

Partneriaeth Pen-y-Bont a'r Fro
Bridgend & Vale Partnership
working together - gweithio ar y cyd



**INTERNAL AUDIT SHARED SERVICE
STRATEGY AND ANNUAL PLAN 2013/14
BRIDGEND COUNTY BOROUGH COUNCIL**

1. Introduction

- 1.1 Internal Audit plays an essential role in supporting the Council to achieve its objectives and outcomes. The Annual Audit Plan for 2013/14 is formulated from the Audit Risk Assessment and focuses on areas where we can add the most value and provide assurance that the Council's risks are being properly managed. This strategy is a statement of how the Internal Audit shared service will be delivered during the Financial Year 2013-2014. It follows the standards as contained in the newly adopted Public Sector Internal Audit Standards (PSIAS).
- 1.2 The strategy will be reviewed and updated annually in consultation with stakeholders namely the Corporate Management Team/Board, the Internal Audit Shared Service (IASS) Board; External Auditors and senior management. It will be presented to the Audit Committee for comments and approval each year.
- 1.3 The service is delivered by Bridgend and Vale Internal Audit Shared Service which is part of a joint collaboration between Bridgend County Borough Council (BCBC) and the Vale of Glamorgan Council (VOG). In addition to the Internal Audit function, the section is responsible for Investigations (In respect of VOG only this also includes Housing Benefit and Council Tax Benefit Fraud; within BCBC this function is incorporated within the Housing Benefit Team). Each of these functions contributes to the Council's overall risk management processes and directly supports the achievement of the Councils corporate priorities.

2. Mission Statement

- 2.1 Internal Audit's mission is to provide a high quality and respected service that seeks to give independent assurance to management on the effectiveness of the Council's internal control environment and make recommendations for their continual improvement.
- 2.2 We aim to be flexible, pragmatic and deliver a range of services to suit customer needs.

2.3 Through a risk based approach we will make a valuable contribution to the council's corporate governance arrangements and provide managers with a framework for achieving objectives within acceptable levels of risk.

2.4 Internally, we will provide a supportive and challenging work environment for members of the Internal Audit Section in order to develop and retain high calibre audit staff.

3. Statutory Responsibilities

3.1 Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs". In the Vale of Glamorgan Council, that officer is the Head of Financial Services and within Bridgend CBC it is the Assistant Chief Executive Performance.

4. Accounts and Audit Regulations 2005 (Wales) as amended.

4.1 This statutory regulation says that "A relevant body (i.e. Council) must maintain an adequate and effective system of internal audit of its accounting records and accounting control systems in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body requires;

- Make available such documents of the body which relate to its accounting or other records as appear to that body to be necessary for the purpose of audit; and
- Shall supply the body with such information and explanation as the body considers necessary for that purpose".

4.2 This legislative requirement is recognised and endorsed within the Council's Financial Regulations / Financial Procedure Rules, which provides Internal Audit with the authority for access to officers, members, documents and records and to require information and explanation as necessary.

5. Public Sector Internal Audit Standards (PSIAS)

5.1 The Accounts and Audit Regulations 2005 (Wales) as amended state that Internal Audit must work in accordance with the "proper audit practices". These "proper audit practices" are in effect "the Standards" for local authority internal audit. The guidance accompanying the Accounts and Audit Regulations makes it clear that for principal local authorities proper practices are those contained within "The Public Sector Internal Audit Standards".

6. Scope of Internal Audit Sections Work

- 6.1 The scope for Internal Audit is “the control environment comprising risk management, control and governance”. This means that the scope of Internal Audit includes all of the Council’s operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit work. In order to turn this generic description into actual subjects for audit, some prioritisation is required.

