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Bridgend County Borough Council



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*Rydym yn croesawu gohebiaeth yn Gymraeg.
Rhowch wybod i ni os mai Cymraeg yw eich
dewis iaith.*

*We welcome correspondence in Welsh. Please
let us know if your language choice is Welsh.*

**Gwasanaethau Gweithredol a Phartneriaeth /
Operational and Partnership Services**

Deialu uniongyrchol / Direct line /: (01656)
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Gofynnwch am / Ask for: Andrew Rees

Ein cyf / Our ref:

Eich cyf / Your ref:

Dyddiad/Date: Friday, 15 April 2016

Dear Councillor,

AUDIT COMMITTEE

A meeting of the Audit Committee will be held in Committee Rooms 2/3, Civic Offices Angel Street Bridgend CF31 4WB on **Thursday, 21 April 2016 at 2.00 pm.**

AGENDA

1. Apologies for Absence
To receive apologies for absence (to include reasons where appropriate) from Members/Officers
2. Declarations of Interest
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014
3. Approval of Minutes 3 - 10
To receive for approval the minutes of the Audit Committee of 28 January 2016.
4. External Audit Annual Plan 2015-16 11 - 32
5. Financial Resilience Assessment 2015-16 33 - 46
6. Information and Action Requests by Committee 47 - 50
7. Completed Audits 51 - 66
8. Summary of 2015/16 Audits Not Undertaken 67 - 70
9. Annual Opinion Report of the Head of Internal Audit for the Period April 2015 to March 2016 71 - 98
10. Draft Internal Audit Strategy and Annual Risk Based Audit Plan April 2016 to March 2017 99 - 162

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We welcome correspondence in Welsh. Please let us know if your language choice is Welsh

11. Internal Audit Shared Service Charter 2016/17 163 - 172
12. Updated Forward Work Programme 2015-16 and Proposed Forward Work Programme 2016-17 173 - 178
13. Urgent Items
To consider any other items(s) of business in respect of which notice has been given in accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Yours faithfully

P A Jolley

Corporate Director Operational and Partnership Services

Distribution:

Councillors:

GW Davies MBE
RC Jones
JR McCarthy
JE Lewis

Councillors

M Reeves
C Westwood
D Sage
CL Jones

Councillors

DK Edwards
G Davies
CA Green
E Dodd

Lay Member

Mrs J Williams

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COUNCIL CHAMBER,
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 28 JANUARY
2016 AT 2.00 PM

Present

Councillor E Dodd – Chairperson

GW Davies MBE
C Westwood
CA Green

RC Jones
CL Jones

JR McCarthy
DK Edwards

JE Lewis
G Davies

Lay Member

Mrs J Williams

Officers:

Andrew Jolley	Assistant Chief Executive Legal & Regulatory Services
Helen Smith	Chief Internal Auditor
Mark Galvin	Senior Democratic Services Officer - Committees
Kevin Stephens	Democratic Services Assistant
Randal Hemingway	Head of Finance & Section 151 Officer
Roger Martin	Risk Management and Insurance Officer

224. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members:-

Councillor M Reeves
Councillor D Sage

225. DECLARATIONS OF INTEREST

Declarations of personal interest were made by the undermentioned Members, in Agenda item 9, in that they were School Governors at various schools situate within the County Borough:-

Councillor C A Green
Councillor C L Jones
Councillor G W Davies
Councillor J E Lewis
Councillor J McCarthy
Councillor C Westwood
Councillor R C Jones
Councillor DK Edwards

Councillor Edwards also declared a personal interest in Agenda item 10, in that he is the Chairperson of the Board of Governors at Maesteg Comprehensive School

226. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Audit Committee dated 19 November 2015, be approved as a true and accurate record.

227. ANNUAL IMPROVEMENT REPORT

The Assistant Chief Executive Legal and Regulatory Services presented a report that attached for Members attention at Appendix 1, the Wales Audit Office Annual Improvement Report 2014-15.

He explained that the overall conclusion of the report was positive, in that the Council continued to make progress in delivering improvements in its priority areas, and recognised the need to support improvement of children's services; its forward planning arrangements and track record suggest it is well placed to secure improvements in 2015-16. The Assistant Chief Executive Legal and Regulatory Services advised that significant improvement had been shown in performance within Children's Services since this report had been published, as this had been deemed a weak area in terms of performance previously.

Page 12 of the report gave a summary of the various elements of the findings of the Annual Improvement Report, which was somewhat historic, in that it covered the period 2014-15.

The Assistant Chief Executive Legal and Regulatory Services advised that the Report had also confirmed that BCBC had a robust approach to its management of its MTFS.

In conclusion of his submission, he stated that the Auditor General did not make any statutory recommendations, but did make 13 specific proposals for improvement. A summary of the key findings was included in Appendix 1, as was the summary of the proposals for improvement.

A Member referred to page 23 of the papers and the sub-heading Proposals for Improvement, and asked if these were being addressed, particularly in relation to Reference numbers P3, P8, and P13.

The Assistant Chief Executive Legal and Regulatory Services advised that all these proposals for improvement had been accepted by the Authority, and steps were being put in place to make the necessary improvements suggested in these work areas.

A Member referred to page 44 of the Appendix and R4, and suggested that, as had been previously discussed, that it would be a good idea for the Chairperson of the Audit Committee to be invited to those Overview and Scrutiny Committee meetings where all Cabinet Members, CMB and Chairs of all Overview and Scrutiny Committees were invited, for example, on holistic topics such as the Budget and Performance Management.

With regard to P13 the Member referred to previous, she confirmed that Internal Audit were fully aware of the risks associated with Safeguarding, and therefore, this was one of the priority issues built into the Annual Plan, whereby this work area would be reviewed and monitored on a regular basis.

RESOLVED: That the Committee noted the Annual Improvement Report produced by the WAO.

228. CERTIFICATION OF GRANTS AND CLAIMS

The KPMG representative presented a report, the purpose of which, was to present the Council's External Auditor's report on the grant work undertaken for 2014-15.

He explained that a summary of all claims and returns subject to certification, was provided with the report at Appendix A, together with the certification fee and outcome of the External Auditor's review.

Paragraph 4.2 of the report summarised the certification results, and the representative from KPMG gave a resume of these for the benefit of Members.

Finally, he advised that overall the Council's External Auditors have concluded that the Council has good arrangements in place for the production and submission of its 2014-15 grant claims, however, he pointed out that there was one recommendation in relation to the NNDR claim.

The Chairperson noted that this was the last year whereby KPMG would fulfil its role as External Auditor for BCBC, and therefore she wished to place on record, that they had supported the local authority excellently during the time they had taken on this role, and on behalf of the Committee she thanked them and Mr Gilbert for their support.

RESOLVED: That Members noted the content of the External Auditor's report on the grant work undertaken for 2014-15 attached at Appendix A to the report.

229. CORPORATE RISK ASSESSMENT 2016-17

The Risk Management and Insurance Officer presented a report in order to explain the outcome of the Annual Risk Assessment, Appendix 1 to the report referred, and to also inform the Committee of the proposed risk management timeline contained in Appendix 2 of the Risk Management Policy. He advised the risks of the Council were linked to the Authority's new Priority Themes.

He confirmed that the risk assessment had been reviewed in consultation with Corporate Directors, Business Managers and Heads of Service, and was considered by Senior Management Team. This identified the main risks facing the Council, their links to the new proposed priority themes, the likely impact of these on Council services and the wider County Borough, what is being done to manage the risks, and which individual is responsible for the Council's response.

The main changes to the Risk Register were shown in paragraph 4.4 of the report, and the Risk Management and Insurance Officer gave a resume of these changes for the benefit of those present.

He confirmed that a scoring matrix was used, which takes into account both the likelihood of the risk taking place, as well as the impact of this if it occurred..

He further advised that the Risk Assessment would be subject to review in July and October 2016 by Senior Management Team, as part of the Corporate Performance Assessment and in November 2016 by the Audit Committee.

A Member referred to page 92 of the report and the Risk Description of School Modernisation, and the sale of public land. He asked what processes were in place in order to secure the best price possible for acquiring land upon which to provide new or combined modernised schools.

The Head of Finance and ICT confirmed that he would seek advice from the appropriate Department of the Council on the question and provide an answer to the Member accordingly, outside of the meeting.

A Member asked where he could find information regarding the extent of the Council's Reserves, as he had not seen details regarding these in any recent reports on the MTFS that had been considered through the overview and scrutiny process.

The Head of Finance and ICT confirmed that details regarding the Council's Reserves would be included in the report on the MTFS to be considered at future meetings of Cabinet and Council. Details regarding costs associated with any staff redundancies would also be included in this report he added.

A Member referred to page 85 of the report, and Maintaining the Infrastructure i.e. roads and highways. In relation to committing finance to any future such maintenance works, she asked if this was planned for B and other minor roads as oppose to A roads.

The Head of Finance and ICT confirmed that the Communities Directorate were working on a Business Case currently in terms of maintaining the highway infrastructure, and he was unsure as to whether or not this accounted for B roads.

A Member referred to paragraph 4.3 of the report, and a statement confirming that the 2016-17 Corporate Risk Assessment was fully aligned with the Council's MTFS and Corporate Plan. She felt that future such versions of the Risk Management Policy should reflect this more clearly, and that this document needed to be cross referenced with the MTFS.

The Risk Management and Insurance Officer confirmed that this request could be accommodated.

A Member referred to the Inherent and Residual Risk scores and asked how these compared with similar or other risks in neighbouring local authorities.

The Risk Management and Insurance Officer confirmed that no benchmarking exercise had previously been conducted in relation to this. However, he would liaise with other authorities and endeavour to provide such information at a future meeting.

RESOLVED: That Members considered the Annual Risk Assessment at Appendix 1 to the report, and updated Risk Management Timeline contained within Appendix 2 of the Risk Assessment Policy.

230. TREASURY MANAGEMENT HALF YEAR REPORT 2015-16 AND TREASURY MANAGEMENT STRATEGY 2016-17

The Head of Finance and ICT presented a report, which outlined details regarding the Half Year Treasury Management report approved by Council on 25 November 2015, and the proposed Treasury Management Strategy for 2016-17.

These documents were attached at Appendix A and Appendix B of the report, respectively.

He drew Members attention to that part of the report which outlined the current situation, i.e. paragraph 4, which confirmed that the Treasury Management Strategy for 2016-17 confirmed the Council's compliance with the CIPFA Code, which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements were in place for the effective management and control of Treasury Management activities, and that the effective management and control of risk were the prime objectives of these activities.

A Member noted that the total Net Debt of the Authority as at 1 April 2015 was £98.95m, but it appeared from the report, that the Council was more 'cash rich' than this currently. She asked Officers if they thought this figure would alter by end March 2016.

The Head of Finance and ICT advised that any alteration to this amount at the end of the current financial year would be largely dependent upon the amount of in cash flow payments that come in/go out by end of March coming.

- RESOLVED:**
- (1) That Members noted the Half-Year Treasury Management Report, which was approved by Council in November 2015 (Appendix A to the report).
 - (2) That Members gave due consideration to the Treasury Management Strategy 2016-17, prior to it being presented to Council for approval in March 2016, as part of the Medium Term Financial Strategy (Appendix B to the report).

231. INFORMATION AND ACTION REQUESTS

The Chief Internal Auditor presented a report, which summarised for Members the actions and information requests made by the Audit Committee at its last meeting on 19 November 2015.

A summary of these were contained in the Table in paragraph 4.1 of the report, and she advised the Committee that all these actions/requests had now been completed.

RESOLVED: That the Committee noted the report.

232. CONTROL RISK SELF-ASSESSMENT (CRSA)

The Chief Internal Auditor submitted a report, which provided information to Members as they had previously requested regarding the Control Risk Self-Assessment process adopted by Internal Audit for use in the Authority's schools.

She referred Members to Paragraph 4 of the report, and copies of the CRSA's issued to Secondary Schools and Primary/Special Schools were attached to the report at Appendix A and B, respectively.

The Chief Internal Auditor confirmed that the results from the CRSA's are used to inform the schools audit programme for a given year. She added that Members would be made aware of overall findings from the CRSA's and schools audits as part of the Schools Annual summary report.

A Member referred to page 164 of the report and the Control Risk Assessment Toolkit for Comprehensive Schools for 2015-16, and noted that Governors have received appropriate induction training and area specific training relating to the Committees on which they sit. She felt that this wording should be reinforced, as this form of Induction training was in fact mandatory. She also asked the Officer that if a school CRSA was deemed as fair or poor, then would Internal Audit follow this up.

The Chief Internal Auditor confirmed that this was the case.

In response to a further question, the Chief Internal Auditor confirmed that this process was working well and also being well received and responded to by schools.

A Member referred to page 183 of the papers, and noted the question 'where an external organisation hires school facilities, are official agreements set up and signed which set out the terms of hire.' He asked if the Council/school in question were responsible in terms of anything that went wrong as a result of external organisations hiring these facilities or the organisation itself.

The Chief Internal Auditor confirmed that she would check this issue out and make any necessary changes she felt may be required to the Toolkit, if she considered this necessary.

RESOLVED: That Members noted the content of the CRSA's issued to Bridgend schools.

233. **INTERNAL AUDIT SHARED SERVICE OUTTURN REPORT APRIL TO DECEMBER 2015**

The Chief Internal Auditor presented a report which informed the Audit Committee of actual Internal Audit performance against the 9 months of the audit plan year covering April to December 2015.

She referred to paragraph 4.2 of the report which showed an analysis of work done in respect of the Plan, and though it was indicated that the total productive days (Full year plan days 2015/16) year end would be 1,296 days, she doubted this would be achieved by that time.

The Chief Internal Auditor referred to paragraph 4.6 of the report, and that that a total of 34 reviews had been completed so far to date, 30 (88%) of which had been closed with either a substantial or reasonable assurance opinion level, with 48 recommendations having been collectively made.

In terms of her staffing compliment, she advised that the joint service had 18 ½ full time posts, and 3 vacant posts, with only 1 of these intending to be filled due to the financial restraints associated with the MTFs.

In relation to performance, the Chief Internal Auditor referred to page 255 of the report, which confirmed that the service were completing audits in very good time, and were in the top quartile when compared to other Authorities in the Chief Auditors Benchmarking group.

In terms of governance arrangements in place, there were no significant issues to report.

A Member referred to page 247 of the report, and asked in future such reports if the information regarding audits undertaken in Children's Directorate (including schools) could be separated to include both.

The Chief Internal Auditor explained that this data could be separated in future.

RESOLVED: That Members gave due consideration to the Internal Audit Outturn Report covering the period April to December 2015, in order to ensure that all aspects of their core functions are being adequately reported.

234. **COMPLETED AUDITS REPORT**

The Corporate Director Resources submitted a report, which summarised for members the findings of the audits recently completed by the Internal Audit Shared Service.

These were summarised in Appendix A to the report.

A member referred to the monitoring of performance arrangements in relation to the Leisure Services Contract, and the promotion of the Access to Leisure – Financially Disadvantaged Scheme. She felt that the issue regarding data protection issues could be overcome by advising individuals on Housing Benefit of this Scheme by placing details regarding this in the letter that includes their benefit entitlements which they receive monthly.

The Chief Internal Auditor advised that she would look into this suggestion.

RESOLVED: That Members considered the summary of Completed Audits so as to ensure that all aspects of their core functions are being adequately reported.

235. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PROPOSALS FOR UNDERTAKING AN EXTERNAL ASSESSMENT

The Chief Internal Auditor (as the Head of Audit) submitted a report, which outlined the benefits of, and sought the Audit Committee's agreement to the proposed arrangements for carrying out the external review of the Council's Internal Audit Shared Service function, as required by the Public Sector Internal Audit Standards (PSIAS).

She referred Members to paragraph 4 of the report, and the two possible approaches to external assessment outlined in the standard, which included either a full external assessment or an internal self-assessment, which was validated by an external reviewer. This paragraph also included the 3 available options with regard to the above.

Attached at Appendix A to the report, was a summary of the options outlining the advantages and disadvantages associated with each option, together with an approximate estimate of the likely cost for this.

She completed her submission by confirming that a similar report to the one before the Committee had been submitted to the Vale of Glamorgan Council's Audit Committee, who agreed that their preferred option would be buying-in the function from a professional body, for example, the Institute of Internal Auditors.

Members having considered the report, and the 3 available options outlined in the attached Appendix A, agreed for Option 3 i.e. "To buy-in the service from another suitably qualified and experienced individual/firm to undertake the review of the Council's Internal Audit Shared Service function.

RESOLVED:

- (1) That the Committee agreed to Option 3 as expressed above, to ensure that compliance with the Public Sector Internal Audit Standards is achieved.
- (2) That the Committee noted that a further report would be presented to the Committee, setting out the proposed scope and objectives of the assessment to be undertaken, to ensure that the Committee can gain the necessary external assurances on the effectiveness of the Internal Audit Shared Service function.

236. UPDATED FORWARD WORK PROGRAMME 2015-16

The Chief Internal Auditor submitted a report, which presented to Members an update on the 2015/16 Forward Work Programme for the Audit Committee

In order to assist the Audit Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions, she referred Committee to an updated Forward Work Programme attached at Appendix A to the report.

RESOLVED: That Members noted the updated Forward Work Programme to ensure that all aspects of their core functions were being adequately reported.

237. URGENT ITEMS

None

The meeting closed at 4.15 pm

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF EXECUTIVE

EXTERNAL AUDIT ANNUAL AUDIT PLAN 2015-16

1 Purpose of Report.

- 1.1 The purpose of this report is to submit the External Auditor's Annual Audit Plan 2015-16 together with a schedule of authorised grant signatories for the Council both for noting.

2 Connection to Corporate Improvement Plan / Other Corporate Priorities.

- 2.1 Internal and External Audit's work impacts on the Corporate Improvement Objectives and other Corporate Priorities.

3 Background

- 3.1 The Annual Audit Plan Outline has been prepared by the Council's External Auditor to meet the requirement of the auditing standards and proper audit practices. It sets out the work to be undertaken by the Appointed Auditor at Bridgend CBC under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice.

4 Current situation / proposal

- 4.1 The key elements of the audit engagement of the Appointed Auditor are outlined in **Appendix A** of the attached report. The Appointed Auditor is required to:-

- examine and certify whether the Council's financial statements are 'true and fair';
- assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
- audit and assess whether the Council has discharged duties and met requirements of the Measure; and
- undertake studies to enable him to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.

- 4.2 The Financial Audit 2015-16 element of this plan has been prepared by Wales Audit Office. The purpose of this plan is to set out the proposed work, when it will be undertaken, how much it will cost and who will undertake it.

- 4.3 The Plan also outlines the Performance Audit, the Certification of Grant Claims and Returns and other Audit Work undertaken. Attached at **Appendix B** is the schedule of authorised grant signatories for noting.

5 Effect upon Policy Framework& Procedure Rules.

5.1 None

6 Equality Impact Assessment.

6.1 There are no equality issues.

7 Financial Implications.

7.1 None

8 Recommendation.

8.1 That Members note the content of the External Auditor's Annual Audit Plan 2015-16 attached as Appendix A and the schedule of authorised grant signatories attached as Appendix B.

**Darren Mepham
Chief Executive
11 April 2016**

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Background Documents

Annual Audit Plan 2015-16



2016 Audit Plan

Bridgend County Borough Council

Audit year: 2015-16

Issued: March 2016

Document reference: 195A2016

Status of document

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2016 Audit Plan

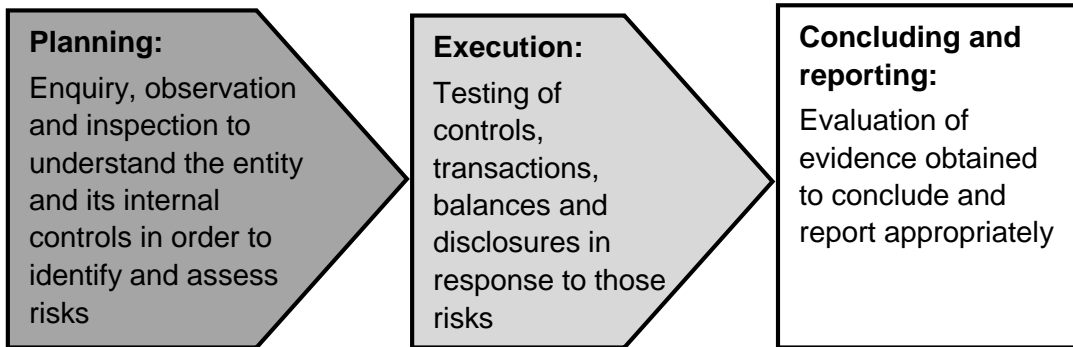
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not Bridgend County Borough Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p>Financial Challenges</p> <p>The Council continues to face significant financial challenges in common with the rest of the public sector. These financial pressures increase the risk of manipulation of balances, in the financial statements to achieve the projected year-end position, unplanned use of reserves to finance savings required, etc.</p>	<p>My audit team will reflect the Council's financial position in planning the audit and will direct audit testing to the areas of greatest risk.</p>
<p>Valuation of Property</p> <p>The previous auditors (KPMG) reported that material adjustments were required to the 2014-15 statement of accounts to reflect the valuation movement between the revaluation undertaken at 1 April 2014 and 31 March 2015. There is a risk that similar issues could arise in 2015-16.</p>	<p>My audit team will discuss with your officers the proposed approach for 2015-16 to ensure that similar issues do not arise in 2015-16.</p>

Financial audit risk	Proposed audit response
<p>New working arrangements</p> <p>During the year the Council entered into two new working arrangements:</p> <ul style="list-style-type: none"> • Awen Cultural Trust established 1 October 2015; and • Joint Regulatory Services from 1 May 2015. <p>There is also the potential for other collaborative working arrangements going forward.</p> <p>There are risks that the financial implications of these arrangements will not be correctly reflected in the accounts.</p>	<p>My audit team will review how these schemes have been identified and accounted for to ensure accounting entries are correct.</p>
<p>Severance schemes/Exit packages</p> <p>The need to make financial savings in recent years has resulted in a reduction in staff numbers, with more scheduled to leave or transfer in 2015-16. There are risks that, with a number of staff leaving, there will be insufficient focus on the operation of key financial and management controls and that the cost of the voluntary/compulsory redundancy scheme will not be correctly reflected in the accounts.</p>	<p>My audit team will review key controls for material financial systems to ensure controls are still effective and ensure that all costs associated with the departures are captured accurately within the service expenditure areas and provisions.</p>
<p>Fraud Risks</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk at all audits.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.

Financial audit risk	Proposed audit response
<p>Cardiff Capital Region (the region) City Deal:</p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The region's deal involves 10 South Wales local authorities. To take forward negotiations a City Deal Partnership Board has been formed which is supported by a number of groups. In November 2015 the region made a headline submission for a £1.28 billion City Deal to the UK Treasury with the Welsh Government committing to providing up to £580 million of capital funding. Such a significant programme will have financial, governance and delivery risks that need to be managed.</p>	<p>My audit team will monitor progress with the region's City Deal bid to assess whether the financial and governance arrangements put in place are appropriate in terms of the Council's activities.</p>
<p>County Borough Supplies</p> <p>County Borough Supplies will cease trading on 31 March 2016; there are risks that the final statement of accounts will not correctly reflect the end of trading or distribution of balances to the contributing authorities.</p>	<p>My audit team will review the draft statement of accounts to ensure that the correct accounting disclosures are made to reflect the end of trading.</p>

10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
12. My fees are based on the following assumptions:
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

-
13. In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.

Certification of grant claims and returns

14. I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 2](#).
15. My audit fee for this work is set out in [Exhibit 5](#).

Overall issues identified

16. [Exhibit 3](#) summarises the more significant and/or recurring issues identified by KPMG when undertaking grant certification work in 2014-15.

Exhibit 3: Overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2014-15

Of the twenty three 2014-15 grant claims and returns certified by KPMG, four were qualified compared to three in 2013-14. The main issues related to the three derelict land grants where due to the age of the schemes there was a lack of supporting evidence available for audit.

