

# Internal Audit and Assurance in Austere and Turbulent Times

Ian Roberts

Assistant Chief Executive – Finance

St. Helens Council



St. Helens Council

---

# Government Agenda

- Change Agenda
- Policy Driven not Problem Driven
- Public Spending Reductions not Deficit Reduction
- Retrenching not Reforming



# Government Spending Plans

- Emergency Budget / Comprehensive Spending Review
  - Remove Structural Deficit
  - 80% Spending Cuts 20% Tax Increases
  - Business Led Recovery
  - NHS and OSA protected
  - 27% Reduction in Local Government funding over 4 years
  - Freedoms to Act / Less Ringfencing
  - Localised Decisions and Responsibilities



# Local Government Grant Settlement 2011-2013

- Front Loaded Grant Reductions
  - 10% 2011-2012 and 7% 2012-2013
- Abolition of Area Based Grant
- 15% Reduction in Early Intervention Grant
- Direct Funding from NHS for Adult Services
- Major Redistributive Effects
- Poor –v- Affluent not North –v- South



St. Helens Council

---

# Implications For Internal Audit of Grant Reductions

- Impact
  - Staff Reductions
  - Loss of Management
  - Change Management
  - Review of Processes / Systems
  - Reliance on IT Systems
  - Governance
  - Quick Decisions
- Risk
  - Loss of Internal Control
  - Loss of Performance Management
  - Loss of Internal Audit Capacity
  - Change Management
  - IT System Control Environment
  - Decision Control



# Key Changes and Implications

- Big Society (Localism Bill)
  - Use of Voluntary Sector
  - Community Challenge
  - ‘Forced Competition’
- Localisation of Council Tax Benefit
- Localisation of Business Rates
- Risks
  - Standards of Control
  - Risk of Fraud
  - Cost of Control
  - Cost of Error
  - Direct Impact of Fraud
  - Cost of Investigations



# Key Changes and Implications

- Tax Incremental Financing
  - Use of Future Tax Revenues to Fund Development Proposal
- New Homes Bonus
  - Incentive to Build New Homes
  - 6 year Bonus based on Council Tax Revenue
  - Paid from Formula Grant
- Risks
  - Effective Business Cases
  - Corruption
  - Contractual Complexity
  - Partnerships
  - Decision Control



# Key Issues

- City Regions and LEPs
  - Sub-Regional Decisions
  - Co-ordinated Action
  - Involvement of Private Sector
- Town Planning
  - Scrapped Regional Planning Framework
  - Localisation
  - Member Interest
  - Financial Incentives
- Risks
  - Governance
  - Corruption Procedures
  - Access – Common Standards



# Key Issues

- Transparency Agenda
  - £500 Payments Published
  - Internet Access
  - Measures
  - Responsibilities
- Schools Agenda
  - Greater Independence
  - Academies / Free Schools
  - Role of the LEA
  - FMIS Withdrawn
- Risks
  - Investigation of Issues
  - Data Protection Breaches
  - Source of Information
  - Role of Headteacher and Governors
  - Standards of Financial Control



# The Impact on the Organisation

- Raised Risk Profile
- Major Change Programmes
- Changed Relationships with other Organisations / Partners
- Loss of Management Resources
- Loss of Experience
- Reduced Performance Management



# The Challenge for Internal Audit

- Support the Changes
- Identify the Risk Controls
- Maintain Standards of Control
- Redefine Parameters for Value of Control
- Review Fraud and Corruption Procedures
- Review Internal Audit Effectiveness
- Involvement in Project / Change Management
- Respond to Transparency Agenda
- Concentrate on what is Important
- Know your Organisation