7. Key Core Deliverables for 2013/14

- 7.1 The Annual Audit Plan is expected to cover core deliverables as follows:-

- To provide ongoing assurance to management on the integrity, effectiveness and operation of the Council’s internal control system.
- Delivery of the Annual Audit Plan in particular high risk audit reviews;
- To be responsive to transformational change and service demands;
- To continue to meet the requirements of the Council’s external auditors and reliance placed on our audit work;
- To further embed integration of internal audit work with governance and managing risk to produce a clearly co-ordinated risk-based approach to the audit of operational systems across the Council;
- To ensure agreed management actions to audit recommendations made are fully implemented, in particular the high priority ones (Fundamental and Significant);
- To continue to develop and have a lead in the Council’s Corporate Governance arrangements including reviewing the “Annual Governance Statement” and Code of Corporate Governance to provide assurance on the Council’s governance arrangements and any areas for improvement;
- Continue to be proactive in counter fraud assisting managers and staff in the prevention and detection of fraud and irregularities;
- To support the Council’s Audit Committee to ensure its continued effectiveness in contributing to good corporate governance.

8. Approach to developing the Annual Audit Plan

- 8.1 The approach used is primarily developing a risk assessment to identify areas for inclusion in the Annual Audit Plan. A summary of which is set out below.

<p>Step 1</p> <p>Understand the strategic and operational priorities together with risk.</p>	<ul style="list-style-type: none"> • Understand Council structure and service areas including planned changes during 2013/14; • Quantify risks associated with achieving corporate and service level objectives / priorities; • Obtain information from for example corporate risk register etc. • Identify corporate level objectives / priorities and risks; • Utilise local and national knowledge; • Consult stakeholders.
<p>Step 2</p> <p>Define the audit universe</p>	<ul style="list-style-type: none"> • Identify all the auditable entities within the Council. Auditable entities can be functions, systems, establishments, locations or applications.
<p>Step 3</p> <p>Assess the inherent risk</p>	<ul style="list-style-type: none"> • Assess the inherent risk of each auditable entity based on impact and likelihood criteria so the plan is focussed on the most risky areas.
<p>Step 4</p> <p>Assess the strength of the control environment</p>	<ul style="list-style-type: none"> • Assess the strength of the control environment within each auditable entity. • Assessment based on: <ul style="list-style-type: none"> - knowledge of the control environment; - Information obtained from other assurance providers; - Materiality; - Corporate importance and sensitivity; - Outcomes and timing of previous audit coverage; - Management concerns.
<p>Step 5</p> <p>Calculate the audit risk rating</p>	<ul style="list-style-type: none"> • Calculate the audit risk rating taking into account the inherent risk assessment and the strengths of the control environment for each auditable entity.
<p>Step 6</p> <p>Determine the annual audit plan</p>	<ul style="list-style-type: none"> • Determine the timing and overview for each audit review. • Consider additional requests for audit reviews, for example grants audits, ad hoc and service specific requests.

- 8.2 The Annual Audit Plan will be indicative and it is inevitable that changes will be made during the year as the risk profile of the Council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant clients and service managers to reflect the changing needs of the council and to add maximum value.
- 8.3 The Audit Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

9. Internal Audit Resources

- 9.1 Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.
- 9.2 In order to achieve the Annual Audit Plan, the appropriate level of resources and the required mix of skills, experience and specialism are required. This includes general audit skills in respect of systems and internal control reviews and appropriate coverage in specialist areas such as ICT, contract and project management audits.
- 9.3 The Annual Audit Plan is resourced by calculating the number of productive days available within the Internal Audit Shared Service compared with the number of days required to deliver the Annual Audit Plan. The projected productive internal audit days available for BCBC for 2013/14 are 1,374.
- 9.4 Our professional judgement has been applied in assessing the level of resource required to deliver the Annual Audit Plan. The level of resource applied is a product of:
- The complexity of the areas to be reviewed;
 - Factors such as number of locations, number and frequency of transactions, and
 - Assurance that can be brought forward from previous audits and other internal and external reviews carried out.
- 9.5 Staff development needs are continually assessed to ensure we maintain the level and mix of skills required to deliver a highly professional internal audit service.

10. Annual Audit Plan 2013/14

- 10.1 Appendix B shows the detailed Annual Audit Plan and provides a detailed breakdown of days allocated against Directorate. The allocation of 1,374 audit days is summarised in Table 1 below:-

Table 1.