Effectiveness of grant co-ordination arrangements

KPMG reported that all of the claims and returns for 2014-15 that required certification were submitted on time and that the Council had generally good arrangements for the production and submission of its 2014-15 grant claims.

Other work undertaken

17. I am also responsible for the audit of:
- Coychurch Crematorium Joint Committee
 - Catalogue Supplies Service Joint Committee
 - Porthcawl Harbour
18. My audit fee for this work is set out in [Exhibit 5](#).

Performance audit

19. The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives [set out in our 2013-2016 corporate strategy](#).

Exhibit 4: Components of my performance audit work



20. Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and the draft Local Government (Wales) Bill proposes fewer councils and a renewed performance framework. The Minister for Public Services has publicly stated that he would like to see a refreshed audit regime in advance of the legislative timetable with a view to supporting change. In January this year the minister advised me of a substantial reduction in the grant that subsidises my local government performance audit work under the Measure.
21. However, for 2016-17, the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
22. In spring 2016 I will be engaging in a consultation with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
23. Taking all these factors into consideration, I am presently unable to be specific about my programme of performance audit work in local government. I am working through the practicalities of designing an appropriate programme of work, and examining the implications of the reduction in grant funding with a view to ensuring, as far as I am able, that there is little adverse impact on local authorities through fees.

24. As soon as practical, I will write to confirm my 2016-17 programme of work.

Fee, audit team and timetable

Fee

25. The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2016 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
26. Your estimated fee for 2016 is set out in [Exhibit 5](#). This figure is unchanged compared to the fee set out in the 2015 audit plan.

Exhibit 5: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work¹	195,700	195,700
Performance audit work total²	97,398	97,398
Total fee	293,098	293,098
Grant certification work³	38,724	38,724
Other audit work		
Catalogue Supplies Service Joint Committee ⁴	8,000	8,000
Coychurch Crematorium Joint Committee ⁴	2,100	2,100
Porthcawl Harbour ⁴	650	650
Total fee for other audit work	10,750	10,750

Notes:

¹ Payable November 2015 to October 2016.

² Payable April 2016 to March 2017.

³ Payable as work is undertaken. NB this is based on last year's outturn.

⁴ Payable on conclusion of audit work. NB this is based on last year's outturn.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

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27. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
28. Further information on my [fee scales and fee setting can be found on the Wales Audit Office website](#).

Audit team

29. The main members of my team, together with their contact details, are summarised in [Exhibit 6](#).

Exhibit 6: My team

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director/ Engagement Lead – Financial Audit	02920 320500	derwyn.owen@audit.wales
Jane Holownia	Engagement Lead – Performance Audit	02920 320500	jane.holownia@audit.wales
Janet McNicholas	Financial Audit Manager	02920 320500	janet.mcnicholas@audit.wales
John Llewellyn	Financial Audit Team Leader	02920 320500	john.llewellyn@audit.wales
Steve Barry	Performance Audit Manager	07786 190210	steve.barry@audit.wales
Tim Buckle	Performance Audit Lead	07854 652640	timothy.buckle@audit.wales

30. I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

31. I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 7](#).

Exhibit 7: Timetable

Planned output	Work undertaken	Report finalised
2016 Audit Plan	February/March 2016	April 2016
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum	February – September 2016	September 2016 September 2016 October 2016
Performance work: <ul style="list-style-type: none">• I am presently unable to be specific about my programme of performance audit work in local government.	April 2016 to March 2017	As soon as practical, I will write to confirm my 2016-17 programme of work
2015-16 grants work	October to December 2016	February 2017
2017 Audit Plan	January 2017	February 2017

* Subject to timely clearance of draft findings with the Council.

Future developments to my audit work

32. The Well-being of Future Generations (Wales) Act 2015 (the Act) requires me to have undertaken an examination in each of the public bodies specified within the Act and to have provided a report to the National Assembly, by 2020.
33. As referred to in [paragraph 23](#), I will be consulting on my proposed response to the Act in spring 2016. This consultation will feature a commitment to engage and work collaboratively with public bodies in developing an audit approach which is rigorous, meaningful and proportionate. I propose using 2016-17 as a transition year during which my teams work with a limited number of public bodies to develop and test my approach.
34. As we confirm our audit approaches and respond to continuing consultation from the Welsh Government, we will be talking to audited bodies about the implications for their fees from 2017-18 onwards and will be exploring alternative funding models with the next National Assembly's Finance Committee.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;

-
- ensuring the regularity of financial transactions; and
 - securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

National value-for-money studies

The Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
Welsh Government acquisition and ownership of Cardiff Airport	Late January 2016
The development of Natural Resources Wales	Early February 2016
Operating theatres	February 2016
Impact of private practice on NHS provision	February 2016
Wales Life Sciences Investment Fund	March 2016
Welsh Government responses to audit recommendations (memorandum for the Public Accounts Committee)	Spring 2016
Coastal flood and erosion risk management	Spring 2016
Rail services	Spring 2016
Governance of the National Library of Wales	Spring 2016
Welsh Government oversight of further education institutions' finances and delivery	Autumn 2016
Public procurement (including development of the National Procurement Service)	Winter 2016

Topic	Anticipated publication timeframe
Early intervention and behaviour change	Spring/summer 2017 ²
Welsh Government interventions in local government	TBC ³

I have been considering over recent months the inclusion in my programme of a number of new studies on:

- the NHS Wales Informatics Service;
- capital investment in schools (21st Century schools programme) and school places;
- further education finances;
- waste management;
- the Supporting People programme; and
- access to public services for people whose first language may not be English or Welsh and those who may be disadvantaged without access to specialist interpretation services.

With the exception of the further education study, referred to in the table above, firm plans for these new studies are yet to be confirmed, although initial scoping work is underway.

² My programme of good practice work includes a project that will aim to explore the range of behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. The project will include a range of engagement events and the development of a community of practice to share learning and experience. I anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and it would not be prepared until the first half of 2017.

³ Plans for this work have been under review in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales, and also to consider the implications for the work of plans for local government reform.

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Authorised Finance Signatory List

The following Finance Officers have the approval to sign on the behalf of Bridgend County Borough Council.

Randal Hemingway
Section 151 Officer
Head of Finance

Mary Williams
Group Manager
Chief Accountant

Deborah Exton
Group Manager
Financial Planning &
Budget Management

Randal Hemingway
Head of Finance

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF EXECUTIVE

FINANCIAL RESILIENCE ASSESSMENT 2015-16

1 Purpose of Report.

- 1.1 The purpose of this report is to present a recent Wales Audit Office (WAO) report on the Financial Resilience Assessment of Bridgend CBC.

2 Connection to Corporate Improvement Plan / Other Corporate Priorities.

- 2.1 This report is consistent with the Corporate Priority 'Smarter Use of Resources'.

3 Background

- 3.1 WAO believes that financial resilience is achieved when an Authority has robust systems and processes to effectively manage its financial risks and opportunities and to secure a stable financial position.
- 3.2 They undertook a financial resilience assessment of the Council during the period May to October 2015 and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of the 2014-15 savings plans and the 2015-16 financial planning period.

4 Current situation / proposal

- 4.1 The Report identified that the Council has:-

- an effective corporate framework for financial planning;
- effective financial controls, financial management is generally strong and it has a good track record of spending to budget; and
- a sound framework for reviewing and challenging financial performance through its Corporate Performance Assessment process and Section 151 Officer has a good track record for meeting financial targets.

- 4.2 The Report rated each of these elements; Financial Planning, Financial Control and Financial Governance; as Low Risk. This is described as "Arrangements are adequate (or better) with few shortcomings in systems, processes or information. Impact on the Council's ability to deliver its financial plan may be minimal".

5 Effect upon Policy Framework & Procedure Rules.

- 5.1 None.

6 Equality Impact Assessment.

6.1 There are no equality issues.

7 Financial Implications.

7.1 There are no direct financial implications but the report focuses on managing budget reductions effectively to ensure financial resilience.

8 Recommendation.

8.1 That Members note the content of the WAO Report on the Council's Financial Resilience Assessment 2015-16 attached as **Appendix A**.

Darren Mepham
Chief Executive
11 April 2016

Contact Officer: Randal Hemingway

Telephone: (01656) 643302

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Postal Address

Bridgend County Borough Council
Finance and Performance
Wing 4 Raven's Court
Brewery Field
Bridgend
CF31 4AP

Background Documents

Financial Resilience Assessment 2015-16



Financial Resilience Assessment

Bridgend County Borough Council

Audit year: 2015-16

Issued: March 2016

Document reference: 210A2016

Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

This document was produced by KPMG LLP on behalf of the Wales Audit Office. The audit team comprised Darren Gilbert (Director), Melanie Watson (Senior Manager), Matthew Arthur (Manager) and Chris Russell-Jones (Auditor).

Contents

Whilst the Council faces some significant financial challenges, its current arrangements for achieving financial resilience are sound.

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The Council has effective financial controls, financial management is generally strong and it has a good track record of spending to budget

Financial governance	9
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The Council has a sound framework for reviewing and challenging financial performance through its Corporate Performance Assessment process and regular meetings with the Section 151 Officer, and has a good track record for meeting financial targets

Summary report

Summary

1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:
 - helps authorities take the right decisions for the short, medium and long term;
 - helps authorities deliver services to meet statutory obligations and the needs of local communities;
 - is essential for good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
2. Long-term financial management is not about predicting the future; it is about preparing for it. Authorities need to understand future demand, assess the impact of probable changes, review the gap between funding needs and possible income, and develop appropriate savings strategies.
3. Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning alone encourages an incremental and process-driven approach that can be ineffective in a period of rapid external change.
4. Financial resilience is achieved when an authority has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.
5. Given the continuing pressures on funding, in this review we have considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the Council over an annual cycle, financial pressures impact beyond the current settlement period. We have considered evidence of the Council's approach to managing its finances in the recent past and over the medium term when reaching our view on the Council's financial resilience.
6. We undertook our assessment during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.

-
7. The work focused on answering the following question: **Is Bridgend County Borough Council (the Council) managing budget reductions effectively to ensure financial resilience?** In this report we also consider whether:
- **financial planning arrangements effectively support financial resilience;**
 - **financial control effectively supports financial resilience; and**
 - **financial governance effectively supports financial resilience.**
8. Overall we concluded that: ‘Whilst the Council faces some significant financial challenges, its current arrangements for achieving financial resilience are sound.’ We came to this conclusion based on our findings in relation to financial planning, financial control, and financial governance arrangements.
9. This report gives a risk rating for each aspect: financial planning, financial control and financial governance. The descriptors for risk ratings are set out below.

Low risk	Arrangements are adequate (or better) with few shortcomings in systems, processes or information. Impact on the Council’s ability to deliver its financial plan may be minimal.
Medium risk	There are some shortcomings in systems, processes or information that may affect the Council’s ability to deliver the desired outcomes of its financial plan.
High risk	There are significant shortcomings in systems, processes or information and/or there is a real risk of the Council’s financial plan not delivering the desired outcomes.

10. We rate the risk to the Council’s delivery of its financial plan for each of these elements as follows.

Low risk	Financial Planning
Low risk	Financial Control
Low risk	Financial Governance

Whilst the Council faces some significant financial challenges, its current arrangements for achieving financial resilience are sound

Financial planning

The Council has an effective corporate framework for financial planning

11. The Council has an effective corporate framework which ties corporate objectives to financial planning. These objectives are clearly set out in the Council's Corporate Plan, which sets out key outcomes by 2017, in addition to medium-term goals and route-plans for 2015-16. The objectives are analysed in further detail in the Council's Improvement Plan (part of the Corporate Plan), which describes the Improvement Priorities, actions already taken, goals for 2017 and commitments for 2015-16. It further explains how citizens can become involved, and what the Performance Indicators are for each priority for the next two years.
12. The Council is planning for £36.5 million of reduced funding over the next four years. In order to meet this challenge, the Council has recently reduced the number of Improvement Priorities from six to three (to take effect from 2016-17): supporting the local economy, helping people to be more self reliant, and smarter use of resources. These three areas will still be subject to efficiency savings and any other planned savings; however, the remainder of the required cuts will fall in other areas.
13. It is important that the Performance Indicators which are used to monitor and assess the progress of the Improvement Priorities meet the SMART criteria (Specific, Measureable, Achievable, Relevant and Timely & Time-bound); our review confirms that this is the case. Furthermore, during 2014-15, the Council has successfully implemented a project to map each Improvement Objective to the financial ledger; this facilitates year-on-year monitoring of financial aspects of each objective including regarding KPIs (see below).
14. In addition to the Corporate Plan, the Council also publishes a Medium Term Financial Strategy (MTFS), covering a four-year period, currently 2015-16 to 2018-19. The MTFS covers all Directorates, thereby supporting a linked-up approach to financial strategy, and is reviewed and amended regularly. It also links with other key strategies, such as the workforce planning strategies, which includes substantial provision for workforce issues such as redundancies and legal cases.
15. The Council applies a prudent approach to forecasting. Although the MTFS includes a worst, best and most likely case scenarios for the net budget reduction requirement, most of the detail reported to the Council focuses on the most-likely case scenario. The Council exercises prudence in its assumptions for this scenario, for example, assuming that a 3.2 per cent reduction in external funding will be required.

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16. Whilst it is vital to have a Council-wide Corporate Framework, Strategy, and Improvement Objectives, these plans must also link through to individual Directorate Priorities, Business Plans, and Service Plans. These links are embedded in each Directorate's budgets. In practice, as explained above, this usually translates as determining which sections of a budget are subject to less cuts than other areas. The links between Improvement Objectives and Directorate Budgets are documented in the MTFs, in particular Appendix F which links each Corporate Improvement Priority to Directorate Budgets, and includes a 'Business as Usual' column and a Budget column, to enable analysis of scale of cuts or spend.
 17. Underpinning the Council's ability to make cuts are many Savings Proposals. Each of these is documented on a template document, which requires a risk assessment, impact assessment, and the linking of the proposal to an Improvement Objective, thereby ensuring coherence between the two. Appendix C to the MTFs aggregates and summarises these Savings Proposals. Although we recognise that the impact of changes to funding on service areas is considered by the Council, our review of the Savings Proposal forms suggests there is opportunity for more detailed documentation of this in the forms.
 18. As part of effective financial planning, it is essential that councils monitor and manage financial risks. The Council performs this function via a number of risk assessment processes: of particular relevance is the monthly budget monitoring process, the quarterly reporting to members, quarterly challenge of budget monitoring and Council performance reports by scrutiny committees, and the Corporate Management meetings with directors, all of which include an assessment of financial risks. In addition, the Director of Resources has monthly meetings with Heads of Service to assess performance against budget, and to identify budget risks. Risks are escalated to the Corporate Risk Register where required.
 19. In order to monitor and assess the implementation of the Council's plans and strategies, it is vital that the Council has targets and Key Performance Indicators. These are extensively covered in Appendix 1 to the Corporate Plan, covering a range of financial and non-financial measures, and include benchmarking. The Council also publishes benchmarked data in its Annual Report, allowing comparison with other Councils, and includes financial targets within its Treasury Management Policy (Appendix K to the MTFs).

Financial control

The Council has effective financial controls, financial management is generally strong and it has a good track record of spending to budget

20. The Council has a number of policies to support management of its finances, including financial procedure rules which clearly outline responsibilities for Members, Officers and budget holders. Currently, Directors are solely formally responsible for budgetary monitoring within their own Directorate, although informally this is delegated to Heads

of Service, Group Managers, and sometimes Service Managers. However, this informal delegation is set to change during 2016-17, with the planned introduction of formally delegated financial management responsibilities at sub-Director level. Collaborative Planning is a budget management software tool which, when installed throughout the Council, allows Directorates to undertake more financial management activities, thereby improving their access to financial information, as well as generating efficiencies within the central Finance department. The long-term aim will be to roll out the budget monitoring module of this system once the latest version is released and tailored for the Council. This will involve financial training for Directorates. The project plan for this will be developed during 2016-17 with the aim to have it in place for 2017-18. Having formally-recognised financial management responsibilities helps ensure effective financial management, and we therefore recommend that these changes are implemented as planned.

- 21.** Effective financial control over Reserves is crucial for sustainable financial management. Therefore, in 2014-15, the Council developed a new Protocol on its Reserves and Balances, which is included as Appendix G to its MTFS. For many years, the Council has had a policy of maintaining the General Fund at £7 million. The new Protocol develops this by providing a clear justification for the policy. In addition, the Protocol outlines important principles, such as how to assess the adequacy of reserves, the rationale for establishing reserves, the monitoring of the reserves, the relevance of risk assessment within all Reserves-related decisions, and includes forecasts for earmarked reserves. This Protocol marks a significant improvement in the Council's financial control procedures. In addition, the Council is able to report on transfers to, from or between reserves during the three years ending in 2014-15. Our review has noted that this reporting was more robust and had greater clarity in 2014-15 than in prior years, which again reflects the improvements made over the past year.
- 22.** Under the current cost-cutting regime, the Council must assess all potential cost-cutting opportunities and also Income Generation and Charging opportunities 'IG&C'. Work has been undertaken in this area for a number of years. For example, the Council has already out-sourced its more significant 'standard' income generation routes to independent organisations, such as its leisure centres, and popular venues such as Porthcawl Grand Pavilion and Bryngarw House. However, the Council's register of charges has not been updated since 2013. Our review has highlighted that the Council does not currently have a strategic approach to IG&C and IG&C is solely the responsibility of each individual Directorate. More recently, the Council has undertaken a survey examining how each Directorate is approaching IG&C. One of the aims is to encourage Directorates to consider new strategic directions for IG&C, such as the provision of professional services to outside organisations, such as HR services, finance services, or property advice. The Council has drafted a policy on IG&C, which is due to be presented to Council in March 2016. We have been advised that the Council also intends to establish a new commercialisation group in 2016-17 that will review fees and charges and the generation of income. Our review of the policy confirms that in its draft form, it includes IG&C Principles, advice on when to

charge and on the setting of charges, to ensure they are fair, consistent, and concessions are offered where appropriate.

23. In summary, our research suggests that the Council currently does not have a strong strategic approach to IG&C; however, it has taken important steps towards developing such a strategy. We also recognise that there is still scope for more detailed analysis and assessment of IG&C opportunities and that substantial work will be required to fully exploit IG&C opportunities.
24. Financial control is of central importance in relation to budgets. As in prior years, our current year review confirms that the budget setting and monitoring process at the Council is well developed and effective and helps to underpin a strong track record of spending to budget. In addition, financial controls across the Council are effective, with no significant issues identified from external or internal audits.

Financial governance

The Council has a sound framework for reviewing and challenging financial performance through its Corporate Performance Assessment process and Section 151 Officer and has a good track record for meeting financial targets

25. Financial Governance at the Council is generally strong. The Council has a sound framework for reviewing and challenging financial performance through:
 - Monthly monitoring at Directorate level, and quarterly reporting to Cabinet (including to Scrutiny) of the Corporate Performance Assessment process. The CPA includes financial measures, such as performance versus budget and versus savings targets, as well as operational performance indicators. Our review has confirmed that the Council continues to improve its monitoring and reporting of performance against savings proposals; in 2014-15, the Council developed its RAG reports, which report on planned versus actual savings using a Red Amber Green system, and includes an examination of all of the RAG savings proposals (formerly only Red and Amber ones were examined). Where savings proposals are not achieved, the Directorates are expected to produce alternative savings proposals.
 - Regular meetings with the Section 151 officer, who plays a key role in helping the Council balance local service needs with corporate interests whilst ensuring compliance with all financial, statutory and constitutional requirements; via monthly monitoring at a directorate level and quarterly reporting to Cabinet.
26. The Council has strong financial governance procedures in place, as evidenced by its good track record for meeting financial targets and holding people to account for their budgets.

-
- 27.** The Council has strengthened its financial governance over Reserves. During 2014-15 the Council has implemented a much improved process in the form of a new Protocol on Reserves (which includes School Reserves, for which a separate 'Guidance on the Use of School Balances' is available), as contained in Appendix G to the MTFS. In addition to the MTFS, the Council also reports on its reserves as part of its quarterly monitoring reports and its half-yearly report.

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

INFORMATION AND ACTION REQUESTS BY COMMITTEE

1. Purpose of Report

- 1.1 To summarise for Members the actions and information requests made by the Audit Committee at its last meeting on the 28th January 2016.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives and other Corporate Priorities.

3. Background

- 3.1 Internal Audit conducts reviews according to an annual audit plan and reports findings to Audit Committee.

4. Current situation / proposal

- 4.1 A summary of actions and information provided is contained in the following table:

Audit Committee Date	Action /Request	Officer Responsible	Comment / Action / Resolution	Current Status
28 th January 2016	IASS External Assessment - That the Committee noted that a further report would be presented to the Committee, setting out the proposed scope and objectives of the assessment to be undertaken, to ensure that the Committee can gain the necessary external assurances on the effectiveness of the Internal Audit Shared Service function.	CIA		Outstanding
28 th January 2016	CRSA - A Member referred to page 183 of the papers, and noted the question 'where an external organisation hires school facilities, are official agreements set up and signed which set out the terms of hire.' He asked if the	CIA	The Chief Internal Auditor confirmed that she would check this issue out and make any necessary changes she felt may be required to the Toolkit, if she considered this necessary. The Financial Scheme for Schools - Supplement H, sets out the	Complete

	<p>Council/school in question were responsible in terms of anything that went wrong as a result of external organisations hiring these facilities or the organisation itself.</p>		<p>requirements where school premises are hired/used by outside organisations, as per below: <i>USAGE GRANTED INDEPENDENTLY BY GOVERNING BODIES</i></p> <p><i>Governing Bodies, in accordance with Section 42 of the Education (No.2) Act 1986 are empowered to approve the use of school premises and facilities outside School hours without reference to the Authority, provided that :</i></p> <p><i>(a) the Authority's own requirements for use by its own departments and directorates is given priority and are satisfactorily met;</i> <i>(b) usage is compatible with the general aims and purposes of the school, i.e. the promotion of the educational, social, moral, spiritual and recreational well-being of pupils and the community;</i> <i>(c) usage will not damage accommodation and facilities by improper or excessive use;</i> <i>(d) health and safety requirements are met;</i> <i>(e)users have appropriate insurance cover;</i> <i>(f) it is clearly understood that the Authority will make no reimbursement whatsoever to Governing Bodies for the costs incurred by independent hirings of this kind.</i></p> <p>Further the Supplement requires that a Community Use Agreement is completed for each user/user group at least a month before the activity/ activities are scheduled to take place and that charges are both realistic and affordable.</p>	
	<p>COMPLETED AUDITS - A member referred to the monitoring of performance arrangements in relation to the Leisure Services Contract, and the promotion of the Access to Leisure – Financially Disadvantaged Scheme. She felt that the issue regarding data</p>	<p>CIA</p>	<p>The Chief Internal Auditor advised that she would look into this suggestion.</p>	

	protection issues could be overcome by advising individuals on Housing Benefit of this Scheme by placing details regarding this in the letter that includes their benefit entitlements which they receive monthly.			
28 th January 2016	Outturn Report. During the presentation of this report, a Member requested whether the CIA could provide a list of the audits not undertaken during the year but were included in the original plan.	CIA	Attached as an Agenda Item to the meeting held on 21 st April 2016.	Completed

5. Effect upon Policy Framework& Procedure Rules.

5.1 None

6. Equality Impact Assessment.

6.1 There are no equality implications.

7. Financial Implications.

7.1 There are no financial implications regarding this report.

8. Recommendation.

8.1 That the Committee notes this report.

Helen Smith
Chief Internal Auditor
21st April 2016

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Background Documents

None

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

COMPLETED AUDITS

1. Purpose of Report.

1.1. To summarise for Members the findings of the audits recently completed by Internal Audit Shared Service.

2. Connection to Corporate Improvement Objectives / Other Corporate Priority.

2.1. Internal Audit's work impacts on all the Corporate Improvement Objectives/other Corporate Priorities.

3. Background

3.1. Internal Audit conducts reviews according to an annual audit plan and reports a summary of the findings to Audit Committee.

