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Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

Bridgend County Borough Council



Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB / Civic Offices, Angel Street, Bridgend, CF31 4WB

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Annwyl Cyngorydd,

PWYLLGOR ARCHWILIO

Cynhelir Cyfarfod Pwyllgor Archwilio yn Ystafelloedd Pwyllgor 2/3 - Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr CF31 4WB ar **Dydd Iau, 26 Ebrill 2018 am 14:00.**

AGENDA

1. Ymddiheuriadau am absenoldeb
Derbyn ymddiheuriadau am absenoldeb gan Aelodau.
2. Datganiadau o fuddiant
Derbyn datganiadau o ddiddordeb personol a rhagfarnol (os o gwbl) gan Aelodau / Swyddogion yn unol â darpariaethau'r Cod Ymddygiad Aelodau a fabwysiadwyd gan y Cyngor o 1 Medi 2014.
3. Cymeradwyaeth Cofnodion 3 - 8
I dderbyn am gymeradwyaeth y Cofnodion cyfarfod y 18/01/2018
4. Archwiliad Mewnol Cynllun Archwiliad Blynyddol 2017-18 9 - 40
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10. Strategaeth Archwiliad Mewnol a Cynllun Seiliedig ar Risg Blynyddol 2018/19 119 - 154
Ebrill 2018 i Mawrth 2019

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11. Rhaglen Waith i Ddod a Ddiweddarwyd 2017/18 a Rhaglen Waith i Ddod Cynnigwyd am 2018/19 155 - 160
12. Materion Brys
I ystyried unrhyw eitemau o fusnes y, oherwydd amgylchiadau arbennig y cadeirydd o'r farn y dylid eu hystyried yn y cyfarfod fel mater o frys yn unol â Rhan 4 (pharagraff 4) o'r Rheolau Trefn y Cyngor yn y Cyfansoddiad.

Yn ddiffuant

P A Jolley

Cyfarwyddwr Gwasanaethau Gweithredol a Phartneriaethol

Dosbarthiad:

Cynghowrwy

CA Green

JE Lewis

JR McCarthy

MJ Kearns

Cynghorwyr

B Sedgebeer

RMI Shaw

RM Granville

LM Walters

Cynghorwyr

A Williams

AJ Williams

MC Clarke

A Hussain

Aelod Lleyg

Mrs J Williams

PWYLLGOR ARCHWILIO - DYDD IAU, 18 IONAWR 2018

COFNODION CYFARFOD Y PWYLLGOR ARCHWILIO A GYNHALIWIWYD YN
YSTAFELLOEDD PWYLLGOR 2/3 - SWYDDFEYDD DINESIG, STRYD YR ANGEL, PEN-Y-
BONT AR OGWR CF31 4WB DYDD IAU, 18 IONAWR 2018, AM 14:00

Presennol

Y Cynghorydd LM Walters – Cadeirydd

JE Lewis
A Williams

JR McCarthy
AJ Williams

MJ Kearn
MC Clarke

RMI Shaw
A Hussain

Ymddiheuriadau am Absenoldeb

B Sedgebeer

Ymddiheuriadau am Absenoldeb drwy Busnes y Cyngor

CA Green

Swyddogion:

Mark Jones	Rheolwr Archwilio Ariannol, Swyddfa Archwilio Cymru
Helen Smith	Prif Archwilydd Mewnol
Mary Williams	Rheolwr Grŵp - Phrif Gyfrifydd
Andrew Rees	Uwch Swyddog Gwasanaethau Democrataidd - Pwyllgorau
Nigel Smith	Rheolwr Cyllid
Sarah-Jane Byrne	Rheolwr Awdurdod Lleol, Swyddfa Archwilio Cymru
Roger Martin	Swyddog Yswiriant a Risg

Aelod Lleyg:

Josephine Williams

35. DATGAN BUDDIANNAU

Dim

36. CYMERADWYO COFNODION

PENDERFYNWYD: Cymeradwyo cofnodion y Pwyllgor Archwilio ar 16 Tachwedd 2017 fel rhai gwir a chywir.

