

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	29 July 2020
Subject:	Internal Audit Update
Report of:	Head of Corporate Services (Chief Audit Executive)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	1

Executive Summary:

The COVID-19 pandemic presents the Council with a significant challenge to respond to the needs of our residents, businesses and communities. This includes working collectively with other key partners to protect, shield and support those in need, distribute grant funding to many of our businesses and implement remote working practices in order to manage the crisis and continue to deliver core services. The Council's response and developing recovery framework involves all service areas.

In the very early stages of the response this meant redeploying resources to priority areas. One key priority area was supporting and advising the business community and this initially involved setting up a dedicated business 'cell' essentially led by the Growth Hub team. Following the government's announcement and subsequent publication on 1 April 2020 of their financial support through the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund this led to the creation of a 'sub-cell' to oversee the administration of these business grants. Led by the Operational Managers from Finance and Revenues and Benefits and supported by officers from both services plus the Internal Audit team, this has seen nearly £17 million of grants awarded to nearly 1,500 businesses. The Internal Audit team is also supporting the Local Discretionary Business Grant Scheme set up to accommodate certain small businesses previously outside the scope of the original business grant funds scheme.

As a result of redeploying the Internal Audit team, all business as usual internal audit work has been suspended. This suspension, effective from April 2020, is likely to remain in force until at least the end of August by which time key elements of the grant schemes will hopefully be concluded.

Recommendation:

To CONSIDER the update on the status of the internal audit team and their re-deployment as a result of COVID-19.

Reasons for Recommendation:

The work of internal audit is a fundamental element of the effectiveness of the Audit and Governance Committee. It is important the Committee is aware of the suspension of internal audit work and the Committee will not receive independent assurance upon the adequacy of the Council's internal control environment for at least the first six months of 2020/21.

Resource Implications:

All three members of the Internal Audit team, equating to two full-time equivalent posts have been redeployed to the administration of business grants.

Legal Implications:

None arising directly from this report.

Risk Management Implications:

If there is no independent assurance from internal audit on the Council's internal control environment then the Committee will need to rely upon management assurance and, where appropriate, any other third party assurance.

Performance Management Follow-up:

An update on the status of internal audit work is a feature on all Audit and Governance Committee Agenda.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** The COVID-19 pandemic presents the Council with a significant challenge to respond to the needs of our residents, businesses and communities. This includes working collectively with other key partners to protect, shield and support those in need, distribute grant funding to many of our businesses and implement remote working practices in order to manage the crisis and continue to deliver core services. The Council's response and developing recovery framework involves all service areas.
- 1.2** In the very early stages of the response this meant redeploying resources to priority areas. One key priority area was supporting and advising the business community and this initially involved setting up a dedicated business 'cell' essentially led by the Growth Hub team. Following the government's announcement and subsequent publication on 1 April 2020 of their financial support through the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund this led to the creation of a 'sub-cell' to oversee the administration of these business grants. Led by the Operational Managers from Finance and Revenues and Benefits and supported by officers from both services plus the Internal Audit team, this has seen nearly £17 million of grants awarded to nearly 1,500 businesses. The Internal Audit team is also supporting the Local Discretionary Business Grant Scheme set up to accommodate certain small businesses previously outside the scope of the original business grant funds scheme.
- 1.3** As a result of redeploying the Internal Audit team, all business as usual internal audit work has been suspended. This suspension, effective from April 2020, is likely to remain in force until at least the end of August by which time the key elements of the grant schemes will hopefully be concluded.

2.0 INTERNAL AUDIT RECOVERY ACTIONS

2.1 As part of the Council's emerging recovery framework each service area has been tasked with documenting their recovery actions. These will be recorded within a service plan template with each service grouping producing a consolidated action plan. Internal audit's recovery actions will therefore be included within the wider Corporate Services recovery plan.