4. Current situation / proposal.

4.1. Recently completed audits relating to 2015/16 are summarised in **Appendix A** and is attached to this report.

4.2. Members are invited to raise any issues on these audits or to request the production of a fuller report at the next meeting.

5. Effect upon Policy Framework & Procedure Rules.

5.1. None

6. Equality Impact Assessment.

6.1 There are no equality implications.

7. Financial Implications.

7.1. None

8. Recommendation.

8.1. That Members consider the summary of completed audits to ensure that all aspects of their core functions are being adequately reported.

Helen Smith
Chief Internal Auditor
21st April 2016

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Background documents

Internal Audit reports relating to the above audits held within the Internal Audit Division

2015/16 Completed Audits**Reported at the 21st April 2016 Audit Committee Meeting**

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
ICT Backup Infrastructure	<p>A backup is a snapshot or picture of the state of data at a specific point in time. In the backup process, a copy of data at a specific point in time is created in case something should happen to the original. Therefore, in the case of a failure, the data can be reconstructed from the backup.¹</p> <p>Organisations with a reliance on information assets, in the form of large quantities of data and critical systems, require a thoroughly planned solution for backup.</p>	January 2016	17	<p>The Auditor met with the IT Department to test the restore of a deleted virtual machine from a backup. The Auditor viewed the virtual machine being shut down and deleted before being restored via Symantec NetBackup. This process functioned successfully. Furthermore a sample of service desk tickets that related to the recovery of backups was reviewed. All tickets were closed successfully; thus suggesting that the backup process for restoring files meets the day-to-day business requirements of the Council.</p> <p>One issue was identified in that there is currently only one key for accessing the fireproof safe used to store tapes.</p>	Substantial	March 2016

¹ Tandberg Data, 'A Tandberg Data White Paper on Backup and Archival Storage Best Practices'

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
BACS for Payroll	<p>The responsibility for submitting the BACS in relation to Payroll payments changed during July 2015. A short review was undertaken after the process became operational to ensure that controls are operating as expected.</p> <p>The Council utilise 'Experian Payments Gateway' to provide a secure managed route into the UK BACS and Faster Payments systems. Access is controlled through multiple levels of authentication which includes the use of smartcards.</p>	January 2016	6	<p>A number of strengths were identified:</p> <ul style="list-style-type: none"> • Two officers from the Trent team have been trained to submit the BACS which will prevent over reliance on individual officers within HR. • A BACS processing guidance and check list has been developed to assist officers in submitting the BACS. • Independent supervisor checks are taking place at several stages throughout the BACS process and supporting evidence retained thereby demonstrating an effective segregation of duties. <p>No significant recommendations were made during the review.</p>	Reasonable	N/A
Housing Benefits	<p>The Housing Benefit & Financial Assessment team is based in the Resources Directorate and processes approximately £50 million in Housing Benefit and Council Tax Reduction. The Housing Benefit team has been implementing changes as part of the UK</p>	January 2016	10	<p>It was confirmed that permissions and access controls in the RB Live system are effective at minimising the risk of unauthorised access.</p> <p>The following key issues were identified during the Audit which</p>	Reasonable	September 2016

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>Government Welfare Reform Act.</p> <p>The objective of the audit was to provide assurance that there are effective controls in place surrounding data security and quality assurance to minimise any associated risks.</p>			<p>need to be addressed:</p> <ul style="list-style-type: none"> ▪ Staff who have registered a declaration of interest in RB Live still have access to accounts in Information @ work. ▪ Staff based in the Digital Office have access to all confidential and secure documents in the Housing Benefit folder. 		
E-Approval Process	<p>An audit review of the E-Approval report process within the Modern.Gov system was undertaken. To inform the review, in conjunction with Democratic Services a questionnaire was developed and issued to the 35 Officers that had participated in the training provided by the Head of Democratic Services as a part of the pilot.</p>	January 2016	15	<p>Completed questionnaires were received from 22 out of 35 (63%) Officers. It was noted that 27% of Officers found the system 'very easy' to use.</p> <p>No significant issues were identified and the majority of concerns appear either to be teething problems with the system or, issues that could be resolved with further training.</p> <p>There were common apprehensions such as the reminder emails being too frequent and therefore ineffective and that the current process does allow users to by- pass stages.</p> <p>It was identified that currently sole reliance is placed on the Head of Democratic Services to manage the E-Approval process within</p>	Substantial	N/A

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
				Modern.Gov system and deal with issues as and when they arise. From a business continuity perspective it is essential that the Democratic Services team are also fully trained to manage the system.		
Learning Pathway Grant	<p>An audit review of the 14 -19 Learning Pathways Grant for 2014/15 was undertaken in order to satisfy the terms and conditions of the grant specified by Welsh Government (WG). In previous years the terms and conditions of the grant stipulated a requirement for an external audit of expenditure. WG relaxed this requirement for 2014/15.</p> <p>A total claim of £2,876,501.34 was made for the period 1st April 2014 to 31st March 2015. This was split amongst the cluster authorities of BCBC, Vale of Glamorgan, Rhondda Cynon Taf, Cardiff and Merthyr. BBCC are the lead authority.</p>	February 2016	10	<p>BCBC, as lead authority for Central South Wales are responsible for obtaining and collating year end statements of revenue expenditure from each partner authority and ensuring timely submission to WG. The responsibility for monitoring expenditure lies with each individual authority. From a review of the grant cost centres on the COA financial ledger, the Auditor was able to verify the total income received from WG and agree the transfer of funds to the partners.</p> <p>In order to certify the claim; the auditor reviewed the details relating to each partner authority. The Auditor made contact with the Chief Internal Auditor in each partner Authority to identify whether they had undertaken any</p>	Reasonable	N/A

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
				<p>work in this area and whether in their capacity of Chief Internal Auditor, they were satisfied that there was a robust control environment in place. Specific testing was carried out in relation to BCBC and Vale of Glamorgan expenditure and due to the shared service arrangement for audit. No issues were identified.</p>		
Planning	<p>Development Management is primarily responsible for the processing of Planning Applications. These can be submitted in a variety of ways including use of the Planning Portal and in person at the Civic Offices.</p> <p>Most decisions are determined by the Planning Officers under the delegated powers arrangement. Members on the Development Control Committee normally decide the most contentious or major proposals. The section also deals with planning appeals, enforcement matters relating to breaches of planning control and tree preservation orders.</p>	February 2016	18	<p>During the Audit a number of strengths and areas of good practice were identified including applications, appeals and enforcements were processed within a timely manner.</p> <p>A small number of issues were identified:</p> <p>The Customer Service centre need to fully complete receipts to ensure each department can reconcile/ process payments made.</p> <p>Enforced segregation should be put in place within Information@Work and any current/future planning application management system.</p>	Substantial	June 2016

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Transformation Programme	<p>Against the backdrop of significant financial cuts in the forthcoming years, BCBC faces a significant challenge that will require difficult decisions on what services can and cannot be maintained.</p> <p>In January 2015, the Corporate Project Management Team transferred from the Resources Directorate to the Children's Directorate and with the review of the Bridgend Change Programme, changes were made to the structure of the new Corporate Transformation Team to take the lead on the development of BCBC's change strategy and shaping and delivering a wide range of transformation programmes</p>	February 2016	10	<p>The audit established:</p> <ul style="list-style-type: none"> • The new Corporate Transformation Team structure is now in place (but awaiting the appointment of the Senior Project Manager); • The Programme/Project Management portfolio has been documented but is in need of updating with responsible officers and identified savings/benefits; • Governance arrangements are in place and active, monthly monitoring of the projects could be evidenced however this is in need of review and update to ensure that the Project Management Board are monitoring programmes strategically, in line with the new corporate priorities and Medium Term Financial Strategy. <p>No significant recommendations were made during the review.</p>	Reasonable	N/A

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Treasury Management	<p>The Treasury Management function exists to ensure that the Authority maintains a stable cash management system. This is achieved by forecasting and monitoring cash flow and optimising market rates.</p> <p>The annual Treasury Management Strategy provides the framework for Treasury Management activities. These are regulated by the Local Government Act 2003 which provides details of the powers to borrow and invest and also provides controls and limits for this activity. The Local Authorities (Capital Finance and Accounting – Wales) Regulations 2003 as amended develops the controls and powers within the Act.</p>	March 2016	5	<p>A Control Risk Self-Assessment (CRSA) was issued to and completed by the relevant Accountant. The main areas of coverage were:</p> <ul style="list-style-type: none"> • Policies & Procedures • Risk Management • Cash Flows • Lending & Borrowing • Capital Investment • Payments • Records & Reconciliations • Reporting & Monitoring <p>Relevant testing and supporting documentation was obtained by the auditor to evidence information provided by the Accountant. No issues were identified and as a result no recommendations were made.</p>	Substantial	N/A
Section 117	The audit was a follow up review of the procedures and financial arrangements relating to Section 117 of the Mental Health Act, 1983. Previous audit reviews identified a number of significant areas for improvement, which were later followed up and it was established	March 2016	18	<p>A number of strengths and areas of good practice were identified as follows:</p> <ul style="list-style-type: none"> • The number of service users that have been allocated a Care Co-ordinator has increased to 95% which is a huge improvement. 	Limited	September 2016

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>that progress had been made in addressing the recommendations, but they needed time to bed in. This review focused on undertaking detailed testing to ensure the new processes that had been introduced were working efficiently and effectively.</p>			<ul style="list-style-type: none"> • Service user files were available, orderly and well set out. • Savings of £104,052 per annum (of which £32,916 can be attributed to BCBC) were identified by the Change Team for ten s117 service user packages. <p>The following key issues were identified:</p> <ul style="list-style-type: none"> • A firm decision regarding the future funding of s117 packages is yet to be agreed by the Council and Health (although it is appreciated that this is a wider/regional issue and the decision cannot be made over night). • A current register of delegated officers and their respective financial limits does not exist within Adult Social Care. • S117 finance processes need to be improved, clarified and documented. • Evidence of the decisions made by the Complex Case Panel was not available at the time of audit testing. 		

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Asset Disposal	<p>In 2009 the Asset Management Plan 2021 was produced identifying a GAP analysis of what property assets the Council had and where it needed to be in 2021. This was to be achieved through Retaining and Maintaining, Investing and Remodeling, Releasing and generating capital.</p> <p>The Property Services team realised £4,189,430 of asset sales in 2014/15 and £5,895,675 of sales up to and including 11/03/2016 for 2015/16 YTD.</p>	March 2016	20	<p>A number of strengths were identified as follows:</p> <ul style="list-style-type: none"> • Disposals are being identified through a variety of methods. • All disposals sampled by the Auditor had been paid into the correct account. • The correct authorisation had been obtained for the disposals sampled. <p>The only issue identified was the fact that the disposals program is currently facing a £2 million shortfall from its £21 million target but Property is aware of this.</p>	Substantial	N/A
Northgate Revenue & Benefits system review	<p>The Northgate revenue and benefits system is the primary application used by the Housing Benefit / Financial Assessments Team and the Taxation Team. It is also known throughout the Council as RB Live, iWorld and SX3 which are previous names for the application.</p> <p>The system is managed at the front end (the application itself) by the Revenue and Benefits (R&B) System Team and at the back-end</p>	March 2016	17	<p>Identified strengths include:</p> <ul style="list-style-type: none"> • There are robust management controls in place to deal with authorisation for user access to the system along with controls for amending user permissions. • The system has good functionality to enable the security of specific accounts or records by either blocking specific users or denying access to all and then providing 	Reasonable	June 2016

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>(servers and database) by database administrators in ICT.</p> <p>The application is listed as a critical business system and contains personal and sensitive information.</p>			<p>permissions to those who require it.</p> <ul style="list-style-type: none"> • Data is backed up nightly and there are transaction backups throughout the day which greatly reduces the risk of any data loss. • Backups are loaded into the test/training system each day which demonstrates that the data backups work effectively. <p>Recommendations were made in relation to:</p> <ul style="list-style-type: none"> • Audit logging within the application is not fully understood. The service is not sure exactly what is currently provided, what the expectations of the service are going forward and what functionality is included in the application. However, the R&B systems team do have this on their future work programme. • Although the system has good business continuity in that a secondary server is available, the recovery time in the event of both servers being out of action 		

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
				<p>is unknown.</p> <ul style="list-style-type: none"> • There are 3 database accounts which have default passwords and should be reviewed and changed if possible. 		
Built Environment Fees & Charges	<p>Approximately 80% of the Built Environment budget is financed through 2 trading accounts; Architectural services and the DLO. The trading account income comes from charging directorates for the work which the above services deliver.</p> <p>A complete review of Built Environment was undertaken by the Group Manager in 2014 to determine the viability and value for money of the service. The process of challenge and review involved evaluating many aspects of the service including the existing rates and charges. This led to a number of changes to the service including a reduction in Architectural fee levels.</p> <p>An audit review of the processes followed was undertaken.</p>	March 2016	22	<p>During the Audit a number of strengths and areas of good practice were identified as follows:</p> <ul style="list-style-type: none"> • The reduction in hourly rate has freed up capital funding that can be used to support other costs within the capital programme. • The fees and charges for the remaining professions within Built Environment are scheduled to be reviewed imminently to deliver further cost savings for the service. • Sample testing of invoices identified that recharges made to internal departments were accurate. <p>The following key issues were identified during the Audit which need to be addressed:</p> <ul style="list-style-type: none"> • A duplication of effort in 	Reasonable	June 2016

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
				<p>recording and monitoring officer time by maintaining manual spreadsheets when OPENContractor has the facility to do this.</p> <ul style="list-style-type: none"> • Ineffective budget monitoring due to the delay in income from OPENContractor hitting the financial ledger. • Fees are likely to need continuous review to ensure that sufficient trading income is generated. 		
Main Accounting	The primary functions of the section include, inter alia, preparation of the Authority's Budget Book, preparation of the Statement of Accounts, control of the Authority's main financial systems and the provision of training and support to finance staff and budget holders throughout the Authority.	March 2016	3	<p>The Control Risk Self-Assessment Questionnaire (CRSA) was issued to gain assurance.</p> <p>The completed CRSA Questionnaire was analysed by the Auditor where the results showed 100% positive responses which indicates that assurance can be gained as to the satisfactory operation of systems and the extent of controls which will adequately protect funds, assets and staff integrity.</p> <p>The comments did highlight the changes that have or will be taking</p>	Substantial	N/A

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
				<p>place which will impact this area.</p> <p>The recent restructure has now been completed and some staff are now undertaking new roles. Although this will take time to bed in it is recognised that Senior Staff have provided stability during this period.</p>		

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

SUMMARY OF 2015/16 AUDITS NOT UNDERTAKEN

1. Purpose of Report

- 1.1 To summarise for Members the audit work that was included on the 2015/16 Internal Audit plan that were not undertaken, together with an explanation.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives and other Corporate Priorities.

3. Background

- 3.1 Internal Audit conducts reviews according to an annual audit plan and reports findings to Audit Committee. Throughout the year priorities may be re-evaluated, ad hoc work requests are received and resources change. All of these have an impact on the ability to undertake some of the audits planned.

4. Current situation / proposal

- 4.1 A summary of the audits that were originally included in the Annual Audit Plan for 2015/16 but not undertaken is provided in the following table:

Directorate	Audit Area	CIA - Comments
Legal & Regulatory Services	Impact of Savings	Corporate review undertaken.
Children's	Youth Services	Now forms part of the Early Intervention Process. A separate review of this area may be undertaken in 2016/17.
	Schools Budgetary Control	Reviews undertaken in specific schools as opposed to across the board.
Wellbeing	IT – Draig / new integrated system	System now not being introduced until April 2016. Therefore it is envisaged that this will be included within the 2016/17 plan if resources are available.
Communities	Economic & Urban Regeneration	Key projects such as VVP were audited from within other areas of the 15/16 plan.
Resources	ICT Business Continuity & Disaster Recovery	Due to the lack of resources this review was not done.
	Overtime Payments	A corporate review of this was undertaken therefore it was felt an additional audit review was a duplication of effort. However, some specific testing was incorporated as part of a Highways audit.
Cross Cutting	Corporate Assessment	Input from Audit was not required due to timing of work by WAO.
	Data Quality	Due to the lack of resources this review was not done. It is anticipated this audit will be included within the 2016/17 plan.
	School Modernisation Programme	Due to the lack of resources this review was never undertaken. This has been incorporated into the 2016/17 plan.

5. Effect upon Policy Framework & Procedure Rules.

5.1 None

6. Equality Impact Assessment.

6.1 There are no equality implications.

7. Financial Implications.

7.1 There are no financial implications regarding this report.

8. Recommendation.

8.1 That the Committee notes this report.

Helen Smith
Chief Internal Auditor
21st April 2016

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Background Documents

None

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF INTERNAL AUDITOR AS THE HEAD OF AUDIT

ANNUAL OPINION REPORT OF THE HEAD OF INTERNAL AUDIT FOR THE PERIOD APRIL 2015 TO MARCH 2016

1. Purpose of Report.

- 1.1 To present to members of the Committee the Chief Internal Auditor as the Head of Internal Audit's annual opinion on the overall adequacy of the Council's internal control environment.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

- 2.1. Internal Audit's work impacts on all of the Corporate Improvement Objectives /other corporate priorities and without an audit assurance any assessment is incomplete.

3. Background

- 3.1 This report gives a brief description of the role of Internal Audit, the control environment within which Internal Audit operates and also provides a summary of work carried out during the period April 2015 to March 2016. A statement of our overall opinion on the internal control environment is also given in support of the Annual Governance Statement which the Council is required to include with the Statement of Accounts.
- 3.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources.
- 3.3 The control environment comprises the organisation's policies, procedures and operations in place to:
 - Establish and monitor the achievement of the organisation's objectives;
 - Identify, assess and manage the risks to achieving the organisation's objectives;
 - Facilitate policy and decision making;
 - Ensure the economical, effective and efficient use of resources;
 - Ensure compliance with established policies, procedures, laws and regulations;
 - Safeguard the organisation's assets and interests from losses of all kind, including those arising from fraud, irregularity or corruption.
- 3.4 One of the main aims of the Section is to provide assurance on the Council's overall system of internal control. This is achieved in part through delivery of the Annual Audit Plan which is designed to address:

- Requirements of the Audit Committee;
- Delivery of a scheduled programme of audits on a risk based needs assessment, identified through consultation with service managers;
- Support the Section 151 Officer in discharging their statutory duties.

4. Current situation / proposal

4.1 Attached at **Appendix A and B** is a detailed report (including the outturn for April 2015 to March 2016) on the work undertaken by Internal Audit during this period. The purpose of this report is to satisfy the requirements of the Accounts and Audit (Wales) Regulations 2014 as amended and the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards. The Standards specifies that the following information should be forthcoming:

- Include an opinion on the overall adequacy and effectiveness of the organisation's control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies;
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets;
- Comment on compliance with the Standards;
- Communicate the results of the internal audit quality assurance programme.

4.2 The opinion contained within the report relates to the system of internal control at the Council and the overall control environment in place. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate / service policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

4.3 On the basis of internal audit work undertaken during the period April 2015 to March 2016 and taking into account all available evidence, it is the opinion of the Head of Internal Audit that a satisfactory assurance level can be applied to standards of internal control at Bridgend CBC for the period stated.

5. Effect upon Policy Framework & Procedure Rules.

5.1. None

6. Equality Impact Assessment.

6.1. There are no equality issues.

7. Financial Implications.

7.1. None

8. Recommendation.

- 8.1. That Members give due consideration to the Head of Internal Audit's Annual Opinion covering the period April 2015 to March 2016 to ensure that all aspects of their core functions are being adequately reported.

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Chief Internal Auditor
21st April 2016

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Background Documents

None

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**Bridgend and Vale Internal Audit Service: Head of Internal Audit's Outturn Report April 2015 to March 16
Bridgend County Borough Council.**

Executive Summary

This report provides a summary of the work completed by the Bridgend and Vale Internal Audit Shared Service for the year covering the period April 2015 to March 2016 and provides the Head of Audit's annual opinion on the Council's framework of governance, risk management and internal control. Therefore, based on our work carried out for the year, my overall opinion is that the Council's framework of governance, risk management and control is considered to be reasonable.

Introduction

The aim of the Shared Service is to help both Councils meet high standards of service delivery. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources. The Shared Service supports the Audit Committees in discharging their responsibilities for:

- Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2015.
- Supporting the Director of Resources with her delegated responsibility for ensuring arrangements for the provision of an adequate and effective internal audit.
- Monitoring the adequacy and effectiveness of the Internal Audit Shared Service and Director's / Heads of Service responsibilities for ensuring an adequate control environment.

- Supporting the Director of Resources in discharging her statutory responsibilities under Section 151 of the Local Government Act 1972.
- Ensuring that the Council's External Auditor in relation to our work on the main financial systems audits can place reliance on this.

Definition of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Source:- Public Sector Internal Audit Standards).

Statutory Framework

Internal Audit is a statutory requirement for local authorities. There are two principal pieces of legislation that impact upon internal audit in local authorities; these are:-

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
- Section 5 of the Accounts and Audit (Wales) Regulations 2015 states that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

All principal local authorities subject to the Accounts and Audit (Wales) Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

Audit Committee

It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In addition, Internal Audit provides a key source of assurance to the Committee as to whether controls are operating effectively.

External Audit

The Council's External Auditor examines the work of Internal Audit on an annual basis in order to place reliance on this work when undertaking their audit work on the Council's Financial Statement of Accounts. The Council's External Auditors have now changed to the Wales Audit Office for 2015/16 onwards.

Public Sector Internal Audit Standards (PSIAS)

The Standards the Internal Audit Shared Service works to are the Public Sector Internal Audit Standards. These standards set out:

- The definition of internal auditing;
- Code of ethics.

- International standards for the professional practice of internal auditing. These standards cover the following areas:
 - Purpose, authority and responsibility.
 - Independence and objectivity;
 - Proficiency and due professional care;
 - Quality assurance and improvement programme;
 - Managing the internal audit activity;
 - Nature of work;
 - Engagement planning;
 - Performing the engagement;
 - Communicating results;
 - Monitoring progress;
 - Communicating the acceptance of risks.

The PSIAS apply to all internal audit service providers, whether in-house or outsourced. During 2014-15 a self-assessment was undertaken to review our compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no areas of non-compliance. The Council's External Auditors are undertaking a desk top assessment of compliance and the results are expected shortly. It is anticipated that during 2016/17 the Shared Service will undergo an external assessment as required by the standards.

Internal Audit Coverage – April 2015 to March 2016

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides.

Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit Plan for 2015/16 is based, to a large extent, on the Council's Corporate Risk Register. This was complemented by:

- Priorities identified by Corporate Directors;
- Heads of Service key risks,
- The requirements of the Council's Section 151 Officer;
- External Audit and
- Those concerns / issues raised by Internal Audit in previous audits and our knowledge of potentially high-risk areas.

The Plan was submitted and approved by the Council's Audit Committee on 16th April 2015. The plan provided for a total commitment of 1,296 productive days for the year. Table 1 below provides the outturn for the service for the year April 2015 to March 2016 and further detail is provided in Appendix B. The current structure for the Shared Service comprises of 18.5 Full Time Equivalent employees (FTE's), which provides for a comprehensive Internal Audit Service to both the Vale of Glamorgan and Bridgend County Borough Councils. The Head of Audit aims to achieve best practice, but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work. At the commencement of this financial year, the service was carrying 2.5 vacant FTE posts. At the end of this financial year, this has increased to and the service is now carrying 4 vacant FTE posts.

