

Audit, Risk and Insurance Service

Final Internal Audit Report

Local Growth Fund

2018/19

Level of Assurance	Full Assurance
Value for Money / Efficiency Recommendations	None Identified

INTERNAL AUDIT REPORT – LOCAL GROWTH FUND

1. Introduction

This was an audit of the Local Growth Fund, which formed part of Internal Audit's programme of work for 2018/19.

The role of Internal Audit is to assist members and officers in the effectively discharge of their responsibility and in so doing, deliver the objectives of the organisation and its associated bodies. It is the responsibility of management to maintain effective internal control systems.

Internal Audit conforms to Public Sector Internal Audit Standards (PSIAS) 2013.

2. Background and Objectives

The overall objective of the audit was to assess whether significant risks in relation to the Local Growth Fund were adequately and effectively controlled. This was done through review of the following objectives:

- A comprehensive list of projects is in place and is maintained up to date.
- Expected outcomes have been established for all projects, which align with the strategic objectives of NECA, and these are formally documented within funding agreements/contracts.
- Regular monitoring takes place to ensure projects are delivering the activities required to achieve expected outcomes within agreed timescales, and risks are monitored and controlled.
- Regular reporting on progress takes place, with any issues being highlighted and remedial action taken promptly.
- Procedures are in place to achieve value for money and identify efficiency.

3. Summary of Audit Work Undertaken

The audit approach and work undertaken was as follows:

- Discussions with the Programme Manager to ascertain the nature of system and identify the controls operated by management.
- Evaluation of current systems and controls through review and testing of the following:
 - Review of a sample of 5 ongoing LGF projects to ensure all have clear objectives and outcomes linked to the strategic objectives of NECA, regular monitoring is taking place, and any issues are being appropriately reported and escalated where necessary. Projects reviewed were A19 North Bank, Beacon of Light, Central Station Gateway, Photonics Centre, and Vaux Site.

4. Executive Summary

4.1 Overall Conclusion

The work undertaken, and assessment of the control environment, enables us to give the following opinion:

Full Assurance - There is a highly effective system of internal control in place designed to achieve the system objectives with no issues being identified.

Appendix A to this report provides a description of the various levels of assurance.

4.2 Key Findings

The table below highlights the main points identified during the course of our audit work.

<p>Assurances</p> <p>Our review identified controls operating from which positive assurances can be taken. These include, but are not limited to, the following:</p> <ul style="list-style-type: none">• All projects have clear objectives and outcomes linked to the strategic objectives of NECA.• Regular updates are provided in respect of all projects and monitoring takes place.• Issues are appropriately reported and escalated where necessary.
<p>Control weaknesses impacting on assurance (high and medium only)</p> <ul style="list-style-type: none">• None identified.
<p>Opportunities to enhance efficiency and value for money</p> <ul style="list-style-type: none">• None identified.

Appendix A – Definitions

Levels of Assurance (Section 4.1)

Full Assurance - There is a highly effective system of internal control in place designed to achieve the system objectives with no issues being identified.

Substantial Assurance - There is an effective system of internal control in place designed to achieve the system objectives with only minor issues being identified which require improvement.

Moderate Assurance - There is a partially effective system of internal control in place with some weaknesses being present which may put some of the system objectives at risk. Issues require management attention.

Limited Assurance - The system of internal control in place has significant weaknesses which may put the achievement of the system objectives at risk. Issues therefore require prompt management attention.

No Assurance – The system of internal control is ineffective and will result in failure to achieve the system objectives. Immediate management action is therefore required.

Findings and Recommendations

Finding Type

Ineffective control / governance: The controls / governance arrangements in place are ineffective in mitigating risks and / or achieving expected outcomes. There is a weakness in the design of the control.

Controls / governance non-compliance: The controls / governance arrangements in place should be effective in mitigating risks and / or achieving expected outcomes. However, officers are not complying with the controls / governance arrangements in place which represents a weakness in the system.

Efficiency / VFM: The area is not operating in an efficient manner and opportunities to enhance value for money, efficiency or generate additional income have been identified.

Recommendation Category (Appendix A)

High Priority: Recommendations relating to important matters that are fundamental and material to the system of internal control and should be addressed as a matter of urgency. Failure to implement these recommendations might cause a system objective not to be met or leave a risk unmitigated.

Medium Priority: Recommendations relating to matters that have an important effect on the system of internal control but do not require immediate action. Failure to implement these recommendations may not prevent a system objective being met in full or in part, or a risk being adequately mitigated, but the weakness represents a significant deficiency in the system.

Appendix A – Definitions

Low Priority: Recommendations relating to issues that would, if corrected, improve the system of internal control in general but are not vital to the overall system of internal control.

Efficiency / VFM: Recommendations relating to issues, that if addressed, would enhance value for money, efficiency or generate additional income. These issues should be addressed at earliest opportunity to maximise the benefits.