

RB30-2022 Kent and Medway Business Fund

Audit Opinion	Adequate
Prospects for Improvement	Good

Key Strengths:

- The loan scheme and guidance for prospective applicants has been publicised to the public via the Council's website, including ways on how businesses can apply.
- The eligibility criteria are predefined and published to help ensure that the application and appraisal process is fair and transparent.
- There is a Business Investment Team to track progress of applications, and Internal Audit found no obvious issues with timeliness of processing applications if/when the applicant has submitted all the necessary information.
- Full loan applications are subject of independent external financial appraisal.
- Creditworthiness of businesses applying for the loan is checked and evidence of match funding as well as management accounts and banks statements are obtained (where applicable).
- Members of the Kent & Medway Investment Advisory Board (KMIAB), who recommends approval to fund (or otherwise), are given the opportunity to declare potential conflicts of interest (if any) at meetings where funding decisions are made.
- Invoices raised on Oracle were found to be in line with the respective loan repayment agreement.
- There are adequate and effective controls in place to detect missed and/or overdue repayment.

Summary of Management Responses

Risk Rating	No. of Issues Raised	Action Plan Developed	Risk Accepted and No Action Proposed
High	1	1	-
Medium	3	3	-
Low	2	2	-

Areas for Development:

- Approximately £2.8m in RGF loans have been written off as bad debt over there last 3 financial years and another £2.3m have been identified as irrecoverable and are to be written off. Internal Audit found that high value debts (over £24k) are being written off without adequate scrutiny, challenge and authorisation by the delegated authority (the Corporate Director of Finance) as required under the Council's Financial Regulations **(HIGH)**.
- Increase utilisation of available funds whilst operating within the Council risk appetite for bad debt **(MEDIUM)**.
- Not all the predefined lending criteria (particularly the environmental impact criteria) are being assessed during the appraisal process **(MEDIUM)**.
- Not all borrowers that took a repayment holiday due to the impact of the covid 19 pandemic have signed a repayment contract variation **(MEDIUM)**.
- The ineligible sector list for KMBF will need to be reviewed when the Subsidy Control Act 2022 and the respective guidelines are fully adopted domestically in the UK **(LOW)**.
- Decision letter(s) in respect of unsuccessful application(s) do not set out the applicant's right to appeal the Council's decision. **(LOW)**.
- Internal Audit had planned to review the External Auditors report on KMBF to establish if there are any findings that is relevant to the scope of this review. However, the External Auditor's report was not yet available as at the time of concluding our fieldwork.

Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- The loan scheme and guidance is, in the main, being adhered to.
- The process for setting up repayments and identifying missed repayments is working effectively.
- Management has confirmed that it will adopt the write-off procedure for bad debt as specified in the Council's Financial Regulations with immediate effect.
- There is good awareness of the risk of bad debt, but Management may find it challenging to manage the risk of bad debt without being risk averse in the current economic climate.