Table 1 – Productive outturn for the period April 2015 to March 2016

Directorate	2015/16 Full Year Plan Days	Full Year 2015-16 Actual Days	2014-15 Total Plan Days	2014-15 Actual Days Achieved
Resources	355	383	365	457
Legal and Regulatory Service	80	53	85	71
Children (Including Schools)	155	140	215	131
Communities	155	166	125	143
Wellbeing	130	161	125	47
Cross Cutting – Including External Client, Unplanned and Fraud and Error	421	377	395	377
Total	1,296	1,280	1,310	1,226

As can be seen from the table above, the actual outturn for the Section shows that the overall productive days originally planned have not been achieved; there is a slight shortfall of 16 productive days. The Table further shows that the proportion of productive days achieved only slightly vary from that expected by Directorate activity. It is pleasing to report that the Section has managed to improve on productivity and address the significant shortfall reported to Audit Committee in November 2015 where the number of productive days for the period was less than that expected by 75 days. Taking into consideration that the Section has been carrying a number of vacant posts during the year, the overall productive days actually achieved have exceeded that expected.

A total of 102 reviews have been completed, 78 (76%) of which have been closed with either a substantial or reasonable assurance opinion level. 4 reviews (4%) have identified weaknesses in the overall control environmental; with one recording that no assurance could be placed on the control environment, it should be noted that this relates to a specific investigation. Of the remaining 20 (20%) 14 although necessary, they did not culminate in an overall audit opinion and 6 have been carried forward into 2016/17.

Internal Control Weaknesses

There are no significant cross cutting internal control weaknesses identified which would have an impact on the Council's Annual Governance Statement. However, there were service specific weaknesses identified and these relate to:-

- **School Agency Staff procurement** – key issues: - low use and low appetite to use approved provider; no monitoring of spend / usage and lack of supporting information to verify saving projections.
- **ICT Review CCYD** – key issues: - no business case to support the considerable investment in technological solution and that would explain the benefits that would be gained by investing such a considerable amount of money in ICT. Therefore, the investment cannot be scrutinized to establish whether it has been successful or demonstrate value for money in an objective way.
- **Section 117** – key issues: - Integration between service/operational and finance processes need to improve; evidence of the decisions made by the Complex Case Panel was not available at the time of audit testing; no current register of delegated officers and their respective financial limits exists within Adult Social Care and the current temporary funding arrangement of S117 packages needs to be reviewed to agree future apportionment.
- **School Credit Card use (one Primary school)** – key issues:- The report highlighted fundamental weaknesses in controls surrounding the Procurement Card and Private Funds account operated by the school and managed by the Head teacher that resulted in 13 recommendations for improvement being made. A follow up review was undertaken in March 2106 which identified that 10 of the significant recommendations have been fully implemented and the remaining 3 are progressing as expected; therefore reasonable assurance can now be placed on the overall internal control environment.

Our overall opinion on a system is based on both the materiality and impact of the system and our opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in Table 2 below:

Table 2.

SYSTEM CONTROL		MATERIALITY AND IMPACT		
		HIGH	MEDIUM	LOW
1	Satisfactory	Moderate	Minimal	Minimal
2	Reasonable	Moderate	Moderate	Minimal
3	Limited – Significant Improvements required	Of Concern	Moderate	Moderate

4	No Assurance – Fundamental weaknesses identified.	Significant	Of Concern	Moderate
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Therefore, having regards to the reviews completed so far to-date and the overall opinions given, my overall opinion is the Council's overall internal control arrangements are considered to be **reasonable**, resulting in a "**minimal**" level of risk.

Audit Recommendations – 2015/2016

Following each audit, report recipients are asked to complete an action / implementation plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions. For the year, Internal Audit has made a total of 58 recommendations, of which management has given written assurance that all of these will be implemented.

From time to time and where it is deemed appropriate to do so; Merits Attention recommendations will be made; by their very nature they relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. To this end, these recommendations are not included on the Management Implementation Plan or logged on the Internal Audit Management Information system. Therefore a formal written response is not required from the client or included in the table below.

Table 3.

2015 -16 Recommendation Priority	No. Made	No. Agreed	No. Implemented	No. not Yet due to be actioned	No. Over due action date
			Complete	Pending	Outstanding
Fundamental (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	7	7	7	0	0
Significant (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	51	51	36	7	8

Total	58	58	43	7	8
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Table 4.

Analysis of Overdue Implementation of Recommendations for 2015-16	No. Overdue	One month overdue Target date	Two months overdue target date	Three or more months overdue target date
		Amber	Amber	Red
Fundamental (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	0	0	0	0
Significant (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	8	8	0	0
Total	8	8	0	0

Audit Recommendations – 2014/2015

At the year-end 2014/15 a number of recommendations remain outstanding and these are being actively followed up in accordance with normal procedures and processes.

There are three status levels for recommendations made by the Internal Audit Shared Service:-

- Complete – the audit recommendations have been fully implemented;
- Pending – the agreed date for implementation has not yet been reached (Green Status);
- Outstanding – the agreed date for implementation has not been complied with; which are then given a RAG status (Red – 3 months or more passed the action date; Amber – one to two months passed the action date).

Failure to implement agreed recommendations may have a detrimental effect on the Council's internal control environment and any shortcomings will adversely impact on the audit opinion and could warrant reporting in the next Annual Governance Statement. The table shows the status of recommendations outstanding from 2014/15.

Table 5.

Analysis of Overdue Implementation of Recommendations for 2014-15	No.	No. Green Status (Pending)	No. Amber Status (one -two months overdue)	No. Red Status (three or more months overdue)
Fundamental (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	0	0	0	0
Significant (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	18	9	9	0
Total	18	9	0	0

Internal Audit - Successes

Some of our successes so far this year include:

- Internal Audit Plans for 2015/16 have been approved by both Audit Committees and Corporate Management in a timely manner.
- We continue to provide an excellent internal audit provision to both Bridgend County Borough Council and the Vale of Glamorgan Council, so much so that both Audit Committees have supported the proposal to extend the Shared Service Partnership Agreement for a further two years until 31st January 2018; which has been approved by both Cabinets.
- We continue to support staff in obtaining professional qualification including CIPFA - Corporate Governance, Institute of Internal Auditors (IIA) and the Association of Accounting Technicians (AAT) as well as continuing professional development (CPD).

- We continue to build on our excellent working relationship with Members, Chief Officers and staff within both Councils.
- The Section now has a fully qualified Practitioner in Project Management (Prince 2).
- One of the Section's trainees has just qualified as a Certified Information Systems Auditors (CISA) qualifying in the top 5% worldwide.
- We supported the Councils during the Corporate Assessment.
- We have just concluded the pilot with Newport Council on the provision of Computer Audit Services and are looking to extend this to Cardiff Council in the near future.

Resources, Qualifications and Experience

The Head of Internal Audit requires appropriate resources at their disposal to undertake sufficient work to offer an independent opinion on the Council's internal control environment. This is a fundamental part of the Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in April 2015; based on a provision of 1,296 productive days.

The Vale of Glamorgan Council leads the Bridgend and Vale Internal Audit Shared Service and provides all internal audit services to its partner Bridgend County Borough Council. As at the 1st April 2015 the staffing structure is listed in table 6 below.

Table 6

2015-16 Staffing Structure	FTE
Operational Manager Audit - Head of Audit	1
Principal Auditor	2
Group Auditor	2
Group Auditor (Information Systems)	1
Auditor (3 posts are vacant at present)	10
Trainee Auditor	1
Trainee Auditor (Information Systems)	1
Administrative Assistant	0.5
Total	18.5

The total resource of 18.5 Full Time Equivalents (FTE's) provides for a comprehensive Internal Audit Service. The Head of Audit aims to achieve best practice but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work. At the commencement of this financial year the Section was carrying 2.5 vacant posts, and has finished the year carrying 4 vacant full time equivalent posts.

In accordance with the Public Sector Internal Audit Standards; the Head of Audit must ensure that Internal Auditors possess the knowledge, skills and competencies needed to perform their individual responsibilities. Internal Auditors are therefore encouraged to study for and obtain professional qualifications. In addition, it is a requirement of the standard that the Head of Audit must hold a professional qualification and be suitably experienced. The following information outlined in table 7 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

Experience and Qualifications

Table 7

No of Years Experience	Auditing	In Local Government		Professional Qualifications	No of Staff.
Up to 1 year	0	0		Accountants (CIPFA; FCCA; ICAEW)	3
1 to 2 years	1	1		Certified Information Systems Auditor (CISA)	2
2 to 5 years	4.5	2.5		Institute of Internal Auditors – full membership and Prince2 Practitioner	1
5 to 10 years	4	7		Institute of Internal Auditors – practitioner level; part qualified or audit certificate	2
Over 10 years	5	4		Association of Accounting Technicians (AAT)	1.5
				Part Qualified AAT	3
				Studying (CISA, AAT, IIA, CIPFA etc.)	2
Total Staff	14.5	14.5		Total	14.5

All staff are encouraged to attend relevant courses and seminars to support their continual professional development. All staff have the opportunity to attend courses run by the Welsh Chief Auditors Group on a diverse range of topics. Individuals keep records of their continuing professional development based on their professional body requirements.

Internal Audit – Other Activities

- **Anti-Fraud** – the Internal Audit Shared Service continues to assist in promoting an anti-fraud and corruption culture.
- **National Fraud Initiative** – The Council, via Internal Audit, has again participated in the National Fraud Initiative (NFI) as part of the statutory external audit requirements. This brings together data from across the public sector including local authorities, NHS, other government departments and other agencies to detect “matches” i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.
- **Advice and Guidance** – Internal Audit continues to provide advice and guidance both during the course of audits and responding to a wide range of ad-hoc queries.
- **Attendance at and contribution to, working groups etc.**, The Section continues to contribute to the development of the Council and ensuring that we are up to date with best practice by attending the following:-
 - Audit Committee;
 - Scrutiny Committees (as required);
 - Cabinet (as required);
 - Corporate Management Board / Team (as required);
 - The Welsh Chief Auditors Group and all its sub-groups (including South Wales Computer Audit Group; South East Education Audit Group; Social Services Audit Group).
- **Investigation Work** – We continue to support Senior Management in providing resources and expertise in investigating allegations of fraud and misappropriation.

Internal Audit – Review of Performance Management and Quality Assurance Framework

The Public Sector Internal Audit Standards requires that the Head of Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The section has a “Quality Assurance and Improvement Programme (QAIP) that has been presented to, and approved by, the Audit Committee.

1. **Performance Management** – the section’s key performance indicators are set out in the section below.

2. Quality Assurance – each individual audit report and supporting working papers / documents are reviewed by either a Principal Auditor or the Head of Audit. Appropriate standards have been set by the Head of Internal Audit in accordance with the Standards. The file reviews ensure the audits comply with the Section’s internal processes and procedures and the overall Public Sector Internal Audit Standards. Where necessary corrective action is taken.

Internal Audit – Performance Indicators

The Section has one key indicator as follows:

- **The Percentage of Audits Completed in Planned Time**

Table 8

Justification of this performance indicator: to ensure that Internal Audit provides sufficient coverage to ensure that the requirements of the Council’s Section 151 Officer and External Audit are met and that Internal Audit can give sufficient assurance to the Audit Committee regarding the Council’s system of internal control, risk management and governance arrangements.	
Full Year Target: 89.6%	April 2015 to March 2016 Achievement: 92.55% Vale 86.58% BCBC Total audits completed 176 Total completed within planned time 158 Overall Percentage = 89.77%
Therefore from the number of audits completed in the three quarters combined for both Councils; the target has been exceeded. 😊	
The Section has started the year with 2.5 vacant posts and has finished the year carrying 4 vacant posts.	

The Section also participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2014/15 have only just been published and are as follows:

Table 9

Performance Indicator 2014/2015	IASS Performance For the BCBC	Overall Average Performance 2014/15	Overall Average Performance 2013/14
Percentage of Planned Audits Completed	98%	84%	80%
Number of Audits Completed	113	111	126
Percentage of Audits Completed in Planned Time	89%	71%	71%
Percentage of directly chargeable time, actual versus planned	94%	88%	94%
Average number of days from audit closing meeting to issue of draft report.	9 days	8.2 days	9.5 days
% of staff leaving during the Financial Year	10%	11%	22%

As can be seen from the table above, the Section is performing well. This, together with our overall performance indicators for the service provided to the Vale of Glamorgan Council places us once again in the top quartile.

Governance Arrangements

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controls its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Good Governance is about doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.

Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last six years. The Code of Governance is based upon the six principles as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Society of Local Authority Chief Executives (SOLACE) and incorporates the “Making the Connections” governance principles and values as set out by the Welsh Government.

The COCG also makes provision for a joint commitment by Members and Officers to the principles it contains, as well as a statement of assurance jointly signed by the Leader of the Council and the Chief Executive. This helps to ensure that the principles of good governance are not only fully embedded but also cascade through the Council and have the full backing of the Leader of the Council and elected Members, as well as the Chief Executive and the Corporate Management Board. The work of the Internal Audit Shared Service represents a fundamental function in delivering the Council’s Corporate Governance responsibilities.

Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2016-17 and 2019-20, the Council is expecting to have to make budget reductions of up to £35.5 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about what services can be maintained and what cannot.

The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.

During 2015/16 the Council was subject to two significant pieces of assessment work both of which were undertaken on behalf of the Auditor General for Wales.

The Financial Resilience Assessment was undertaken during May to October 2015 and focused on delivery of the 2014/15 savings plans and the 2015/16 financial planning period. The assessment considered whether the Council has appropriate arrangements in place to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the Council over an annual cycle, financial pressures impact beyond the current settlement period. When reaching their view, the auditors considered evidence of the Council’s approach to managing its finances in the recent past and over the medium term. The work focused on answering the following question: **Is Bridgend CBC managing budget reductions effectively to ensure financial resilience?** Whilst also considering whether:

- **financial planning arrangements effectively support financial resilience;**
- **financial control effectively supports financial resilience; and**
- **financial governance effectively supports financial resilience.**

Overall the assessment concluded that **“Whilst the Council faces significant financial challenges, its current arrangements for achieving financial resilience are sound”**.

In addition to the above, the Council was also subject to a Corporate Assessment. The purpose of the corporate assessment is to provide a position statement of an improvement authority’s capacity and capability to deliver continuous improvement. It will, by its nature, consider an authority’s track record of performance and outcomes as well as examining the key arrangements that are necessary to underpin improvements in services and functions. The fieldwork focused on the extent to which arrangements are contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question. **“Is the Council capable of delivering its priorities and improved outcomes for citizens”**.

As a result of this work, the Auditor General has concluded that: **The Council is developing appropriate plans for the future and is well placed to secure improvement**. The Auditor General came to this conclusion because the Council:

- is consulting on key strategic themes designed to improve its focus on priority activity for the future;
- has effective governance arrangements in place to support improvement and drive change;
- has performance management arrangements that are driving improvement in key service areas but the way in which performance evaluation is presented is inconsistent;
- strong financial and asset management arrangements are in place but the Council has not yet established a vision for the way in which human resource and ICT services will be delivered in the future and;
- collaborates across a wide range of activities and whilst it is able to identify improved outcomes from some activities it is not yet able to evaluate the impact of Local Service Board activity.

As stated earlier in the report, based on the work completed by the Internal Audit Shared Service for the year; no significant cross cutting control issues have been identified that would impact on the Council’s Annual Governance Statement. The weaknesses that have been identified are service specific and the recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

One issue that has been brought to the attention of the Head of Audit is that the Council’s Corporate Director – Resources and Section 151 Officer will be leaving the Authority in the middle of April 2016. The role of Section 151 Officer (Chief Finance Officer) is one of the key statutory functions. In CIPFA’s Publication – The Role of the Chief Finance Officer it states that a CFO must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest. It also states that it is necessary to ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role and they must have a good understanding

of the principles of financial management, and personally set a tone for the authority that finance matters and is a key part of everyone's job throughout the authority. It is therefore for the Head of Paid Service (Chief Executive) to ensure a suitable replacement, who fulfils these requirements, is appointed to the role of Chief Finance Officer as quickly as possible together with a suitable deputy of the same caliber to ensure the Council remains compliant with the Local Government Act 1972 at all times.

It is clear that the scale of the challenges to come will mean that "business as usual", however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. Therefore, as the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery; there is a need to ensure that the control environment; including governance and risk management; remains robust, proportionate and is as efficient and effective as possible.

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<u>Cod</u>	<u>Job</u>	<u>Job Name</u>	<u>Days</u>	<u>Budget</u>	<u>Date Commenced</u>	<u>Date Closed</u>	<u>Opinion</u>
ASSURANCE							
	Directorate	RESOURCES					
	517 BCBC - Virtualisation		15.47	16.00	01/04/2015	03/11/2015	Reasonable
	518 BCBC - End Point Security		19.16	20.00	01/04/2015	24/08/2015	Reasonable
	527 BCBC - Timesheets		12.11	15.00	01/04/2015	22/09/2015	Reasonable
	539 BCBC - CAATS/ Report Development		1.22	5.00	01/04/2015	31/03/2016	N/A
	542 BCBC - Information Governance Board		1.28	3.00	01/05/2015	31/03/2016	Reasonable
	544 BCBC - Built Environment Process Review		36.36	37.00	01/06/2015	17/11/2015	Reasonable
	548 BCBC - Debtors		17.60	20.00	26/06/2015	31/03/2016	Substantial
	549 BCBC - Absence Management		24.93	25.00	25/06/2015	31/03/2016	Reasonable
	550 BCBC - ICT Back -Ups		17.80	18.00	26/06/2015	05/01/2016	Substantial
	551 BCBC - Northgate Revs & Bens		17.64	10.00	01/07/2015	16/03/2016	Reasonable
	553 BCBC - Banking Contract		13.75	25.00	01/07/2015	15/09/2015	Substantial
	558 BCBC - Built Environment Fees & Charges		23.40	25.00	10/08/2015	17/03/2016	Reasonable
	564 BCBC- DBS		22.09	20.00	07/09/2015	31/03/2016	Reasonable
	565 BCBC - BACS Process (Payroll)		6.15	6.50	21/09/2015	08/01/2016	Reasonable
	567 BCBC - Health & Safety		11.59	12.00	23/09/2015	31/03/2016	Reasonable
	568 BCBC - Asset Disposals		21.76	20.00	24/09/2015	15/03/2016	Substantial
	570 BCBC - COA System Review		11.35	10.00	28/09/2015	31/03/2016	Reasonable
	571 BCBC - Housing Benefits		10.57	11.00	28/09/2015	06/01/2016	Reasonable
	573 BCBC - Firewalls		1.45	10.00	05/10/2015	31/03/2016	Carry Forward
	576 BCBC - CRC Return		10.24	12.00	05/10/2015	15/12/2015	Substantial
	586 BCBC - Business Support		49.22	50.00	04/11/2015	31/03/2016	Reasonable
	601 BCBC - Treasury Management		5.27	6.00	18/01/2016	10/03/2016	Substantial
	602 BCBC - Cash Control		2.60	5.00	18/01/2016	31/03/2016	Substantial
	604 BCBC - NNDR		5.03	10.00	29/01/2016	31/03/2016	N/A
	605 BCBC - Creditors		4.36	15.00	04/02/2016	31/03/2016	Carry Forward
	608 BCBC - Highway Network Asset Valuations		8.31	10.00	08/03/2016	31/03/2016	Reasonable
	609 BCBC - Main Accounting (CRSA)		2.09	5.00	24/02/2016	17/03/2016	Substantial
Total	Directorate	RESOURCES	372.82	421.50			
	Directorate	LEGAL & REGULATORY SERVICES					
B	529 BCBC - Money Laundering		13.18	10.00	01/04/2015	22/09/2015	Reasonable
	585 BCBC - Contracts Letting		25.16	26.00	05/10/2015	31/03/2016	Reasonable
	591 BCBC - E- Approval Process		14.66	15.00	16/11/2015	15/01/2016	Substantial
Total	Directorate	LEGAL & REGULATORY SERVICES	53.00	51.00			

	Directorate	CHILDREN					
B		520 BCBC - Schools Summary Report 14-15	5.78	5.00	21/04/2015	09/09/2015	Reasonable
		521 BCBC - Central Pupil Database	14.22	15.00	27/04/2015	02/11/2015	Reasonable
		528 BCBC - Learners Transport Project	11.96	10.00	01/04/2015	01/10/2015	Substantial
		556 BCBC - School Agency Staff Procurement	21.15	22.00	17/07/2015	31/03/2016	Limited
		557 BCBC Early Intervention & Prevention	9.93	15.00	03/08/2015	01/03/2016	Reasonable
		562 BCBC - Archbishop McGrath School	6.79	10.00	17/09/2015	15/01/2016	Reasonable
		581 BCBC - Inclusion Service	22.13	23.00	08/10/2015	22/03/2016	Reasonable
		582 BCBC - CRSA Issued	11.99	15.00	19/10/2015	31/03/2016	Reasonable
		583 BCBC - CCYD ICT Review	11.55	12.00	22/10/2015	31/03/2016	Limited
		588 BCBC - Leaving Care	13.61	15.00	03/11/2015	31/03/2016	Reasonable
		596 BCBC - 14-19 Learning Pathways Grant	10.10	10.00	16/11/2015	12/02/2016	Reasonable
		598 BCBC - 6th Form & Adult Ed Grant	0.91	2.00	21/12/2015	29/01/2016	N/A
Total	Directorate	CHILDREN	140.14	154.00			
	Directorate	COMMUNITIES					
B		530 BCBC - Waste Disposal / Collections	15.20	20.00	01/04/2015	12/08/2015	Reasonable
		543 BCBC - Supporting People Grant	6.93	7.00	10/06/2015	15/09/2015	Reasonable
		546 BCBC - Highways Maintenance	19.53	20.00	16/06/2015	03/12/2015	Substantial
		577 BCBC - Tranman & Triscan System Review	33.28	34.00	01/10/2015	31/03/2016	Reasonable
		587 BCBC - Attestation Certificate	4.73	5.00	03/11/2015	16/12/2015	Substantial
		589 BCBC - Concessionary Travel Passes	16.25	15.00	03/11/2015	31/03/2016	Reasonable
		606 BCBC - Homelessness	6.39	15.00	01/02/2016	31/03/2016	Carry Forward
Total	Directorate	COMMUNITIES	102.30	116.00			
	Directorate	WELLBEING					
B		523 BCBC - Bus Services Support Grant	13.82	14.00	01/04/2015	30/07/2015	Reasonable
		526 BCBC - Home Care - Domiciliary Care	35.78	36.00	01/04/2015	31/03/2016	Reasonable
		561 BCBC - Assessment Framework Pay Process	12.36	10.00	17/09/2015	31/03/2016	Reasonable
		566 BCBC - ARC	15.83	15.00	05/10/2015	31/03/2016	Reasonable
		574 BCBC - Comm Care Info Sys Review	0.91	15.00	05/10/2015	28/10/2015	N/A
		592 BCBC - Section 117	19.19	20.00	23/11/2015	11/03/2016	Limited
		600 BCBC - Occupational Therapist	9.90	20.00	20/01/2016	31/03/2016	Carry Forward
Total	Directorate	WELLBEING	107.79	130.00			
	Directorate	BCBC CROSS CUTTING					
B		505 BCBC - Advice & Guidance Resources	11.28	10.00	01/04/2015	31/03/2016	N/A
		506 BCBC - Advice & Guidance - L&R	1.82	5.00	01/04/2015	31/03/2016	N/A
		507 BCBC - Advice & Guidance Communities	3.21	5.00	01/04/2015	31/03/2016	N/A