Audit Function	No of Productive Days
Performance / Resources (including ICT & Property)	350
Communities	174
Children (including Schools)	204
Wellbeing	130
Legal & Regulatory Services	80
Cross Cutting	156
External	20
Contingency for unplanned work	160
Contingency for Fraud & Corruption / Internal Investigations	100
Total Productive Days	1,374

- 10.2 As can be seen from the table above, 160 days has been provided for unplanned and reactive work. This will be used to respond to emerging issues, risks and to requests from senior managers.

11. Fraud and Corruption

- 11.1 Managing the risk of fraud and corruption is the responsibility of management and the Anti-Fraud and Corruption Strategy, which has been widely circulated and is available on the Council's Intranet, sets out those responsibilities in more detail. However, Internal Audit is alert during all its work to the risks and exposures that could allow fraud and corruption. In addition, a total of 100 days has been allowed in the Plan to check areas where fraud and corruption is likely to occur and to respond to request from senior managers for audit assistance.

12. The Audit Committee

- 12.1 The Audit Committee monitors the performance and effectiveness of Internal Audit, including receiving the annual work plan and reports. It also monitors arrangements for the prevention and detection of fraud

and corruption and monitors the effective development and operation of risk management and corporate governance in the Council.

13. Internal Audit's Approach

13.1 Internal Audit will apply a risk-based systematic audit approach based on independent acquisition and examination of relevant evidence. Through its work Internal Audit will:

- Alert managers to significant risks and control weaknesses
- Assist management with its responsibilities for establishing and maintaining systems of internal control.
- Provide managers with assurance on the adequacy of their systems of internal control.
- Advise managers, and provide assistance where necessary, on the investigation of suspected internal financial irregularities.
- Maintain a record of suspected internal financial irregularities and report significant issues to the Audit Committee.

13.2 Governance

Internal Audit will assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives;

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the Council.

13.3 Risk Management

Internal Audit evaluates the effectiveness and contributes to the improvement of risk management processes.

The PSIAS requires Internal Audit to:

- Evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

Achievement of the organisation's strategic objectives;
 Reliability and integrity of financial and operational information;
 Effectiveness and efficiency of operations and programmes;
 Safeguarding of assets; and
 Compliance with laws, regulations, policies, procedures and contracts.

- Address risk consistent with the assignment objectives and be alert to the existence of other significant risks;
- Assist management in establishing or improving risk management processes, but refrain from assuming any management responsibility by actually managing risks.

13.4 Control

Internal Audit assists the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

13.5 Fraud

Whilst it is not a primary role of Internal Audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. In addition, within the Internal Audit Shared Service managers will have access to officers who are experienced and trained in the investigation of Fraud.

It is very difficult to predict the potential extent of fraud and irregularity at the planning stage, therefore a contingency has been included within the annual plan to ensure that Internal Audit can respond effectively should the need arise.

13.6 Corporate Reviews

Cross cutting assurance reviews of Council-wide processes. Identified and prioritised through risk evaluation.

13.7 Core Financial Systems

Coverage of each core financial system is assessed annually having regard to a range of factors including changes to systems and personnel. The work undertaken is also used to provide assurance to the Section 151 Officer.

13.8 Local Financial, Managerial and Operational Systems

Risk-based reviews of processes within council services; this includes external establishments (such as schools). It is envisaged that the use of Control Risk Self-Assessments (CRSA) will continue to be extended where practicable.

13.9 Contracts, Project Management and ICT Systems

The coverage for the technical areas of contracts, project management and computer audits will focus on a system based and risk based approach. Any reviews undertaken will be in accordance with best

practice principles. Where the area of review is such that the technical expertise cannot be identified within the staff resources of the Section and where budget constraints allow, it will aim to procure the necessary skills required.

13.10 Advisory Service/Non-assurance work

On an ad hoc basis Internal Audit will provide objective, constructive and timely advice on such matters as risk, control improvement and the application of Financial Procedure Rules / Financial Regulations and Contract Procedure Rules / Contract Standing Orders.