37. ADRODDIAD GWELLA BLYNYDDOL SWYDDFA ARCHWILIO CYMRU 2016-17 - CYNGOR BWRDEISTREF SIROL PEN-Y-BONT AR OGWR

Cyflwynodd Sarah-Jane Byrne, rheolwr Llywodraeth Leol Swyddfa Archwilio Cymru, Adroddiad gwella Blynyddol yr Archwilydd Cyffredinol.

Hysbysodd Rheolwr Llywodraeth leol SAC y pwyllgor fod gofyn ar i'r Archwilydd Cyffredinol gynnal asesiad gwella blynyddol a chyhoeddi adroddiad gwella blynyddol ar gyfer pob awdurdod gwella yng Nghymru. Nododd yn gyffredinol fod y Cyngor yn ateb ei ofynion statudol parthed gwelliant parhaus ac yn seiliedig ar y gwaith a wnaed gan SAC a rheoleiddwyr perthnasol, fod y Cyngor yn debygol o gydymffurfio â gofynion y Mesur Llywodraeth Leol.

Adroddodd y Rheolwr Llywodraeth Leol ar benawdau canfyddiadau'r projectau canlynol a wnaed:

- Llywodraethiant Da wrth Bennu Newidiadau Gwasanaeth
- Llythyr Archwilio Blynyddol 2015-16
- Cynllunio Arbedion
- Dilyniant i'r Asesiad Corfforaethol
- Archwiliad Cynllun Gwella Blynyddol
- Archwiliad Asesiad Perfformiad Blynyddol

Ni wnaeth yr Archwilydd Cyffredinol unrhyw argymhellion ffurfiol na chynigion ar gyfer gwella. Parthed y project Llywodraethiant Da wrth Bennu Newidadau Gwasanaeth, roedd y Cyngor wedi ymateb yn gadarnhaol i'r materion a godwyd gan SAC ac wedi cymryd camau i fynd i'r afael â phob maes oedd yn galw am welliant. Canfu SAC fod gan y Cyngor flaenoriaethau clir sy'n siapiao'i benderfyniadau ar newid gwasanaeth arwyddocaol a'i fod yn ceisio dysgu a gwella trefniadau, ond mae lle i wella hygyrchedd peth gwybodaeth. Canfu hefyd, fod y Cyngor yn cael budd o lywodraethiant a threfniadau atebolrwydd cyffredinol eglur a pherthynas waith gadarnhaol rhwng swyddogion ac aelodau. Yn nodweddiadol mae'r Cyngor yn ystyried ystod o ddewisiadau ar gyfer newidiadau gwasanaeth arwyddocaol sydd wedi eu cefnogi gan wybodaeth eglur, ond nid ydynt yn gyffredinol yn cynnwys gwerthusiad dewisiadau ffurfiol. Mae trefniadau ymgynghori effeithiol yn gyffredinol gan y Cyngor wrth ystyried newidiadau gwasanaeth arwyddocaol ac mae'n parhau i'w datblygu, er y gellid gwella ar hygyrchedd y wybodaeth. Mae'r Cyngor yn monitro arbedion ariannol ac effaith rhai newidiadau gwasanaeth arwyddocaol, er y gellid cryfhau hyn drwy ddangos yn eglur y modd y caiff effaith ei fonitro adeg gwneud y penderfyniad. Mae'r Cyngor yn dysgu trwy ei brofiad i wella ei drefniadau ar gyfer pennu a chyflawni newidiadau gwasanaeth.

Adroddodd y Rheolwr Llywodraeth Leol fod argymhellion adrodd cenedlaethol wedi eu gwneud parthed:

- Cadernid Ariannol Awdurdodau Lleol yng Nghymru 2015-16
- Diogelwch cymunedol yng Nghymru
- Codi tâl am Wasanaethau a Chynhyrchu Incwm gan Awdurdodau Lleol
- Ariannu Gwasanaethau Trydydd Sector gan Awdurdodau Lleol