	508 BCBC- Advice & Guidance SS & Wellbeing		2.67	5.00	01/04/2015	31/03/2016	N/A
	509 BCBC - Advice & Guidance Children's		1.76	5.00	01/04/2015	31/03/2016	N/A
	510 BCBC - Audit Committee / CMB		42.53	50.00	01/04/2015	31/03/2016	Reasonable
	511 BCBC - Audit Planning		41.52	35.00	01/04/2015	31/03/2016	N/A
	512 BCBC - Finalising jobs 2014-15		14.70	20.00	01/04/2015	20/07/2015	N/A
	513 BCBC - C/F ICT Business Continuity		1.05	2.00	01/04/2015	02/07/2015	Reasonable
	514 BCBC - C/F External Inspections		7.36	7.50	01/04/2015	23/07/2015	Reasonable
	515 BCBC - C/F Payroll		19.22	20.00	01/04/2015	30/06/2015	Reasonable
	516 BCBC - C/F S106		1.01	2.00	01/04/2015	27/05/2015	Substantial
	524 BCBC - Lone Worker Follow Up		5.07	6.00	01/04/2015	19/06/2015	Reasonable
	525 BCBC - Pencoed Library Follow up		2.97	3.00	01/04/2015	08/06/2015	Reasonable
	536 BCBC - IA Benchmarking & PIs		4.86	5.00	01/04/2015	24/07/2015	N/A
	537 BCBC - CMB and Resources SMT		10.88	15.00	01/04/2015	31/03/2016	N/A
	538 BCBC - Homelessness Grant Certification		10.00	10.00	11/05/2015	24/07/2015	Reasonable
	541 BCBC - IASS Monitoring		12.09	15.00	11/05/2015	31/03/2016	Reasonable
	545 BCBC - Brynteg School Follow up		7.87	8.00	11/06/2015	09/10/2015	Reasonable
	559 BCBC - Maesteg Comp. Financial Systems		5.95	6.00	03/09/2015	09/12/2015	Reasonable
	580 BCBC - Minor Adaptations		15.68	16.00	08/10/2015	31/03/2016	Reasonable
	584 BCBC - Fraud & Error arrangements review		5.51	6.00	05/10/2015	31/03/2016	Reasonable
	590 BCBC - Coychurch Crematorium		9.53	10.00	16/11/2015	19/02/2016	Substantial
	594 BCBC - Transformation Programme		9.56	10.00	24/11/2015	04/02/2016	Reasonable
	599 BCBC - Cwm Garw School Follow up		1.52	2.00	12/01/2016	21/03/2016	Reasonable
	607 BCBC - Compliance with PSIAS		0.03	5.00	03/03/2016	31/03/2016	Carry Forward
Total	Directorate	BCBC CROSS CUTTING	249.66	283.50			
	Directorate	EXTERNAL					
B	593 BCBC - Awen Trust		8.75	10.00	12/11/2015	15/01/2016	Reasonable
Total	Directorate	EXTERNAL	8.75	10.00			
	Directorate	RESOURCES					
B	603 BCBC - Council Tax		9.32	10.00	28/01/2016	31/03/2016	Reasonable
Total	Directorate	RESOURCES	9.32	10.00			
Total	Function	ASSURANCE	1,043.78	1,176.00			
		ANTI-FRAUD & CORRUPTION					
	Directorate	BCBC CROSS CUTTING					
B	540 BCBC - NFI		21.32	25.00	01/04/2015	31/03/2016	Reasonable
	563 BCBC - Credit Card Issue CG School		6.42	7.00	17/09/2015	04/01/2016	No Assurance
Total	Directorate	BCBC CROSS CUTTING	27.74	32.00			

Total	Function	ANTI-FRAUD & CORRUPTION	27.74	32.00			
		GOVERNANCE					
	Directorate	COMMUNITIES					
B	531 BCBC - Communities First		16.15	17.00	01/04/2015	22/10/2015	Substantial
	532 BCBC - Planning		18.21	20.00	01/04/2015	23/02/2016	Substantial
Total	Directorate	COMMUNITIES	34.36	37.00			
	Directorate	WELLBEING					
B	552 BCBC - Safeguarding		24.32	25.00	06/07/2015	03/11/2015	Reasonable
	555 BCBC - Leisure Contract Review		8.31	15.00	15/07/2015	15/12/2015	Substantial
	560 BCBC - Harbour Operation		20.47	21.00	07/09/2015	31/03/2016	Reasonable
Total	Directorate	WELLBEING	53.11	61.00			
	Directorate	BCBC CROSS CUTTING					
B	522 BCBC - Governance Review		16.96	20.00	01/04/2015	17/06/2015	Reasonable
	533 BCBC - VVP		27.50	30.00	01/04/2015	31/03/2016	Reasonable
	569 BCBC - Corporate Assess. Working Groups		2.76	5.00	24/08/2015	30/10/2015	N/A
	575 BCBC - Final Accounts		2.60	4.00	01/10/2015	31/03/2016	Reasonable
	578 BCBC- Capital Prog Children's Minor Work		10.98	15.00	01/10/2015	31/03/2016	Reasonable
	579 BCBC - School Modernisation Programme		7.97	15.00	01/10/2015	31/03/2016	Carry Forward
	597 BCBC - Project Management COA Migration		3.85	4.00	07/12/2015	31/03/2016	Reasonable
Total	Directorate	BCBC CROSS CUTTING	72.62	93.00			
Total	Function	GOVERNANCE	160.09	191.00			
		RISK & PERFORMANCE MANAGEMENT					
	Directorate	COMMUNITIES					
B	519 BCBC - Subsidised Bus Services		15.03	10.00	15/04/2015	24/08/2015	Reasonable
	572 BCBC - Project Management Street Scene		14.46	15.00	28/09/2015	31/03/2016	Reasonable
Total	Directorate	COMMUNITIES	29.49	25.00			
	Directorate	BCBC CROSS CUTTING					
B	534 BCBC - Access to Records - SAR's		9.83	10.00	01/04/2015	22/09/2015	Reasonable
	547 BCBC - Data Sharing		9.32	8.00	06/04/2015	31/03/2016	Reasonable
Total	Directorate	BCBC CROSS CUTTING	19.16	18.00			
Total	Function	RISK & PERFORMANCE MAN	48.65	43.00			

Grand 1,280.25

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

DRAFT INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2016 TO MARCH 2017

1. Purpose of Report.

1.1 To present to the Committee the Council's draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for the year April 2016 to March 2017.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

2.1. Internal Audit's work impacts on all of the Corporate Improvement Objectives / other Corporate Priorities.

3. Background

3.1. It is important for Internal Audit to plan effectively to ensure that they contribute to the Council's objectives at both strategic and operational levels. Planning enables Internal Audit to demonstrate both internally and externally that they are making best use of scarce resources.

3.2. Effective planning is one of the Standards contained within the Public Sector Internal Audit Standards (PSIAS) and against which our external auditors assess us. It is from this overall assessment of internal audit's annual programme of work and the contribution that this makes to the overall control environment of the Authority that our external auditors will draw the necessary assurances they need.

4. Current situation / proposal

4.1. Internal Audit Planning is not an exact science but it is felt that the proposed draft risk based plan for 2016/17 strikes a good balance between the risks identified, the internal audit resources available and the assurance work being carried out by other agencies. Therefore the plan provides for 1,053 productive days being delivered during 2016/17 which equates to approximately 6 full time equivalent employees.

4.2. Attached at **Appendix 1** is the draft Internal Audit Strategy document for 2016-17. It demonstrates how the Internal Audit Section will be delivered and developed in accordance with our Terms of Reference and how it links to the Council's objectives and priorities. The Strategy will be reviewed and updated annually in consultation with stakeholders namely the Audit Committee, Corporate Management Board, External Auditors and senior management.

4.3. The 2016/17 draft Annual Risk Based Audit Plan of work has been formulated to ensure compliance with the Standards as contained within the PSIAS. In order to keep Members of the Audit Committee fully informed, and to ensure compliance

with Standards for Internal Audit the draft detailed plans for each Directorate is included within **Appendix A to F**.

5. Effect upon Policy Framework& Procedure Rules.

5.1. There is no effect upon the policy framework and procedure rules

6. Equality Impact Assessment.

6.1. There are no equality implications.

7. Financial Implications.

7.1. There are no financial implications as a result of this report.

8. Recommendation.

8.1. The Committee is recommended to consider and approve the draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2016/17.

Helen Smith
Chief Internal Auditor
21st April 2016

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Postal Address

Bridgend County Borough Council
Internal Audit
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CF31 3NA

Background Documents

None

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



**INTERNAL AUDIT SHARED SERVICE
STRATEGY AND DRAFT ANNUAL AUDIT PLAN**

2016 – 2017

Bridgend CBC

1. Introduction

- 1.1 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the Annual Governance Statement. The purpose of this document is to provide a detailed Internal Audit Shared Service Risk Based Plan for 2016-2017.
- 1.2 The audit plan is in order to ensure that the risks facing the Council are adequately addressed and internal audit resources are effectively utilised. The standards for “proper practice” in relation to internal audit are laid down in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 Internal Audit has drawn their risk assessment from a wide range of sources including the Council’s Corporate Risk Register, Internal Audit risk assessment models and Directorate’s Business Plans and management meetings. The risk assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to the Council by providing assurance to the Council’s Audit Committee on controls over key risks. This document sets out the responses as internal auditors to those risks and to other factors that have been considered as part of the assessment of audit need.
- 1.4 The Plan will be subject to ongoing review and adjustments, to ensure it remains aligned with significant delivery objectives and risks and is responsive to the priorities and concerns of the Corporate Management Board (CMB). Any significant changes to the Plan will be reported to the Audit Committee.

2. Providing Assurance

- 2.1 Internal Audit recognises the necessity to provide management with an on-going level of fundamental “core financial systems” assurance, particularly in light of the need to satisfy the Council’s External Auditors. Internal Audit will continue to work closely with the External Auditor to maximise audit efficiency.

3. Risk Based Approach

- 3.1 Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council’s Corporate Risk Register are being managed effectively. As part of this process Internal Audit will also examine the risk management and governance arrangements.
- 3.2 By adopting a risk based audit approach there is a clear linkage between the significant risks identified in the Council’s Corporate Risk Register and the work undertaken by Internal Audit in providing assurance against these. As a result, the starting point for the audit plan approach is an understanding of the Council’s objectives and risks.

4. The Risk Assessment Process

- 4.1 The information which has been used to prepare the risk assessment and proposed internal audit plan has been collected and collated from a number of different sources. The starting point for a risk based audit approach is an understanding of the Council's priorities and risks. This has been achieved by reviewing the Corporate Plan, the Directorate's Business Plans, the Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.
- 4.2 The plan is based on an underlying risk assessment. The inherent risks existing within each area are then identified for audit as part of the audit planning process. The audits which make up the plan have been assessed on priority. Internal Audit will ensure that all reviews classified as "high" risk, will be completed by the end of the year, "medium risk reviews are the next level down, but still require a scheduled review. Although "low" risk reviews still carry a degree of risk, these have not been included on the plan but continue to be risk assessed annually to take account of any changes in their status.

5. The Internal Audit Plan

- 5.1 An annual plan is derived following the audit risk assessment, whereby audits will be selected based on the greatest perceived inherent risk. Internal Audit will ensure that most effort is focused on inherently high risk areas while, at the same time, not totally ignoring the potential for problems that may materialise in other areas.
- 5.2 Whilst Internal Audit will adopt a risk based approach to determine relative risk, there will remain areas where a purely cyclical approach will still be required i.e. programme of School audits.
- 5.3 The Head of Audit will keep progress against the audit plan, and the content of the plan itself, under review. Where there is a need for material changes to the plan; a revised plan will be re-submitted to the Audit Committee for endorsement. The Audit Committee will also be advised of performance against the audit plan and be kept informed of the results undertaken.

6. Resource Requirement

- 6.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Internal Audit Shared Service Board (IASSB). The impacts of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce over the last few years. Resources have decreased from 22 staff in 2012/13 to 20 in 2013/14 to a current full establishment of 18.5 staff for 2015/16; although it is important to note that the section started the year with 2.5 vacant full time equivalent posts and concluded the year with 4 vacant posts. Therefore for 2016/17, the Section will aim to fill one full

time vacant post and continue operating with 3 vacant posts in the short term to determine whether this can be sustained in future years moving forward.

6.2 The resource availability summarised in Table 1 sets out the requirement of 1,053 chargeable / productive days, and is based on a productivity rate for each full time equivalent of approximately 175 days per year.

7. Contingencies

7.1 The internal audit plan needs to be fluid and flexible enough to enable the internal audit service to be reactive, as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising, to hopefully at least minimise any major impact on the work plan itself. The contingency is set at 40 days.

7.2 Time allocated for fraud and irregularity investigations can only be based on previous experience and so actual time expended can and will vary, and would depend very much on the number and types of such work arising during any particular year. It is for this rationale that a reasonable level of contingency reserve has been set aside to assist in the elimination or at least the minimisation of possible disruption to the basic plan. The time allocated (30 days) is reserved to cover any such eventuality. If the reserve is not required, then this will be re-allocated to any other specific audit tasks.

8. Delivering the Audit

8.1 All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement. Any key (serious) issues arising during the course of the audit review will be promptly reported to the Head of Audit to determine the impact on the scope of the review. Key issues will also be promptly brought to management’s attention during the course of the review to enable appropriate remedial action to be taken prior to being formally published in the audit report.

8.2 Action plans will form an integral part of the report and will be used to record:

- Those risks considered to be inadequately controlled;
- A prioritisation of audit recommendations and the actions management propose to bring the risks within acceptable parameters, the officer(s) responsible for those actions and the dates for completion.

8.3 Audit recommendations will be prioritised as follows;

Priority Rating	Current risk	Action Required
Priority 1.	Issues that are fundamental and material to your system of internal control. Internal Audit believe that these issues might mean that you do not meet an objective or reduce (mitigate) a risk.	Immediate Action required
Priority	Issues that have an important / significant effect on	Appropriately

2	internal controls but do not need immediate action. You may still meet an objective in full or in part to reduce (mitigate) a risk adequately, but the weakness remains.	timed action required.
Priority 3	Issues arising that merit attention and that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.	Action recommended to enhance standards of control.

8.4 The auditor will draft a report and arrange to meet with management, to ensure factual accuracy of the audit observations and findings and to ensure a proper understanding of the risks to which any action plan relates. These meetings should take place in accordance with dates agreed in the Audit Brief or within two weeks of completion of the audit fieldwork, whichever is the sooner.

8.5 Management will be required to provide a response to the action plans. Any areas of disagreement between the auditor and management, regarding audit’s observations and/or the auditor’s assessment of current risk exposure, which cannot be resolved by discussion, will be recorded in the action plans.

8.6 A clear, concise and constructive final report will be issued to the relevant manager / chief officer which will follow a standard format, outlining:

- The overall level of assurance opinion, based on the auditor’s professional judgement of the effectiveness of the framework of internal control, risk management and governance;
- Audit recommendations, along with management response and implementation date;
- Details of findings, to include an explanation of the risk and the identified control weakness;
- The final report will be issued in the names of the auditor conducting the review and the Head of Audit. All final reports will be issued as PDF documents only and be sent by the Principal Auditor(s).

9. Follow Up Reviews

9.1 Whether or not an audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where significant gaps in the control environment have been identified and where either limited or no assurance has been given; then these audits will be subject to a follow up. The timing of the follow up is very much dependent on available resources, but Internal Audit’s aim will always be to complete the follow up within three to six months of completion of the audit (depending on the assurance level).

10. Reports to the Audit Committee and Corporate Management Board (CMB)

10.1 A status report on internal audit work will be present to the Audit Committee on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the

assurance opinions given and the number and type of recommendations made. The report will also provide a summary of internal audit performance, planning and resourcing issues. Reports will only be presented to CMB if the issues / risks identified are of a significant nature; are cross cutting and require action to be taken by the Corporate Management Board collectively.

11. Annual Assurance Report.

11.1 A formal annual report to the Audit Committee presenting the Head of Audit’s opinion on the overall adequacy and effectiveness of the framework of governance, risk management and internal control, will be published to enable it to be taken into account when preparing the Council’s Annual Corporate Governance Statement. The format of the Head of Audit’s report will follow that set out in the Public Sector Internal Audit Standards (PSIAS) and will include:

- An opinion on the overall adequacy and effectiveness of the Council’s framework of internal control, risk management and governance,
- Disclose any qualifications to that opinion, together with the reasons for qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any issues considered by the Head of Audit to be particularly relevant to the Corporate Governance Statement;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and comment on compliance with the Public Sector Internal Audit Standards and Internal Audit’s Quality Assurance and Improvement Programme.

12. Corporate Priority Outcomes

12.1 The following table outlines the three priority outcomes set by the Council and what will help to achieve these aims.

Priority	Description	Key Projects and Programmes
<p>One – supporting successful economy</p>	<p>a This means the Council will take steps to make the county a good place to do business and to ensure that schools are focused on raising the skills, qualifications and ambitions of all people in the county.</p>	<p>City Deal – Working with neighbouring South East Wales Councils, we are seeking a ‘City Deal’ from the UK and Welsh Government which could result in around £1 billion investment in major capital projects in the Cardiff City Region over the next 10-15 years.</p> <p>Strategic Review of Post 16 Education and Training – A strategic review to evaluate education provision and curriculum delivery with Bridgend College to ensure that there are clear options available to provide the best possible opportunities for learners in Bridgend.</p>

		<p>A Good to Great School Strategy – ensuring the many good schools become excellent schools.</p> <p>Successful Economy Programme – key regeneration and local development schemes including: - Vibrant and Viable scheme with external funding of £9.6 million, which is redeveloping the Rhiw Car Park in Bridgend and creating a community living in the heart of the town centre by converting vacant space over shops into accommodation. – Regeneration of Porthcawl including funding of £0.28 million for the Porthcawl Rest Bay Waterside Cycle Path and £0.89 million for Porthcawl Townscape Heritage Initiative (2015-16 to 2018-19) to regenerate heritage buildings. – Llynfi Sites Reclamation funding of £2.5 million.</p>
<p>Two – Helping people to be more self-reliant</p>	<p>This means the Council will take early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.</p>	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing extra care and information and advice services for people and their carers. Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns. Looking at existing models of residential care for children and young people and respite care for children with disabilities in order to make them more targeted and more effective.</p> <p>Community Asset Transfer – transferring assets to communities to manage while making the most of the assets retained.</p>
<p>Three – Smarter use of resources</p>	<p>This means the Council will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council’s priorities.</p>	<p>Digital Transformation Programme – changing the way the Council operates to enable customers to access information, advice and services on line.</p> <p>Rationalising the Council’s estate – disposing of assets, transferring assets to communities to manage while making the most of the assets retained.</p> <p>Schools’ Modernisation Programme – investing in a sustainable education system in school buildings that reduces cost and their carbon footprint.</p> <p>Procurement Programme – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services.</p>

		Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.
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13. Corporate Risk

13.1 Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risk. The corporate risk assessment is considered and reviewed by Cabinet, Audit Committee, as part of the Council's quarterly Corporate Performance Assessment Framework and is used to inform Scrutiny forward work programmes and budget processes.

13.2 The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Priority Outcomes, provide services as planned and fulfil its statutory duties. The main risks facing the Council, the likely impact of these on Council services and the wider County Borough are listed below.

Risk	2016-17 Score
Cultural change to deliver the MTFS	24
Local Government Reorganisation	24
Supporting vulnerable people	20
Welfare reform	18
Supporting vulnerable children	16
The economic climate and austerity	16
Disposing of waste	16
Equal pay claims	16
Healthy Lifestyles	16
Maintaining infrastructure	16
Impact of homelessness	15
Collaboration with partners	12
Educational provision	12
Educational attainment	12
Health and Safety	12
School modernisation	12
New pay and grading system	N/A

13.3 The above Corporate Risk Register is used by Internal Audit to inform its planning process. By adopting a risk based audit approach there is a clear linkage between the significant risks identified in the register and the work undertaken by Internal Audit in providing assurance against these risks.

14. INTERNAL AUDIT SHARED SERVICE DRAFT ANNUAL PLAN 2016 -2017

14.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation’s objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The Annual Plan has been formulated to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) which have been effective since 1st April 2013.

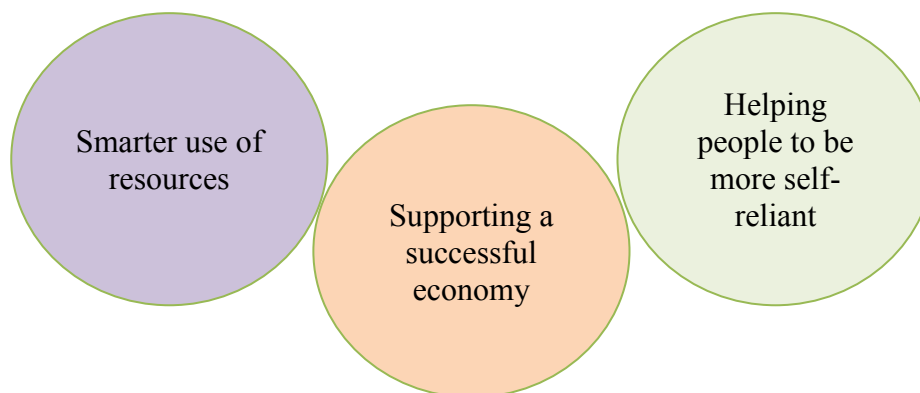
Attached at **Appendix A to F** are the detailed schedules of audits planned for each of the Council’s Directorates including Cross Cutting. Table 1 below provides an overall summary of the number of productive days allocated per Directorate.

Table 1–Productive Resource Availability & Utilisation April 2016 to March2017 – Draft Proposals.

Resources Available	Total Days
Total Productive days Available	1,053
Time Allocated to Audit Work	1,053
Chief Executive - Finance	130
Operational and Partnerships Services	105
Education & Family Support	155
Communities	128
Social Services and Wellbeing	105
Cross Cutting (including):- <ul style="list-style-type: none"> • External • Contingency – Unplanned • Contingency – Fraud and Error 	430
OVERALL TOTAL	1,053

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



BRIDGEND COUNTY BOROUGH COUNCIL WORKING TOGETHER TO IMPROVE LIVES

**INTERNAL AUDIT SHARED SERVICE
DRAFT ANNUAL AUDIT PLAN FOR THE DIRECTORATE OF COMMUNITIES**

2016 – 2017

Bridgend CBC

1. Introduction

- 1.1 The Communities Directorate is actively seeking to take a balanced approach to improving the wellbeing of communities through social, physical, cultural and economic improvements, in order to achieve a safe, pleasant and sustainable environment for residents of and visitors to Bridgend County Borough. The Directorate brings together a wide range of services that are committed to renewing the physical, social and environmental fabric of the County Borough and enhancing its overall economic wellbeing.
- 1.2 Improving educational attainment remains very important to the council and ongoing improvement in this area forms part of a wider objective in raising skills and attainment more generally. The Council's Corporate Plan highlights the Council's commitments whilst recognising that core and statutory services will continue to receive attention including the Council's work as a planning authority, maintain highways and public transport; refuse collection, street cleaning, revenues and benefits, public protection and sports, arts and libraries.
- 1.3 The Council continues with its commitment to the Transformation Programme, strong financial management and performance management and robust business planning and service planning.

2. Improvement Priorities for 2015-17

- 2.1 Bridgend County Borough Council recognises that it will have to make significant changes to the way they think and operate in order to meet the significant challenges ahead – not least the increasing demands made on many of the Council's services, against the background of a shrinking budget. The Council has a clear and simple vision and that is, always to act as:-

“One Council working together to improve lives”.

- 2.2 The Council's values have not changed and continue to represent what the Council stands for and influences how they work. The Council's values are:-

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- **Efficient** – delivering services that are value for money.

2.3 The Council has also identified three well-being outcomes that will be their focus over the coming four years. These outcomes are intended to improve the quality of life of people in the County while significantly changing the nature of the Council. The three outcomes are as follows:

Supporting a successful economy	Helping people to become more self-reliant	Smarter use of resources
A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce.	Individuals and families that will be more independent and less reliant on traditional Council services.	A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens' needs.

3. Corporate Priority Outcomes

3.1 The following table outlines the three priority outcomes set by the Council and what will help to achieve these aims.

