing relationship management.</li> <li>✓ It is good practice that the Grant agreement entitles Coast to Capital to have monitoring rights for the grantees for five years post-completion of the project. This ensures that goods intended for project purposes remain so and that business activities can be monitored even once funding has ceased.</li> </ul>	

Scope	Areas of good practice	Areas for development
	<p>✓ It was noted that there were delays in obtaining a signed version of the funding agreement which resulted in the grant programme starting six months later than anticipated and therefore payments to businesses were significantly delayed. Despite this, mechanisms have been successfully put in place to ensure that delays are minimised in the next financial year such as, a draft funding agreement to apply for the next financial year. Six applicants pulled out of the Growth Grant Programme due to these delays, thus Coast to Capital is committed to the efficiency of the process going forward.</p>	

## Appendix I - Definitions

Control environment report rating	
<b>Strong</b>	<ul style="list-style-type: none"> <li>Controls within the business process are designed adequately and consistently operating effectively to manage material risks to within stated risk appetite.</li> <li>There are no systemic control failures (for example via the aggregation of a number of Medium rated Performance Improvement Observations) or failure to comply with regulatory requirements.</li> <li>Business processes adhere to policy requirements in all material respects.</li> </ul>
<b>Acceptable</b>	<ul style="list-style-type: none"> <li>Controls within the business process are designed adequately and operating effectively to manage material risks to within stated risk appetite but there is room for some improvement in these key controls.</li> <li>There are no systemic control failures (which may arise, for example via one or more High rated findings and / or the aggregation of a number of Medium rated Performance Improvement Observations) or significant failures to comply with regulatory requirements.</li> <li>Business processes adhere, in material respects, to policy requirements.</li> </ul>
<b>Needs improvement</b>	<ul style="list-style-type: none"> <li>There are gaps in the adequacy or operating effectiveness of key controls used to manage the business process.</li> <li>Most material risks are appropriately managed and mitigated by adequate and effective controls to ensure risks are managed to within stated risk appetite.</li> <li>The design or operating effectiveness of key controls requires improvement in order to operate as intended, which may mean business processes do not adhere to policy requirements or there has been a failure to meet regulatory requirements.</li> </ul>
<b>Weak</b>	<ul style="list-style-type: none"> <li>The business process has gaps in the adequacy or operating effectiveness of controls such that material risks may not be adequately managed and mitigated.</li> <li>Material risks are not appropriately managed or mitigated given inadequate or ineffective controls, which may result in business activities operating outside of stated risk appetite.</li> <li>Key controls are designed inadequately or operating ineffectively, resulting in business processes not adhering to policy requirements.</li> <li>Key controls are designed inadequately or operating ineffectively such that there is, or could be, a significant failure to meet regulatory requirements.</li> </ul>

## Significance of Performance Improvement Observations

<b>High</b>		A weakness where there is an increased risk of financial loss, fraud, impropriety, poor value for money, failure to achieve organisational objectives or comply with regulatory requirements. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>		A weakness in control which, although not material, relates to shortcomings which exposes the business process to a moderate impact of financial loss, fraud, impropriety, poor value for money, or a minor failure to comply with regulatory requirements. Such a risk could impact on the effectiveness and / or efficiency of the business process or non-congruence with organisational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>		Areas that individually have a low impact, but where management would benefit from improved controls and / or have the opportunity to achieve greater effectiveness and / or efficiency.



FOR MORE INFORMATION:

**Sarah Hillary**

+44 (0)20 73349191  
[Sarah.Hillary@bdo.co.uk](mailto:Sarah.Hillary@bdo.co.uk)

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