2.2 Four key actions have been identified:

1. In conjunction with responsible officers , review the whole suite of internal audit recommendations – it needs to be determined if implementation dates remain feasible and recommendations remain relevant. (target date – September 2020)
2. Produce a new six monthly internal audit plan (October 2020-March 2021) – the plan needs to be reflective of the 'new' internal control environment. (target date – September 2020)
3. Review actions within the internal audit Quality Assurance and Improvement Programme – (target date – October 2020).
4. Review work programme of Audit and Governance Committee - re-establish meetings and Committee Agenda - (target date – September 2020).

3.0 INTERNAL AUDIT PLAN - October 2020 – March 2021

3.1 An Internal Audit Plan for the period April 2020 – September 2020 was due to be presented at Audit and Governance Committee on 25 March 2020. Audits identified within this plan will need to be reviewed to assess whether they are carried forward into the second half of the year. The key audits identified within this plan were:

- VAT
- Treasury Management (Investments & Borrowing)
- Tewkesbury Tourist Information Centre
- Planning Performance Agreements
- External Grant Funding e.g. flood grants, business rate relief
- Land Charges
- Corporate Risk Register

3.2 Between now and the approval of a new six month plan an assessment will need to be undertaken to determine where it would be most effective to target the internal audit resource. Essentially this will involve discussions with key officers, in particular the Head of Finance and Asset Management, to assess what the 'new' internal control environment looks like and where significant changes have occurred that may present additional risk to the Council. These could include:

- ICT risks e.g. remote access/cyber security
- Financial control e.g. ordering and approval of goods and services
- Payroll controls
- HR related activities e.g. annual leave, absence management reporting
- Business grants and business rate reliefs – validity of payments
- Health and safety – both office and home working
- Governance – e.g. procurement, delegations

3.3 Any new plan also needs to take into consideration a couple of other important factors, one being around the availability of customer (auditee) time - how should internal audit adjust its coverage to take a pragmatic and balanced consideration of risk in times where stakeholders have competing priorities? For example, with Council services being in recovery mode – and some possibly having elements of the service still within response mode - the feasibility of customers being able to respond to internal audit requests and questions will need to be considered. Similarly, with the Internal Audit team and customers likely to still be remote working, the challenges of undertaking such audits will also need to be factored in.

3.4 As part of all previous Internal Audit Plans, a set number of days are allocated for consultancy and advice and for corporate improvement work. The former covers areas of work around representation on various corporate work groups and the provision of ad-hoc advice. The latter is around specific areas of work where internal audit support services help in shaping and making improvements without undertaking a full assurance audit that results in a formal audit opinion. Given the potential re-design of systems as a response to COVID-19 there may be merit in increasing the number of consultancy and corporate improvement days rather than assurance audits. Also, the plan may need to be balanced so as not to be too COVID-19 centric.

4.0 INTERNAL CONTROL ASSURANCE

4.1 Assurance should be given to the Audit and Governance Committee that, although all internal audit work is currently suspended, this does not mean that the internal control environment has lapsed. Whilst new risks or changes to processes or systems have occurred, it is the responsibility of management to ensure controls are in place and working effectively.

4.2 Within what is known as the ‘three lines of defence model’ the first two lines of defence would have been in place and remain in place for both the Council’s response and recovery modes:

The first line of defence:

This is formed by managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives.

The second line of defence:

These are functions that oversee or specialise in compliance or the management of risk.

The third line of defence:

This is provided by internal audit. Sitting outside the risk management processes of the first two lines of defence, its main roles are to ensure that the first two lines are operating effectively and advise how they could be improved.

5.0 OTHER OPTIONS CONSIDERED

5.1 None.

6.0 CONSULTATION

6.1 None.

7.0 RELEVANT COUNCIL POLICIES/STRATEGIES

7.1 None.

8.0 RELEVANT GOVERNMENT POLICIES

8.1 None.

9.0 RESOURCE IMPLICATIONS (Human/Property)

9.1 None.

10.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

10.1 None.

11.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

11.1 None.

12.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

12.1 None.

Background Papers: None

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Appendices: None