Priority	Description	Key Projects and Programmes
One – supporting a successful economy	This means the Council will take steps to make the county a good place to do business and to ensure that schools are focused on raising the skills, qualifications and ambitions of all people in the county.	<p>City Deal – Working with neighbouring South East Wales Councils, we are seeking a 'City Deal' from the UK and Welsh Government which could result in around £1 billion investment in major capital projects in the Cardiff City Region over the next 10-15 years.</p> <p>Strategic Review of Post 16 Education and Training – A strategic review to evaluate education provision and curriculum delivery with Bridgend College to ensure that there are clear options available to provide the best possible</p>

		<p>opportunities for learners in Bridgend.</p> <p>A Good to Great School Strategy – ensuring the many good schools become excellent schools.</p> <p>Successful Economy Programme – key regeneration and local development schemes including: - Vibrant and Viable scheme with external funding of £9.6 million, which is redeveloping the Rhiw Car Park in Bridgend and creating a community living in the heart of the town centre by converting vacant space over shops into accommodation. – Regeneration of Porthcawl including funding of £0.28 million for the Porthcawl Rest Bay Waterside Cycle Path and £0.89 million for Porthcawl Townscape Heritage Initiative (2015-16 to 2018-19) to regenerate heritage buildings. – Llynfi Sites Reclamation funding of £2.5 million.</p>
Two – Helping people to be more self-reliant	<p>This means the Council will take early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.</p>	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing extra care and information and advice services for people and their carers. Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns. Looking at existing models of residential care for children and young people and respite care for children with disabilities in order to make them more targeted and more effective.</p> <p>Community Asset Transfer – transferring assets to communities to manage while making the most of the assets retained.</p>
Three – Smarter use of resources	<p>This means the Council will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that</p>	<p>Digital Transformation Programme – changing the way the Council operates to enable customers to access information, advice and services on line.</p> <p>Rationalising the Council’s estate – disposing of assets, transferring assets to communities to manage while making the most of the assets retained.</p> <p>Schools’ Modernisation Programme – investing in a sustainable education</p>

	<p>can help deliver the Council's priorities.</p>	<p>system in school buildings that reduces cost and their carbon footprint.</p> <p>Procurement Programme – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services.</p> <p>Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.</p>
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4. Corporate Priorities – Communities Directorate

Council Priority	Objective	Communities Directorate - (Actions)
<p>One – Supporting a successful economy</p>	<p>To create successful town centres</p>	<p>Invest in our town centres to enhance existing facilities and provide new facilities including schemes in Porthcawl Harbourside, Maesteg and Bridgend.</p> <p>Support the development of a Business Improvement District in Bridgend Town Centre to help local traders pursue initiatives and projects important to them.</p> <p>Increase the amount of residential accommodation available by work with partners to bring empty properties back into use.</p>
	<p>To create conditions for growth and enterprise.</p>	<p>Develop and deliver the Porthcawl Resort Investment Focus Programme to grow the value of tourism in the economy and increase employment and business opportunities.</p> <p>Contribute to the development of the business plan for the Cardiff Capital Region City Deal, with the aim of bringing increased investment and economic control into the local area.</p> <p>Work with Bridgend business forum to review business support in the context of the City Deal and establish a development strategy.</p> <p>Develop a local low Carbon Transition Strategy as part of Energy Technologies Institute (ETI) programme to establish local heating projects and explore collaborative opportunities for energy programmes on a regional basis.</p>

	To help local people develop skills and take advantage of opportunities to succeed.	Work with the regional Learning, Skills and Innovation Partnership (LSKIP) and also through the council's 21 st Century Schools Programme and other BCBC-led projects to develop employment opportunities (including apprenticeships and traineeships) and a skills plan that can be delivered locally with our partners, including the college, other training providers and local businesses. Work with individuals and families who are unemployed, or economically inactive, face barriers to work, or at risk of poverty by providing employment mentoring, training or other support to improve their job opportunities.
Two – Helping people to be more self-reliant	To give people more choice and control over what support they receive by providing early access to advice and information.	Take reasonable steps to help prevent homelessness, through early intervention, and cooperation from the household.
	To support the third sector, town and community councils and community groups to meet local needs.	Enable community groups and the third sector to have more voice and control over community assets.
Three – Smarter use of resources	To achieve the budget reductions identified in the MTFS.	Implement the planned budget reductions identified for 2016-17 budgets.
	To make the most of our physical assets, including schools.	Review assets and services and enable the successful transfer of those most suitable to community groups and organisations.
	To develop the culture and skills required to meet the needs of a changing organisation.	

5. Corporate Risks

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Priorities, provide services as planned and fulfil its statutory duties. The following high risks are owned by the Communities Directorate.

Risk Description	2016-17 Score
The economic climate and austerity	16
Disposing of waste	16
Maintaining infrastructure	16

Impact of homelessness	15
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6. The Risk Assessment Process

6.1 The information which has been used to prepare the risk assessment and proposed internal audit plan for the Directorate of Communities has been collected and collated from a number of different sources including the information contained above. The starting point for a risk based audit approach is an understanding of the Council’s priorities and risks. This has been achieved by reviewing the Corporate Plan, Directorate’s Business Plan, Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

6.2 The plan is based on an underlying risk assessment. The inherent risks existing within each area are then identified for audit as part of the audit planning process. The audits which make up the plan have been assessed on priority. Internal Audit will ensure that all reviews classified as “high” risk, will be completed by the end of the year, “medium risk reviews are the next level down, but still require a scheduled review. Although “low” risk reviews still carry a degree of risk, these have not been included on the plan but continue to be risk assessed annually to take account of any changes in their status.

7. Proposed Internal Audit Plan for the Communities Directorate 2016-17

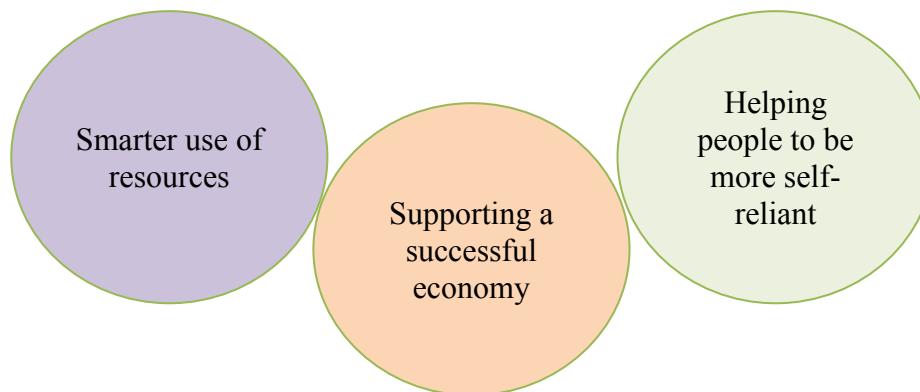
COMMUNITIES DIRECTORATE

Area	Identified Risk(s)	Proposed Audit Scope	Total Days
Waste Management	Failure to meet the Welsh Government Targets and thereby attract costly fines.	To establish the robustness and relevance of data used to support decision making and predicted cost savings. To ensure that the Council is meeting the targets as set by Welsh Government “Towards Zero Waste”.	20
Project Management - VVP	Reputational Risk to the Council. Failure to deliver	To review the Council’s Major Project Management arrangements to ensure sound governance, internal control and risk management arrangements are adequate and effective. The Audit will focus on the financial governance arrangements in place for the Vibrant and	15

	projects on time and to budget. Failure to meet the Directorates Improvement commitments.	Viable Places programme.	
Fleet – Shared Service	Failure to meet expectations and realisation of savings.	To review the Shared Service with South Wales Police for the provision of a Fleet Service to Bridgend CBC. To provide overall assurance on the soundness and adequacy of the overall control environment including governance, risk management and internal control.	20
Townscape Heritage Initiative	Failure to meet the Council's priority outcomes.	The Porthcawl Townscape Heritage Initiative (2015-16 to 2018-19) aims to regenerate heritage buildings with a project fund of £0.89 million. The review will provide the necessary assurances that the scheme is achieving its overall aims and objectives in an efficient and effective way.	10
DFG's	Failure to meet the needs of the service users.	To ensure that the procedures and processes in place for the delivery of DFG's are efficient and effective to meet the needs of the service users.	15
Parks and Open Spaces	Failure to meet the needs of the service users.	To provide overall assurance on the adequacy and effectiveness of the control environment.	20
Property	Failure to provide necessary external assurance.	Compliance work with Council buildings. To ensure that the Council's Buildings are fully compliant and have all the necessary up to date certificates including Electricity, Gas, asbestos, legionella, fire, lifts etc. to demonstrate regular inspections and Testing are being undertaken.	15
Contract Management	Failure to meet the needs of the service users.	To provide overall assurance on the procedures and processes in place for Contract Monitoring within the Directorate	13
		Overall Total – Communities	128

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



BRIDGEND COUNTY BOROUGH COUNCIL WORKING TOGETHER TO IMPROVE LIVES

**INTERNAL AUDIT SHARED SERVICE
DRAFT ANNUAL AUDIT PLAN FOR CROSS CUTTING**

2016 – 2017

Bridgend CBC

1. Introduction

- 1.1 Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2016-17 and 2019-20, the Council is expecting to have to make budget reductions of up to £35.5 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about what services can be maintained and what cannot.
- 1.2 The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.
- 1.3 Improving educational attainment remains very important to the council and ongoing improvement in this area forms part of a wider objective in raising skills and attainment more generally. The Council's Corporate Plan highlights the Council's commitments whilst recognising that core and statutory services will continue to receive attention including the Council's work as a planning authority, maintain highways and public transport; refuse collection, street cleaning, revenues and benefits, public protection and sports, arts and libraries.
- 1.4 The Council continues with its commitment to the Transformation Programme, strong financial management and performance management and robust business planning and service planning.

2. Improvement Priorities for 2015-17

- 2.1 Bridgend County Borough Council recognises that it will have to make significant changes to the way they think and operate in order to meet the significant challenges ahead – not least the increasing demands made on many of the Council's services, against the background of a shrinking budget. The Council has a clear and simple vision and that is, always to act as:-

“One Council working together to improve lives”.

- 2.2 The Council's values have not changed and continue to represent what the Council stands for and influences how they work. The Council's values are:-

- **Fair** – taking into account everyone’s needs and situation;
- **Ambitious** – always trying to improve what we do and aiming for excellence;
- **Citizen-focused** – remembering that we are here to serve our local communities;
- **Efficient** – delivering services that are value for money.

2.3 The Council has also identified three well-being outcomes that will be their focus over the coming four years. These outcomes are intended to improve the quality of life of people in the County while significantly changing the nature of the Council. The three outcomes are as follows:

Supporting a successful economy	Helping people to become more self-reliant	Smarter use of resources
A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce.	Individuals and families that will be more independent and less reliant on traditional Council services.	A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens’ needs.

3. Corporate Priority Outcomes

3.1 The following table outlines the three priority outcomes set by the Council and what will help to achieve these aims.

Priority	Description	Key Projects and Programmes
One – supporting a successful economy	This means the Council will take steps to make the county a good place to do business and to ensure that schools are focused on raising the skills, qualifications and ambitions of	City Deal – Working with neighbouring South East Wales Councils, we are seeking a ‘City Deal’ from the UK and Welsh Government which could result in around £1 billion investment in major capital projects in the Cardiff City Region over the next 10-15 years. Strategic Review of Post 16 Education and Training – A strategic review to

	<p>all people in the county.</p>	<p>evaluate education provision and curriculum delivery with Bridgend College to ensure that there are clear options available to provide the best possible opportunities for learners in Bridgend.</p> <p>A Good to Great School Strategy – ensuring the many good schools become excellent schools.</p> <p>Successful Economy Programme – key regeneration and local development schemes including: - Vibrant and Viable scheme with external funding of £9.6 million, which is redeveloping the Rhiw Car Park in Bridgend and creating a community living in the heart of the town centre by converting vacant space over shops into accommodation. – Regeneration of Porthcawl including funding of £0.28 million for the Porthcawl Rest Bay Waterside Cycle Path and £0.89 million for Porthcawl Townscape Heritage Initiative (2015-16 to 2018-19) to regenerate heritage buildings. – Llynfi Sites Reclamation funding of £2.5 million.</p>
<p>Two – Helping people to be more self-reliant</p>	<p>This means the Council will take early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.</p>	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing extra care and information and advice services for people and their carers. Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns. Looking at existing models of residential care for children and young people and respite care for children with disabilities in order to make them more targeted and more effective.</p> <p>Community Asset Transfer – transferring assets to communities to manage while making the most of the assets retained.</p>
<p>Three – Smarter use of resources</p>	<p>This means the Council will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the</p>	<p>Digital Transformation Programme – changing the way the Council operates to enable customers to access information, advice and services on line.</p> <p>Rationalising the Council’s estate – disposing of assets, transferring assets to communities to manage while making the most of the assets retained.</p>

	<p>development of resources throughout the community that can help deliver the Council's priorities.</p>	<p>Schools' Modernisation Programme – investing in a sustainable education system in school buildings that reduces cost and their carbon footprint.</p> <p>Procurement Programme – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services.</p> <p>Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.</p>
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4. Corporate Risks

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Improvement Priorities, provide services as planned and fulfil its statutory duties. The main risks facing the Council, the likely impact of these on Council services and the wider County Borough are listed below.

Risk	2016-17 Score
Cultural change to deliver the MTFS	24
Local Government Reorganisation	24
Supporting vulnerable people	20
Welfare reform	18
Supporting vulnerable children	16
The economic climate and austerity	16
Disposing of waste	16
Equal pay claims	16
Healthy Lifestyles	16
Maintaining infrastructure	16
Impact of homelessness	15
Collaboration with partners	12
Educational provision	12
Educational attainment	12

Health and Safety	12
School modernisation	12
New pay and grading system	N/A

5. The Risk Assessment Process

5.1 The information which has been used to prepare the risk assessment and proposed internal audit plan for review that are considered to be Cross - Cutting has been collected and collated from a number of different sources including the information contained above. The starting point for a risk based audit approach is an understanding of the Council’s priorities and risks. This has been achieved by reviewing the Corporate Plan, Directorate’s Business Plans, Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

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6. Proposed Internal Audit Plan for CROSS CUTTING - BCBC 2016-17

CROSS CUTTING - BCBC

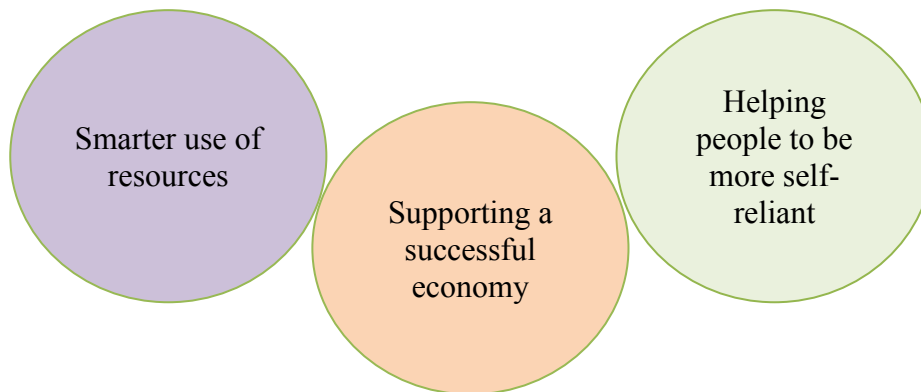
Area	Identified Risk(s)	Audit Scope	Total Days
Good Governance	Reputational damage to Council if processes are not fair and transparent.	To provide assurance that key Corporate Governance processes are in place within the Council and that these are operating effectively to enable the Council to be provided with sufficient information to enable them to discharge their responsibilities. To assist the Council in the production of the Annual Governance Statement.	15

Project /Contract/ Management / Capital Programme	Potential for project failure. Reputational Damage. Failure to achieve value for money.	To review the Council's procedures and processes in relation to the management of key projects to ensure compliance with the Council's project management methodology and Contract Procedure Rules.	30
Data Quality – Performance Indicators	Weak performance management leads to lack of informed decision making, poor analysis and weak planning and improvement, both for core business management and achievement of transformational change.	The audit will examine:- The robustness of the data quality framework; Have robust processes for data quality been established throughout the Council; The accuracy of performance management data; Validation process undertaken.	20
ICT	Reputational Damage, Failure to meet improvement priorities and service expectations.	The Internal Audit Shared Service will develop and extend the pilot to provide computer audits to other local councils. This will generate income for the service and be offset against the savings required to be made by the service for 2016/17. In order to continuously improve the Shared Service will make further advancements in rolling out more data extraction and computer assisted audit techniques to increase assurance levels and decrease the impact on client services. Key to the success of the change programme is digital transformation. It is also a key project that will help the Council achieve its priorities. The review will examine whether the Council is on track to achieve its aims.	95
Safeguarding	Serious safeguarding failure.	Case management of safeguarding incidents are dealt with in accordance with the Council's safeguarding policies and procedures. This review will also include an annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children.	15
Transformational Change	Inability to deliver the Corporate Plan Objectives and Outcomes within the resources available.	Whilst recognising the need to generate savings, there is also a need to ensure that gaps in controls in key risk areas do not emerge as a result of transformation and that the necessary savings have been and are being achieved.	15
Fleet	Reputational Damage, failure to meet expectations.	To undertake a review of the use of the fleet assets across the council to ensure maximum use and value for money.	20

Grants	Potential breach of grant conditions	To verify and validate grant claims as required.	15
Regularity review	Breakdown in internal control	Core compliance	20
Quality Assurance & Improvement Programme / Review of the Effectiveness of Internal Audit	Failure to comply with the Public Sector Internal Audit Standards (PSIAS) and External Auditor unable to place reliance on our work.	To undertake a series of internal audits to ensure compliance with PSIAS. To review / ensure compliance with the Accounts and Audit (Wales) Regulations 2014 / Public Sector Internal Audit Standards (PSIAS).	5
Emerging Risks / unplanned	Failure to provide for a contingency with the planning process does not comply with the Public Sector Internal Audit Standards.	To enable Audit Services to respond to provide assurance activity as required.	40
Provision of Internal Control / Planning / General Advice	Inability to support an effective control environment.	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.	35
Audit Committee / Member and CMB Reporting	Inability of the Audit Committee to fully perform their functions in accordance with their Terms of Reference.	This allocation covers Member reporting procedures, mainly to the Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Corporate Director of Resources, Corporate Management Board and the Internal Audit Shared Service Board.	30
External Audit Liaison	Duplication of effort, reputational risk, inability to support the audit opinion.	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	5
Follow - Up	Risk of fraud and/or error.	Where more serious concerns over the effectiveness of internal controls within the systems being reviewed are identified (and consequently an ‘ineffective’ or ‘poor’ opinion is provided at the time), a follow-up audit is undertaken at an appropriate time, allowing adequate time for the implementation of the recommendations but also taking into account the risk presented to the Council whilst the actions required remain open.	20

<p>Fraud / Error / Irregularity</p>	<p>Possible fraudulent activity and non-compliance with the County Borough Council's fraud-related policies and procedures.</p> <p>Failure to comply with a Statutory requirement.</p>	<p>Irregularity Investigations - Reactive work where suspected irregularity has been detected.</p> <p>Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud. Also to develop awareness sessions; e-learning; policies and procedures.</p> <p>National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers.</p>	<p>30</p>
<p>Carried Forward Work from 2015-16</p>		<p>Provision for the assignments still ongoing at the end of 2015/16</p>	<p>20</p>
		<p>Overall Total – Cross Cutting - BCBC</p>	<p>430</p>

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BRIDGEND COUNTY BOROUGH COUNCIL WORKING TOGETHER TO IMPROVE LIVES

**INTERNAL AUDIT SHARED SERVICE
DRAFT ANNUAL AUDIT PLAN FOR THE EDUCATION & FAMILY SUPPORT DIRECTORATE
2016 – 2017
Bridgend CBC**

1. Introduction

1.1 The Education & Family Support Directorate Business plan brings together the priorities for developing their ‘core business’ together with the step changes they need to continue to progress in order to transform other areas of work. Improving educational attainment remains very important to the council and ongoing improvement in this area forms part of a wider objective in raising skills and attainment more generally. The Council’s Corporate Plan highlights the Council’s commitment to close the gap in educational attainment between pupils eligible for free school meals and those who are not.

1.2 The Council continues with its commitment to the Transformation Programme, strong financial management and performance management and robust business planning and service planning.

2. Improvement Priorities for 2015-17

2.1 Bridgend County Borough Council recognises that it will have to make significant changes to the way they think and operate in order to meet the significant challenges ahead – not least the increasing demands made on many of the Council’s services, against the background of a shrinking budget. The Council has a clear and simple vision and that is, always to act as “**One Council working together to improve lives**”.

2.2 The Council’s values have not changed and continue to represent what the Council stands for and influences how they work. The Council’s values are:-

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Supporting a successful economy	Helping people to become more self-reliant	Smarter use of resources
A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce.	Individuals and families that will be more independent and less reliant on traditional Council services.	A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens' needs.

3. Corporate Priority Outcomes

3.1 The following table outlines the three priority outcomes set by the Council and what will help to achieve these aims.

Priority	Description	Key Projects and Programmes
One – supporting a successful economy	This means the Council will take steps to make the county a good place to do business and to ensure that schools are focused on raising the skills, qualifications and ambitions of all people in the county.	<p>City Deal – Working with neighbouring South East Wales Councils, we are seeking a ‘City Deal’ from the UK and Welsh Government which could result in around £1 billion investment in major capital projects in the Cardiff City Region over the next 10-15 years.</p> <p>Strategic Review of Post 16 Education and Training – A strategic review to evaluate education provision and curriculum delivery with Bridgend College to ensure that there are clear options available to provide the best possible opportunities for learners in Bridgend.</p> <p>A Good to Great School Strategy – ensuring the many good schools become excellent schools.</p> <p>Successful Economy Programme – key regeneration and local development schemes including: - Vibrant and Viable scheme with external funding of £9.6 million, which is redeveloping the Rhiw Car Park in Bridgend and creating a community living in the heart of the town centre by converting vacant space over shops into accommodation. – Regeneration of Porthcawl</p>

		including funding of £0.28 million for the Porthcawl Rest Bay Waterside Cycle Path and £0.89 million for Porthcawl Townscape Heritage Initiative (2015-16 to 2018-19) to regenerate heritage buildings. – Llynfi Sites Reclamation funding of £2.5 million.
Two – Helping people to be more self-reliant	This means the Council will take early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing extra care and information and advice services for people and their carers. Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns. Looking at existing models of residential care for children and young people and respite care for children with disabilities in order to make them more targeted and more effective.</p> <p>Community Asset Transfer – transferring assets to communities to manage while making the most of the assets retained.</p>
Three – Smarter use of resources	This means the Council will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.	<p>Digital Transformation Programme – changing the way the Council operates to enable customers to access information, advice and services on line.</p> <p>Rationalising the Council's estate – disposing of assets, transferring assets to communities to manage while making the most of the assets retained.</p> <p>Schools' Modernisation Programme – investing in a sustainable education system in school buildings that reduces cost and their carbon footprint.</p> <p>Procurement Programme – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services.</p> <p>Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.</p>

4. Corporate Education & Family Support

Council Priority	Objective	Education & Family Support - (Actions)
One – Supporting a successful economy	To help local people develop skills and take advantage of opportunities to succeed.	<p>Work with schools to close the gap in educational attainments between pupils entitled to free school meals and those who are not and improve outcomes for vulnerable groups.</p> <p>Continue to work with schools to develop a range of options for young people who are more able and talented than their peers.</p> <p>Co-ordinate and implement the Youth Engagement and Progression Framework to reduce the number of NEETS.</p> <p>Work to ensure that children and young people who reach age 16 are in further education, training or employment until at least age 24 in line with the Youth Guarantee.</p> <p>Work with all “Pathways pathway to Success” schools to maximise opportunities for learners to develop and improve.</p> <p>Deliver the Strategic Review into the rationalisation of curriculum and school estates.</p>
Two – Helping people to be more self-reliant	To give people more choice and control over what support they receive by providing early access to advice and information.	Work with partners to ensure early identification of children and families in need of support.
	To support carers in maintaining their role.	Work with partners and schools to support carers by providing the right information, advice and assistance where relevant.
	To support the third sector, town and community councils and community groups to meet local needs.	<p>To develop capacity of the 3rd sector by finding new ways of working together</p> <p>To enable community groups and third sector to have more voice and control over community assets.</p>
Three – Smarter use of resources	To achieve the budget reductions identified in the Medium Term Financial Strategy.	Implement the planned budget reductions identified for 2016-17 budgets.
	To improve the efficiency of and	Develop a range of automated and online services that are easy for citizens to use.

	access to services by redesigning our systems and processes	Move most common internal processes to automatic to reduce transaction costs and streamline processes.
	To develop the culture and skills required to meet the needs of a changing organisation.	

5. Corporate Risks

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Priorities, provide services as planned and fulfil its statutory duties. The following high risks are owned by the Education & Family Support Directorate and are shown under each improvement priority.

Risk Description	2016-17 Score
Supporting Vulnerable Children	16
Educational provision	12
Educational attainment	12
School modernisation	12

6. The Risk Assessment Process

6.1 The information which has been used to prepare the risk assessment and proposed internal audit plan for the Education & Family Support Directorate has been collected and collated from a number of different sources including the information as identified above. The starting point for a risk based audit approach is an understanding of the Council’s priorities and risks. This has been achieved by reviewing the Corporate Plan, Directorate’s Business Plan, Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas, and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

6.2 The plan is based on an underlying risk assessment. The inherent risks existing within each area are then identified for audit as part of the audit planning process. The audits which make up the plan have been assessed on priority. Internal Audit will

ensure that all reviews classified as “high” risk, will be completed by the end of the year, “medium risk reviews are the next level down, but still require a scheduled review. Although “low” risk reviews still carry a degree of risk, these have not been included on the plan but continue to be risk assessed annually to take account of any changes in their status.

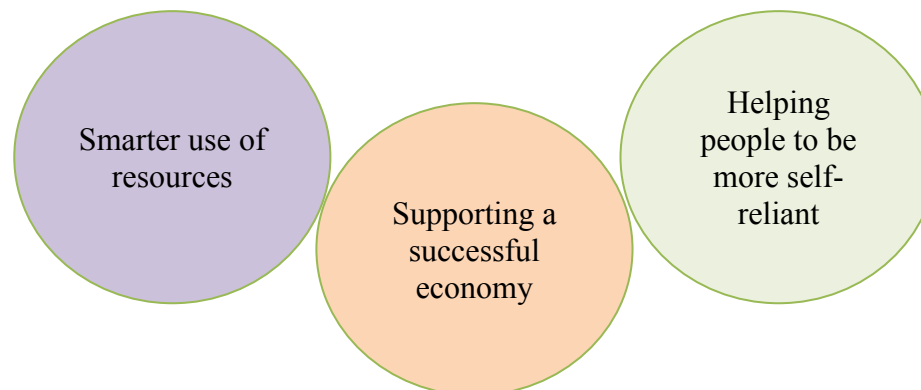
7. Proposed Internal Audit Plan for the Education & Family Support Directorate 2016-17

EDUCATION & FAMILY SUPPORT DIRECTORATE

Area	Identified Risk(s)	Audit Scope	Total Days
Youth Services	Inability to provide the appropriate support for Young People and Families.	To review the provision of Youth Services to ensure that: A clear strategy is in place. Services are being delivered against objectives and outcomes. Sound governance arrangements are in place to ensure performance against objectives is reported. Objectives have been met following the integration with Family Support Services	15
Education Grants	Failure to meet the Terms and Conditions of grant funding could result in claw-back.	To provide validation and certification on specific grants as required.	5
IT	ICT systems are not fit for form or fit for purpose.	To review the overall IT strategy for the Directorate to ensure that emerging technology are aligned to the overall objectives of the services being delivered; are compatible and are fit for purpose. We will therefore select an area for an in-depth review where we will consider the security around the application, including access controls, how sensitive access is controlled, segregation of duties, how program changes are controlled. In addition, this review will assess how new projects are assessed and approved and the appropriateness of admin user access.	20
CRC	An incorrect return has been submitted.	To review the accuracy of the Council’s return and provide audit assurance on the Carbon Reduction Certification process.	10
Built Environment	Changes in key personnel and	To follow up on the 2015/16 audit review which examined the impact on the control environment as a result of Business support being centralised? Due to the limited	15

	responsibilities resulting in weakened controls.	amount of available evidence for testing it was agreed that this would be undertaken during 2016/17.	
School Modernisation Programme	Failure to meet improvement priorities.	To undertake a review of the School Modernisation Programme to ensure that projects are being managed in accordance with the Council’s Project Management Methodology; Financial and Contract Procedure Rules are being complied with and that sound governance and risk management arrangements are clearly evident.	25
Schools Programme		Provide assurance over the finance and governance arrangements in schools via a number of risk assessed audits at individual schools focused on specific issues of concern. This allocation will also include (resource permitting) thematic audits across all schools. This allocation will also include providing assurance over the finance and governance arrangements in schools via the Controlled Risk Self-Assessment process.	65
		Overall Total – Education & Family Support	155

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BRIDGEND COUNTY BOROUGH COUNCIL WORKING TOGETHER TO IMPROVE LIVES

**INTERNAL AUDIT SHARED SERVICE - DRAFT ANNUAL AUDIT PLAN
FOR THE OPERATIONAL AND PARTNERSHIPS SERVICES DIRECTORATE**

2016 – 2017

Bridgend CBC

1. Introduction

- 1.1 The Operational & Partnerships Services Directorate is acutely aware that its role is to support the Authority in the achievement of its Corporate Priorities but also to support those functions the Authority is required to undertake whether a priority or not. The impact of the Medium Term Financial strategy not only provides the service priorities of the department but also impact on the ability of the department to provide those services. The departments first priority will be to focus on the stated corporate priorities in the corporate plan and corporate projects that feed into it. The department's assets are its staff and the skills that they hold. Significant reductions in staffing have already been made and it is recognised that chargeable hours and workloads more generally are extremely high. Workforce support and planning will play a significant role in the management of service for the future and it is recognised that uncertainty over the future of local government in Wales is a factor in staff retention.
- 1.2. The Directorate provides a genuine mix of internal, collaborative, joint and external service provision. The Directorate is well placed for the future, has the culture to continuing delivering services.
- 1.3 Improving educational attainment remains very important to the council and ongoing improvement in this area forms part of a wider objective in raising skills and attainment more generally. The Council's Corporate Plan highlights the Council's commitments whilst recognising that core and statutory services will continue to receive attention including the Council's work as a planning authority, maintain highways and public transport; refuse collection, street cleaning, revenues and benefits, public protection and sports, arts and libraries.
- 1.4 The Council continues with its commitment to the Transformation Programme, strong financial management and performance management and robust business planning and service planning.

2. Improvement Priorities for 2015-17

- 2.1 Bridgend County Borough Council recognises that it will have to make significant changes to the way they think and operate in order to meet the significant challenges ahead – not least the increasing demands made on many of the Council's services, against the background of a shrinking budget. The Council has a clear and simple vision and that is, always to act as:-

“One Council working together to improve lives”.

2.2 The Council’s values have not changed and continue to represent what the Council stands for and influences how they work. The Council’s values are:-

- **Fair** – taking into account everyone’s needs and situation;
- **Ambitious** – always trying to improve what we do and aiming for excellence;
- **Citizen-focused** – remembering that we are here to serve our local communities;
- **Efficient** – delivering services that are value for money.

2.3 The Council has also identified three well-being outcomes that will be their focus over the coming four years. These outcomes are intended to improve the quality of life of people in the County while significantly changing the nature of the Council. The three outcomes are as follows:

Supporting a successful economy	Helping people to become more self-reliant	Smarter use of resources
A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce.	Individuals and families that will be more independent and less reliant on traditional Council services.	A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens’ needs.

3. Corporate Priority Outcomes

3.1 The following table outlines the three priority outcomes set by the Council and what will help to achieve these aims.

Priority	Description	Key Projects and Programmes
<p>One – supporting a successful economy</p>	<p>This means the Council will take steps to make the county a good place to do business and to ensure that schools are focused on raising the skills, qualifications and ambitions of all people in the county.</p>	<p>City Deal – Working with neighbouring South East Wales Councils, we are seeking a ‘City Deal’ from the UK and Welsh Government which could result in around £1 billion investment in major capital projects in the Cardiff City Region over the next 10-15 years.</p> <p>Strategic Review of Post 16 Education and Training – A strategic review to evaluate education provision and curriculum delivery with Bridgend College to ensure that there are clear options available to provide the best possible opportunities for learners in Bridgend.</p> <p>A Good to Great School Strategy – ensuring the many good schools become excellent schools.</p> <p>Successful Economy Programme – key regeneration and local development schemes including: - Vibrant and Viable scheme with external funding of £9.6 million, which is redeveloping the Rhiw Car Park in Bridgend and creating a community living in the heart of the town centre by converting vacant space over shops into accommodation. – Regeneration of Porthcawl including funding of £0.28 million for the Porthcawl Rest Bay Waterside Cycle Path and £0.89 million for Porthcawl Townscape Heritage Initiative (2015-16 to 2018-19) to regenerate heritage buildings. – Llynfi Sites Reclamation funding of £2.5 million.</p>
<p>Two – Helping people to be more self-reliant</p>	<p>This means the Council will take early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.</p>	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing extra care and information and advice services for people and their carers. Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns. Looking at existing models of residential care for children and young people and respite care for children with disabilities in order to make them more</p>

		targeted and more effective. Community Asset Transfer – transferring assets to communities to manage while making the most of the assets retained.
Three – Smarter use of resources	This means the Council will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.	Digital Transformation Programme – changing the way the Council operates to enable customers to access information, advice and services on line. Rationalising the Council's estate – disposing of assets, transferring assets to communities to manage while making the most of the assets retained. Schools' Modernisation Programme – investing in a sustainable education system in school buildings that reduces cost and their carbon footprint. Procurement Programme – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services. Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.

4. Corporate Priorities – Operational & Partnerships Services Directorate

Council Priority	Objective	Operational & Partnerships Services Directorate - (Actions)
One – Supporting a successful economy	To help local people develop skills and take advantage of opportunities to succeed.	Implement projects with public sector bodies and local businesses to establish employer skill needs and influence local provision. Work with individuals and families who are unemployed or economically inactive, face barriers to work or are at risk of poverty by providing employment mentoring, training and other support, to improve their job opportunities. Implement the LEAD (more able and talented) project with partners to develop a programme to support young people with leadership.
Two – Helping people to be more self-reliant	To give people more choice and control over what support they receive by providing early access to	Provide support to families through the Families First Programme to help reduce child poverty.

	advice and information.	
Three – Smarter use of resources	To achieve the budget reductions identified in the MTFS.	Implement the planned budget reductions identified for 2016-17 budgets.
	To improve the efficiency of and access to services by redesigning our systems and processes	Review Legal and Regulatory software and systems to streamline business processes. Implement the next phase of the remodelled Shared Regulatory Service. Support managers to lead staff through organisational change. Restructure the procurement process and monitor our contracts register to ensure best value is achieved through e procurement and the contracts framework.

5. Corporate Risks

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Priorities, provide services as planned and fulfil its statutory duties. The following high risks are owned by the Service and are shown under each improvement priority.

Risk Description	2016-17 Score
Collaboration with partners	12

6. The Risk Assessment Process

6.1 The information which has been used to prepare the risk assessment and proposed internal audit plan for the Operational & Partnerships Services Directorate has been collected and collated from a number of different sources including the information contained above. The starting point for a risk based audit approach is an understanding of the Council’s priorities and risks. This has been achieved by reviewing the Corporate Plan, Directorate’s Business Plan, Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

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7. Proposed Internal Audit Plan for the Operational & Partnerships Services Directorate 2016-17

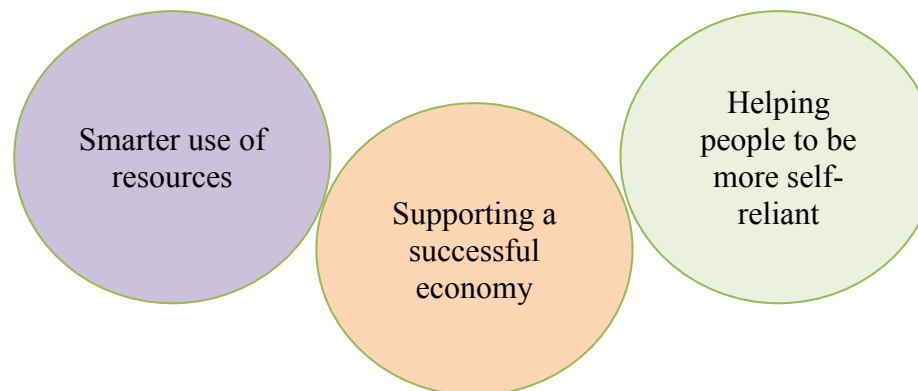
OPERATIONAL PARTNERSHIPS SERVICES DIRECTORATE

Area	Identified Risk(s)	Audit Scope	Total Days
Procurement / Project Compliance Framework / contract register	Non compliance with CPR and FPR's Expenditure Ultra Vires.	Review of the operation of key controls including tendering, ordering, commitments, compliance with Contract and Financial Procedure Rules.	30
ICT	Failure to meet expectations, Reputational Damage.	ICT systems within the Resources Directorate will include: Info@work; Open Contractor; Sharepoint and Trent.	50
Human Resources	Loss of a number of key staff. Failure by External Audit to be able to place reliance on work. Failure to meet expectations of the	Payroll – To review the operation, efficiency and effectiveness of the Council's payroll system. A systems based approach will be utilised considering key risk exposure and controls. The review will examine HR records to ensure the completeness and accuracy of the establishment, HR records and contractual evidence surrounding Starters and Leavers. The approach will include continuous auditing of key controls throughout the year using techniques such as data mining. An audit of the provision of CCTV will be undertaken to provide the necessary assurances under the Shared Service agreement.	15 10

OPERATIONAL SERVICES & PARTNERSHIPS DIRECTORATE PROPOSED PLAN 2016-17

	Shared Service arrangement.		
		<i>Overall Total – Operational & Partnerships Services Directorate</i>	105

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BRIDGEND COUNTY BOROUGH COUNCIL WORKING TOGETHER TO IMPROVE LIVES

**INTERNAL AUDIT SHARED SERVICE
DRAFT ANNUAL AUDIT PLAN FOR FINANCE WITHIN THE CHIEF EXECUTIVE'S
DIRECTORATE**

2016 – 2017

Bridgend CBC

1. Introduction

- 1.1 The Chief Executive (CEX) - Finance Directorate's primary function is to support the rest of the organisation in the delivery of its priorities. The Directorate is responsible for the effective planning and management of all the Council's resources including finance, people, information technology and assets. In addition they are responsible for the administration of council tax and housing benefit payments, customer services and communications and marketing.
- 1.2 The Directorate will continue to support other directorates in the delivery of the Bridgend Change Programme and the Medium Term Financial Strategy, whilst also continuing to deliver its own improvement objectives and budget reduction requirements. The Directorate's overall aim is to continue to provide the best support it can over the coming year, focusing on their efforts on making best use of limited resources at all times.
- 1.3 Between 2016-17 and 2019-20, the Council is expecting to have to make budget reductions of up to £35.5 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about what services can be maintained and what cannot. The CEX - Finance Directorate will have a key role to play in fulfilling this aim, both in terms of its own activity but also in supporting others to ensure that the Council are continually striving to reduce its cost base by increasing efficiency and productivity, eliminating waste and duplication and developing new, more cost effective models of service delivery.
- 1.4 Improving educational attainment remains very important to the council and ongoing improvement in this area forms part of a wider objective in raising skills and attainment more generally. The Council's Corporate Plan highlights the Council's commitments whilst recognising that core and statutory services will continue to receive attention including the Council's work as a planning authority, maintain highways and public transport; refuse collection, street cleaning, revenues and benefits, public protection and sports, arts and libraries.
- 1.5 The Council continues with its commitment to the Transformation Programme, strong financial management and performance management and robust business planning and service planning.

2. Improvement Priorities for 2015-17

2.1 Bridgend County Borough Council recognises that it will have to make significant changes to the way they think and operate in order to meet the significant challenges ahead – not least the increasing demands made on many of the Council’s services, against the background of a shrinking budget. The Council has a clear and simple vision and that is, always to act as:-

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- **Efficient** – delivering services that are value for money.

2.3 The Council has also identified three well-being outcomes that will be their focus over the coming four years. These outcomes are intended to improve the quality of life of people in the County while significantly changing the nature of the Council. The three outcomes are as follows:

Supporting a successful economy	Helping people to become more self-reliant	Smarter use of resources
A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce.	Individuals and families that will be more independent and less reliant on traditional Council services.	A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens’ needs.

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<p>Two – Helping people to be more self-reliant</p>	<p>This means the Council will take early steps to reduce or prevent people from becoming vulnerable or dependent on the</p>	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing extra care and information and advice services for people and their carers.</p>

	Council and its services.	<p>Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns. Looking at existing models of residential care for children and young people and respite care for children with disabilities in order to make them more targeted and more effective.</p> <p>Community Asset Transfer – transferring assets to communities to manage while making the most of the assets retained.</p>
Three – Smarter use of resources	This means the Council will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.	<p>Digital Transformation Programme – changing the way the Council operates to enable customers to access information, advice and services on line.</p> <p>Rationalising the Council's estate – disposing of assets, transferring assets to communities to manage while making the most of the assets retained.</p> <p>Schools' Modernisation Programme – investing in a sustainable education system in school buildings that reduces cost and their carbon footprint.</p> <p>Procurement Programme – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services.</p> <p>Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.</p>

4. Corporate Priorities – CEX - FINANCE

Council Priority	Objective	Finance - (Actions)
One – Supporting a successful economy	To help local people develop skills and take advantage of opportunities to succeed and to extend that success to every community in the County Borough.	Work with the regional Learning, Skills and Innovation Partnership (LSKIP) and also through the Council's 21 st Century Schools Programme and other BCBC-led projects to develop employment opportunities (including apprenticeships and traineeships) and a skills plan that can be delivered locally with our partners, including the college, other training providers and local businesses.

Two – Helping people to be more self-reliant	To support the third sector, town and community councils and community groups to meet local needs.	Increase capacity of the third sector by finding new ways of working together.
Three – Smarter use of resources	To achieve the budget reductions identified in the MTFS.	Implement the planned budget reductions identified for 2016-17 budgets. Identify and take forward at least three new income generation initiatives.
	To improve the efficiency of and access to services by redesigning our systems and processes	Develop a range of automated and online services that are easy for citizens to use. Move most common internal processes to automatic to reduce transaction costs and streamline processes. Improve our understanding of citizens views by developing and promoting mechanisms that increase responses to consultations.
	To make the most of our physical assets, including school buildings.	Provide new and improved schools through delivering the agreed actions under the Schools' modernisation programme. Rationalise further the Council's administrative estate to ensure the Council operates from one core office by March 2017. Deliver the enhanced asset disposal programme to achieve £4million capital receipts by March 2017; Make the Waterton site available to market for housing development as part of the Parc Afon Ewenni scheme. Implement energy and carbon reduction measures and promote good practice in all our public buildings to help them reduce their carbon footprint and achieve 2% carbon reduction.
	To develop the culture and skills required to meet the needs of a changing organisation.	Support managers to lead staff through organisational change; Provide the learning and development opportunities for staff to meet future service needs.

5. Corporate Risks

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Priorities, provide services as planned and fulfil its statutory duties. The following high risks are owned by the Finance Services within the Chief Executive Directorate and are shown under each improvement priority.

Risk Description	2016-17 Score
Cultural change to deliver the MTFS	24
Welfare Reform	18
Equal Pay Claims	16

6. The Risk Assessment Process

6.1 The information which has been used to prepare the risk assessment and proposed internal audit plan for the CEX - Finance Directorate has been collected and collated from a number of different sources including the information contained above. The starting point for a risk based audit approach is an understanding of the Council’s priorities and risks. This has been achieved by reviewing the Corporate Plan, Directorate’s Business Plan, Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

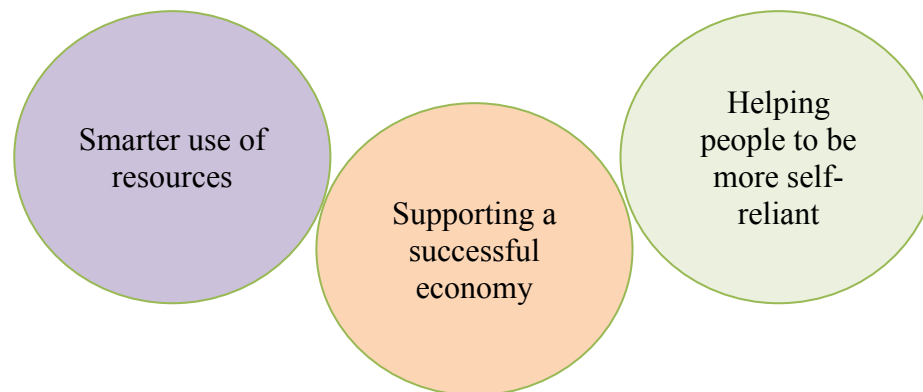
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7. Proposed Internal Audit Plan for the CEX - Finance Directorate 2016-17

CHIEF EXECUTIVE - FINANCE

Area	Identified Risk(s)	Audit Scope	Total Days
Core Financial Systems	Loss of key members of staff. Failure by External Audit to be able to place reliance on work.	Full system and compliance audits to provide assurance over the effectiveness of the Council’s Core Financial Systems that are material to the production of the Council’s accounts and are assessed as high priority and External Audit will place reliance on our work to inform their audit. The Core systems include: <ul style="list-style-type: none"> • Taxation – Council Tax & Business Rates • Benefit Administration, • Creditor Payments/Accounts Payable, • Debtors/Accounts Receivable, • Cash Control, • Budget Setting, Monitoring & Reporting, 	70

		<ul style="list-style-type: none"> • Treasury Management, • Main Accounting. (this list is not exhaustive)	
Elections	Reputational damage for the Council.	To review the systems and processes in place for Elections and provide assurance on the overall control environment including governance and risk.	15
MTFS	Reputational Damage. Failure to deliver the change agenda. Failure to meet the savings targets.	Key to the success of the Council's Change / transformational agenda is delivering the savings as outlined in the Medium Term Financial Strategy. Internal Audit will review the savings which have been highlighted as Red and/or Amber and evaluate the impact.	20
Corporate Change Fund	Failure to meet expectations.	Invest to Safe. Review the procedures and process in operation and provide the necessary assurances.	10
Direct Payments	Inaccurate payments, reputational damage, expectations not realised.	The Council are exploring ways in which the service provision can be improved. This review will examine the Finance Sections involvement in the processes and procedures and will provide the necessary assurances on the overall control environment.	15
		Overall Total – CEX – Finance	130



BRIDGEND COUNTY BOROUGH COUNCIL WORKING TOGETHER TO IMPROVE LIVES

**INTERNAL AUDIT SHARED SERVICE
DRAFT ANNUAL AUDIT PLAN FOR
DIRECTORATE OF SOCIAL SERVICES AND WELLBEING**

2016 – 2017

Bridgend CBC

1. Introduction

- 1.1 The Social Services and Wellbeing Directorate's vision is to actively promote independence, wellbeing and choice that will support individuals in achieving their full potential. The Social Services & Wellbeing Directorate is responsible for the planning, commissioning, assessment and, where appropriate, the direct provision of Social Services. The sport, play and active wellbeing team is also part of the directorate and this service has been able to focus on developing the wellbeing and preventive agenda to ensure that children, young people and adults are given every opportunity to improve their wellbeing and keep active regardless of their skills and abilities. The Directorate will particularly aim to promote sport plan and active wellbeing into new early intervention and preventative models of commissioning service delivery.
- 1.2 The case for new ways of working has been laid down by the Social Services and Wellbeing (Wales) Act (2014) and the directorate has been working towards the implementation of the Act for some time. Whilst the formal implementation date is April 2016, it will take a significant period of time to bed in due to the introduction of new ways of working and the inevitable impact this will have on the present culture, custom and practice. The business plan 2016-17 focuses on new ways of working and the future priority will be developing the best sustainable solutions that meet service users' needs flexibly and efficiently.
- 1.3 Improving educational attainment remains very important to the council and ongoing improvement in this area forms part of a wider objective in raising skills and attainment more generally. The Council's Corporate Plan highlights the Council's commitments whilst recognising that core and statutory services will continue to receive attention including the Council's work as a planning authority, maintain highways and public transport; refuse collection, street cleaning, revenues and benefits, public protection and sports, arts and libraries.
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<p>Two – Helping people to be more self-reliant</p>	<p>This means the Council will take early steps to reduce or prevent people from becoming vulnerable or dependent on the</p>	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing extra care and information and advice services for people and their carers.</p>

	Council and its services.	<p>Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns. Looking at existing models of residential care for children and young people and respite care for children with disabilities in order to make them more targeted and more effective.</p> <p>Community Asset Transfer – transferring assets to communities to manage while making the most of the assets retained.</p>
Three – Smarter use of resources	This means the Council will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.	<p>Digital Transformation Programme – changing the way the Council operates to enable customers to access information, advice and services on line.</p> <p>Rationalising the Council's estate – disposing of assets, transferring assets to communities to manage while making the most of the assets retained.</p> <p>Schools' Modernisation Programme – investing in a sustainable education system in school buildings that reduces cost and their carbon footprint.</p> <p>Procurement Programme – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services.</p> <p>Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.</p>

4. Corporate Priorities – Social Services and Wellbeing Directorate

Council Priority	Objective	Social Services and Wellbeing Directorate - (Actions)
Two – Helping people to be more self-reliant	To reduce demand by investing in targeted early help and intervention programmes	<p>Further develop local community coordination to enable communities to be more self-reliant.</p> <p>Develop appropriate mechanisms to enable the Council to provide good information, advice and assistance to the public.</p> <p>Involve service users, carers and communities in developing and commissioning services.</p>

	To give people more choice and control over what support they receive by providing early access to advice and information.	Develop a multi-agency safeguarding hub to provide effective multi-agency response to safeguarding issues. Review and consider new models of service delivery for respite and residential care to ensure a flexible support and service to people when they need it. Develop an appropriate service model for children in transition from childhood to adulthood, including children with disabilities and children leaving care. Ensure appropriate services are available to children at risk from child sexual exploitation (CSE)
	To support carers in maintaining their role.	Work with partners and schools to support carers by providing the right information, advice and assistance where relevant.
	Support the third sector, town and community councils and community groups to meet local needs.	Enable community groups and the third sector to have more voice and control over community assets.
Three – Smarter use of resources	To achieve the budget reductions identified in the MTFS.	Implement the planned budget reductions identified for 2016-17 budgets.
	To develop the culture and skills required to meet the needs of a changing organisation.	

5. Corporate Risks

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Priorities, provide services as planned and fulfil its statutory duties. The following high risks are owned by the Social Services and Wellbeing Directorate and are shown under each improvement priority.

Risk Description	2016-17 Score
Supporting vulnerable people	20
Supporting vulnerable children	16
Healthy lifestyles	16

6. The Risk Assessment Process

6.1 The information which has been used to prepare the risk assessment and proposed internal audit plan for the Directorate of Social Services & Wellbeing has been collected and collated from a number of different sources including the information contained above. The starting point for a risk based audit approach is an understanding of the Council’s priorities and risks. This has been achieved by reviewing the Corporate Plan, Directorate’s Business Plan, Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

6.2 The plan is based on an underlying risk assessment. The inherent risks existing within each area are then identified for audit as part of the audit planning process. The audits which make up the plan have been assessed on priority. Internal Audit will ensure that all reviews classified as “high” risk, will be completed by the end of the year, “medium risk reviews are the next level down, but still require a scheduled review. Although “low” risk reviews still carry a degree of risk, these have not been included on the plan but continue to be risk assessed annually to take account of any changes in their status.

7. Proposed Internal Audit Plan for the Social Services and Wellbeing Directorate 2016-17

SOCIAL SERVICES & WELLBEING DIRECTORATE

Area	Identified Risk(s)	Audit Scope	Total Days
Section 117 Follow up	Internal Control weaknesses highlight in 2014/15	To follow up on the recommendations made in the 2014/15 Internal Audit Report to ensure adequate progress has been made to address the internal control weaknesses.	15
Social Services and Wellbeing Act	Reputational Risk, Breach of legislation.	Whilst the formal implementation date of the Act is April 2016, it will take a significant period of time to bed in due to the introduction of new ways of working and the inevitable impact this will have on the present culture, custom and practice. Therefore, a contingency is built in to provide advice and support where needed and to provide overall assurances on the robustness of the systems and processes put in place as they develop.	40

Mental Health Act	Failure to comply with legislative requirements.	To provide overall assurance on compliance with the Act.	15
Leisure / Sport, Play and Active Wellbeing	Reputational Risk for the Council.	Compliance audit to ensure contractual arrangements are being effectively monitored within the provision of leisure services. Ensure appropriate governance arrangements in relation to the partnership arrangements for Sport, Play and Active Wellbeing.	20
Data	Reputational Risk for the Council. Failure to comply with legislative requirements. Breaches.	To provide assurance on the procedures and processes in place for handling data ensuring its accuracy and integrity.	15
		<i>Overall Total – Social Services & Wellbeing</i>	105

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT SHARED SERVICE CHARTER 2016/17

1. Purpose of Report.

1.1. To present to Members the Council's Internal Audit Shared Service Charter for 2016/17.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

2.1. Internal Audit's work impacts on all of the Corporate Improvement Objectives / other corporate priorities.

3. Background

3.1. As at the 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) came into force and superseded the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Auditors.

3.2. The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework.

3.3. The roles of the Audit Committee in relation to internal audit are to:

- Oversee its independence, objectivity, performance and professionalism;
- Support the effectiveness of the internal audit process and;
- promote the effective use of internal audit within the assurance framework

3.4. One of the key roles which demonstrate the Audit Committee's oversight is the approval of the Internal Audit Charter. The Audit Committee approved the first Internal Audit Shared Service Charter 2013/14 at their meeting held on 21st March 2013.

4. Current situation / proposal

4.1. The PSIAS requires the Head of Audit to review the charter periodically but final approval resides with the Audit Committee.

4.2. The Internal Audit Shared Service Charter for 2016/17 is attached at **Appendix A**. It has been reviewed to ensure it continues to reflect the requirements of the PSIAS.

5. Effect upon Policy Framework & Procedure Rules.

5.1. There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment.

6.1. There are no equality implications.

7. Financial Implications.

7.1. There are no financial implications as a result of this report.

8. Recommendation.

8.1. The Committee is recommended to consider and approve the Internal Audit Shared Service Charter for 2016/17 as attached to this report.

Helen Smith
Chief Internal Auditor
21st April 2016

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Background Documents

None

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



**INTERNAL AUDIT CHARTER FOR BRIDGEND & VALE INTERNAL AUDIT
SHARED SERVICE
2016 - 2017**

The Internal Audit Shared Service Charter describes the purpose, authority and principal responsibilities of the Bridgend and Vale Internal Audit Shared Service. The Head of Audit is responsible for reviewing the charter and presenting it to the Audit Committee at least annually for review and approval.

The Charter is split into the following sections;

1. Purpose, Authority and Responsibility;
2. Independence and objectivity;
3. Proficiency and due professional care;
4. Quality assurance and improvement programme.

1. Purpose, Authority and Responsibility – (Standards 1000 & 1010)

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to management and Members on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives.

It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance issues.

In addition, the other objectives of the function are to:

- Support the Corporate Director - Resources (BCBC) / Head of Finance (VOG) to discharge their s151 duties;

- Contribute to and support the Corporate Service Directorates with the objective of ensuring the provision of, and promoting the need for, sound financial systems; and;
 - Investigate allegations of fraud or irregularity to help safeguard public funds.
 - Support the work of the relevant Audit Committees
- 1.2 These objectives will be delivered through maintaining a high quality Internal Audit Shared Service function that meets the needs of the Council, supporting the Section 151 Officer and the Audit Committee in discharging their responsibilities and meeting the requirements of the Public Sector Internal Audit Standards.
- 1.3 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (Wales) 2005 (as amended), which states in respect of internal audit 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”.
- 1.4 The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.
- 1.5 Section 151 of the Local Government Finance Act 1972 requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In the Vale of Glamorgan Council, that officer is the Head of Finance and within Bridgend CBC it is the Corporate Director - Resources.

1.6 Scope and Authority

- 1.7 The scope for Internal Audit work includes the control environment comprising risk management, control and governance.

This effectively means that Internal Audit has the remit to independently review all the Council’s operations, resources, services and processes in place to:

- Establish and monitor the achievement of Council objectives;
- Identify, assess and manage the risks to achieving the Council’s objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;

- Safeguard assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting.

1.8 In accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended), all Internal Audit staff shall have unrestricted access to all Council activities and records (whether manual or computerised systems), personnel, cash, stores, other assets and premises, including those of partner organisations and have authority to obtain such information and explanations as considered necessary to fulfil Internal Audit's responsibilities.

1.9 All Chief Officers of the Council are required to give complete co-operation to Internal Audit staff for the expedient fulfilment of the audit process. In addition, all partners/agents contracted to provide services on the Council's behalf are also required to co-operate with Internal Audit staff and make available all necessary information. This requirement should be explicit within contract documents.

2. Independence and Objectivity (Standards 1100, 1110, 1111, 1120 and 1130)

2.1 Internal Audit is independent of the activities which it audits thereby providing an unbiased judgement to management. This is essential to its proper conduct and impartial advice to management.

To ensure this, Internal Audit operates within a framework that allows unrestricted access to senior management and Members, particularly the Leader of the Council, the Chair of the Audit Committee, the Managing Director (VOG) / Chief Executive (BCBC), Directors and Heads of Service, and maintains segregation from operations.

In addition the Head of Internal Audit reports in his/her own name.

2.2 Internal Audit is a shared service between the Vale of Glamorgan Council and Bridgend County Borough Council. The host authority for the delivery of the Internal Audit Shared Service (IASS) is the Vale of Glamorgan Council. The governance of the provision of the shared service shall be carried out by the IASS Board. This is a group made up of the Chief Financial Officer of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.

2.3 The activities of the IASS Board shall include but not be limited to:

- a. determining the strategic direction of IASS;
- b. setting, monitoring and reviewing service standards;
- c. determining the Authority Rate on the basis of reasonable information provided by the Head of Audit;

- d. providing general supervision of the provision of the Service;
 - e. Resolving conflicts between competing interests amongst the authorities collectively and individually relating to IASS, the IASS Board and / or the Service;
 - f. Endeavour to resolve any dispute between the respective Authorities;
- 2.4 Scrutiny remains the responsibility of each individual Authority and therefore the Audit Committee for each Authority will review the performance and effectiveness of audit activity, including that of the Internal Audit Shared Service.

2.5 Internal Audit Standards

- 2.6 There is a statutory requirement for Internal Audit to work in accordance with the “proper audit practices”. These are set out in the Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) has developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1st April 2013.
- 2.7 The unified set of internal audit standards is based on the mandatory elements of the IIA’s International Professional Practices Framework. The standards have been adopted by both the Vale of Glamorgan Council and Bridgend CBC Audit Committees.
- 2.8 Internal Audit Staff will;
- Comply with relevant auditing standards;
 - Comply and promote compliance throughout the Council with all Council rules and policies;
 - Be expected at all times to adopt a professional, reliable, independent and innovative approach to their work;
 - It is essential that Internal Audit staff are seen to be impartial. All Internal Audit staff are required to complete an annual declaration of their interests. This is done as part of the annual appraisal and is in line with professional ethics. The Head of Internal Audit is responsible for ensuring that audit staff are not assigned to operational areas or investigations that could compromise their independence (including previous and / or secondary employment elsewhere in the organisation or its Audit Partner).
- 2.9 The Internal Audit Shared Service (IASS) has adopted (as a minimum) the Chartered Institute of Internal Auditors (CIIA’s) Code of Ethics. Where members of the IASS have attained membership with other professional bodies such as: CIPFA or the Institute of Chartered

Accountants in England and Wales (ICAEW), those officers must also comply with their relevant bodies' ethical requirements.

- 2.10 Each member of the Team will receive a copy of the Code of Ethics and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as Councils standards and policies such as the Codes of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

3. Proficiency and Due Professional Care (Standards 1200, 1210, 1220, 1230 and 2030)

- 3.1 Directors and Service Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Service including the risk of fraud and corruption.
- 3.2 The Head of Internal Audit is required to manage the provision of a complete Internal Audit Shared Service to the Council which will include reviewing the systems of internal control operating throughout the Council, and will adopt a combination of system based, risk based, regularity, computer and contract audit approaches in addition to the investigation of fraud.
- 3.3 In discharge of this duty, the Head of Internal Audit will:
- Prepare an annual strategic risk based audit plan for formal agreement by the IASS Board and formal ratification by the relevant Audit Committee;
 - The Annual Audit Plan will be regarded as flexible and may be revised to reflect changing services and risk assessments; elements of the annual plan are also based on items within the Corporate Risk Register.

3.4 Resources and Proficiency

- 3.5 For the Internal Audit Shared Service to fulfil their responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively developed to achieve the approved risk based plan.
- 3.6 The Head of Internal Audit must hold a professional qualification (CIPFA, Association of Chartered Certified Accountants (ACCA) or equivalent) and be suitably experienced.
- 3.7 Each job role within the Internal Audit Shared Service structure will detail the prerequisite skills and competencies required for that role and these will be assessed annually in line with Council policy and the

PSIAS. Any development and training plans will be regularly reviewed, monitored and agreed with officers.

- 3.8 All Auditors are also required to maintain a record of their continual professional development in line with their professional body.

3.9 Due Professional Care

- 3.10 Internal Auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the assignment objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk-management and control processes;
- Probability of significant error, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.
- Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

3.11 Relationships

3.12 General

All stakeholders will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner.

Internal – Our main contacts are with:

- Members;
- The Managing Director (VOG) The Chief Executive (BCBC);
- Corporate Directors,
- Heads of Service
- Group Managers / Operational Managers and line supervisors;
- Front line employees delivering services to the public;
- Back office support staff, in particular Financial Services, Legal Services, IT and HR.

External – Our main contacts are with:

- The Council's External Auditors.
Internal and External Audit work together to ensure audit resources are used to best advantage for the benefit of the Council. The External Auditors place reliance on the work performed by Internal Audit when undertaking their final accounts audit.
- Various Government Agencies and Inspectorates.

4. Quality Assurance and Improvement Programme (Standards 1300, 1310, 1311, 1312, 1320, 1321 and 1322)

- 4.1 To enable the Head of Internal Audit to assess the Internal Audit Shared Service's activities with conformance to the PSIAS and to aid in the annual assessment of the Internal Audit Shared Service's efficiency and effectiveness and identify opportunities for improvement, a Quality Improvement and Management Programme (QIMP) has been developed.
- 4.2 The QIMP includes both internal and external assessments in accordance with the Standards.
- 4.3 Assessment against QIMP forms part of the annual assessment of the effectiveness of internal audit (as contained within the Head of Internal Audit's Annual Opinion Report) which is presented to the Audit Committee and to the IASS Board.
- 4.4 Where there are instances of non-conformance to the PSIAS this will be reported to the Audit Committee and the IASS Board with any significant deviations being detailed within the Annual Governance Statement.
- 4.5 Internal Assessment**
- 4.6 All Auditors have access to up to date business processes, working instructions, the Internal Audit Charter, Council policies, the PSIAS, journals, publications and other relevant articles. Where staff are members of bodies such as CIPFA and/or CIIA further guidance is available.
- 4.7 To maintain quality, work is allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised. Work is monitored for progress, assessed for quality and to allow for coaching and mentoring.
- 4.8 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team (i.e. 89.6% of all audits completed within planned time). Audit targets and performance indicators will be agreed with the IASS Board and reported to the relevant Audit Committee.
- 4.9 In addition to the QIMP, progress made against the annual audit plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the relevant Audit Committee.
- 4.10 Ongoing assessment of individuals is carried out through regular on-going reviews, one to one meetings, feedback from clients via the

Client Satisfaction Surveys and formally in the annual personal development review process.

4.11 External Assessment

- 4.12 In compliance with the PSIAS, external assessment will be carried out at least once every five years by a qualified, independent assessor or assessment team from outside of the Internal Audit Shared Services organisations. The preferred option would be through self-assessment, with an independent validation from a peer review (organised through the Welsh Chief Internal Auditors Group) providing there is no conflict of interest and impairment to objectivity in this arrangement. This arrangement together with the scope will be agreed by the IASS Board and the relevant Audit Committees. It is anticipated that an External Assessment will be undertaken during the Financial Year 2016/2017.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

21 APRIL 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

UPDATED FORWARD WORK PROGRAMME 2015-16 AND PROPOSED FORWARD WORK PROGRAMME 2016-17

1. Purpose of Report.

- 1.1 To present to Members an update on the 2015/16 Forward Work Programme and the proposed Forward Work Programme for 2016/17 for the Audit Committee to consider and approve.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives /other Corporate Priorities.

3. Background.

- 3.1 The Core functions of an effective Audit Committee are:-

- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
- Oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Chief Internal Auditor as Head of Audit.
- Consider the reports of external audit and inspection agencies, where applicable.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review and approve the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

- 3.2 Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

4. Current situation / proposal.

4.1 In order to assist the Audit Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions an updated forward work programme is attached at **Appendix A**. Attached at **Appendix B** is the proposed Forward Work Programme covering 2016/17.

5. Effect upon Policy Framework& Procedure Rules.

5.1 None

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Financial Implications.

7.1 None

8. Recommendation.

8.1 That Members note the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported and consider and approve the 2016/17 programme.

Helen Smith
Chief Internal Auditor
21st April 2016

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Background documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2015 – 2016**

DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2015			
25 th June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	N/A
	Updated Forward Work Programme.	CIA	Complete
	Pre-audited Statement of Accounts 2014/15.	Head of Finance & ICT	Complete
	Annual Governance Statement 2014-15	Head of Finance & ICT	Complete
	Complete Audits (if applicable).	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
	IASS Outturn Report April and May 2015.	CIA	Complete
Carried Forward from April 2015 Committee	IASS Outturn Report April 2014 to March 2015 and the Head of Audit's Annual Opinion.	CIA	Complete
24 th September	Information and Action Requests	CIA	Complete
	Updated Forward Work Programme	CIA	Complete
	Statement of Audited Accounts and Final Annual Governance Statement 2014/15	Head of Finance and ICT / KPMG	Complete
	Treasury Management Outturn 2014/15	Head of Finance and ICT	Complete
	Internal Audit 5 months Outturn Report April to August 2015.	CIA	Complete
	Completed Audits Report (where applicable)	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
19 th November	Up dated Forward Work Programme	CIA	Complete
	Information and Action Requests (where applicable)	CIA	Complete
	Fraud update (including NFI)	Head of Finance & ICT / Benefits Manager / CIA	Complete
	Corporate Risk Assessment Review 2015/16.	Head of Finance and ICT / Risk & Insurance Manager	Complete
	Completed Audits Report (if applicable)	CIA	Complete
	Internal Audit Outturn Report – April 2015 to September 2015.	CIA	Complete
	School Summary Report 2014-15	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO	
2016			
28 th January	Up dated Forward Work Programme	CIA	Complete
	Information and Action Requests (if applicable)	CIA	Complete
	Internal Audit 9 months Outturn Report April 2015 – December 2015	CIA	Complete
	Completed Audits (where applicable)	CIA	Complete
	Report on the work undertaken on School Audits.	CIA	Taken Forward to Nov. 15 Complete
	Controlled Risk Self-Assessment Questionnaire	CIA	Complete

APPENDIX A

	PSIAS External Assessment	CIA	Complete
	External Auditors / Inspection Reports (where applicable). Annual Improvement Report. Certification of Grants and Returns.	Head of Finance & ICT / WAO/ Relevant Chief Officer	Complete
	Corporate Risk Assessment 2015-16	Head of Finance & ICT	Complete
	Treasury Management Half Year Report 2015-16 and Treasury management strategy 2016-17	Head of Finance & ICT	Complete
21st April	Information and Action Requests (where applicable)	CIA	Submitted
	Updated Forward Work Programme	CIA	Submitted
	Proposed Forward Work Programme 2016-17.	CIA	Submitted
	Internal Audit proposed Annual Strategy and Audit Plan 2016-2017.	CIA	Submitted
	Governance – Compliance with Public Sector Internal Audit Standards for 2015-16	CIA	To be Carried Forward
	Audit Committee – Terms of Reference	CIA	Not Applicable
	Internal Audit Shared Service Charter	CIA	Submitted
	Completed Audits (where applicable)	CIA	Submitted
	Head of Audit’s Annual Opinion Report and outturn for the Year 2015/16	CIA	Submitted
	External Auditors / Inspection Reports (if applicable): - External Audit Plan Financial Resilience Report	Head of Finance & ICT / WAO	Submitted

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2016 – 2017**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2016			
23rd June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	
	Updated Forward Work Programme.	CIA	
	Pre-audited Statement of Accounts 2015/16.	Head of Finance & ICT	
	Annual Governance Statement 2015-16	Head of Finance & ICT	
	Treasury Management Outturn 2015/16	Head of Finance and ICT	
	Complete Audits (if applicable).	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO	
	IASS Outturn Report April and May 2016.	CIA	
29th September	Information and Action Requests	CIA	
	Updated Forward Work Programme	CIA	
	Statement of Audited Accounts and Final Annual Governance Statement 2015/16	Head of Finance and ICT / WAO	
	Internal Audit 5 months Outturn Report April to August 2016.	CIA	
	Completed Audits Report (where applicable)	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO	
24th November	Up dated Forward Work Programme	CIA	
	Information and Action Requests (where applicable)	CIA	
	Fraud update	Head of Finance & ICT / Benefits Manager	
	Corporate Risk Assessment Review 2016/17.	Head of Finance and ICT / Risk & Insurance Manager	
	Completed Audits Report (if applicable)	CIA	
	Internal Audit Outturn Report – April 2016 to October 2016.	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO	
2017			
26th January	Up dated Forward Work Programme	CIA	
	Information and Action Requests (if applicable)	CIA	
	Internal Audit 9 months Outturn Report April 2016 – December 2016	CIA	
	Completed Audits (where applicable)	CIA	
	Report on the work undertaken on School Audits.	CIA	
	External Auditors / Inspection Reports (where applicable)	Head of Finance & ICT / WAO	
	Corporate Risk Assessment 2016-17	Head of Finance & ICT	
	Treasury Management Half Year Report 2016-17 and Treasury management	Head of Finance & ICT	

APPENDIX B

	strategy 2017-18		
24th April	Information and Action Requests (where applicable)	CIA	
	Updated Forward Work Programme	CIA	
	Proposed Forward Work Programme 2017-18.	CIA	
	Internal Audit proposed Annual Strategy and Audit Plan 2017-2018.	CIA	
	Governance – Compliance with Public Sector Internal Audit Standards for 2016-17	CIA	
	Audit Committee – Terms of Reference	CIA	
	Internal Audit Shared Service Charter	CIA	
	Completed Audits (where applicable)	CIA	
	Head of Audit’s Annual Opinion Report and outturn for the Year 2016/17	CIA	
	External Auditors / Inspection Reports (if applicable): -	Head of Finance & ICT / WAO	