Gofynnodd y pwyllgor am fwy o eglurder o'r datganiad a wnaed gan SAC parthed cynllunio arbedion sef "tra bo fframwaith cynllunio ariannol cadarn gan y Cyngor mae'n bosib na fydd cynlluniau arbed nad sydd wedi eu datblygu'n ddigonol yn gallu cefnogi cadernid ariannol yn y dyfodol yn llawn". Dywedodd y Rheolwr Llywodraeth leol wrth y Pwyllgor fod SAC wedi canfod yr angen i'r Cyngor gryfhau a bod angen gwaith pellach ar gynllunio arbedion i sicrhau y gall Aelodau wneud penderfyniadau. Dywedodd Prif Gyfrifydd y Rheolwr Grŵp wrth y Pwyllgor fod adroddiadau monitro cyllidebau yn cynnwys adran ar fonitro arbedion a gofynnwyd i Gyfarwyddwyr gynbig cynigion arbedion amgen ar gyfer rhai nad oedd yn profi cynnydd. Dywedodd y byddai adroddiad ar Fonitro Cyllideb Chwarter 3 yn cael ei gyflwyno i'r Cabinet fis Ionawr.

Holodd y Pwyllgor ym mha fodd y byddai'r argymhellion a geid yn yr Adroddiad Gwella Blynyddol yn cael eu rhoi ar waith. Dywedodd y Cadeirydd wrth y Pwyllgor y byddai swyddogion yn adrodd nôl i'r Pwyllgor ar roi argymhellion yr adroddiad ar waith.

PENDERFYNWYD: Bod y Pwyllgor yn nodi'r Adroddiad Gwella Blynyddol gan SAC.

38. LLYTHYR ARCHWILIO BLYNYDDOL 2016-17

Cyflwynodd Rheolwr yr Archwiliad Ariannol, Swyddfa Archwilio Cymru, llythyr Archwilio Blynyddol yr Archwilydd Penodedig 2016-17.

Nododd fod yr Archwilydd Penodedig wedi cyhoeddi barn archwilio heb ei chymhwyso ar y datganiadau cyfrifo; cadarnhaodd eu bod yn cynrychioli golwg cywir a theg ar sefyllfa a thrafodion ariannol y Cyngor. Nododd fod y llythyr hefyd yn cadarnhau fod yr Archwilydd Penodedig yn fodlon fod trefniadau priodol yn eu lle gan y Cyngor er mwyn sicrhau economi, effeithlonrwydd ac effeithiolrwydd yn ei ddefnydd ar adnoddau. Cyhoeddodd yr Archwilydd Penodedig, yn unol ag Archwilio Cyhoeddus (Cymru) 2004, dystysgrif yn cadarnhau fod yr archwiliad ar y cyfrifon wedi eu cadarnhau.

PENDERFYNWYD: Fod y Pwyllgor yn nodi y llythyr Archwilio Blynyddol 2016-17.

39. STRATEGAETH RHEOLI'R TRYSORLYS 2018-19

Adroddodd Prif Gyfrifydd y Rheolwr Grŵp ar y Strategaeth Rheoli'r Trysorlys 2018-19 arfaethedig cyn iddo gael ei gyflwyno i'r Cyngor ym mis Chwefror i'w gymeradwyo fel rhan o'r Strategaeth Ariannol yn y Tymor Canolig.

Adroddodd Prif Gyfrifydd y Rheolwr Grŵp fod cyfrifoldeb wedi ei ddirprwyo gan y Pwyllgor hwn i sicrhau craffu effeithiol ar strategaeth a pholisïau rheoli'r trysorlys. Mae'r gweithgareddau hyn wedi eu rheoleiddio gan ddeddfwriaeth a chan Godau Ymarfer CIPFA ar reoli trysorlys a'r Cod Darbodusrwydd. Mae'r rhain yn sicrhau fod gwariant cyfalaf y Cyngor yn ddarbodus, fforddiadwy a chynaliadwy a bod arferion ei drysorlys yn arddangos ymagwedd risg isel. Mae'r Strategaeth on yn cyflawni rhwymedigaeth gyfreithiol sydd ar y Cyngor dan Ddeddf Llywodraeth Leol 2003 i roi ystyriaeth lawn i God CIPFA a Chanllaw Llywodraeth Cymru.

Tanlinellodd Prif Gyfrifydd y Rheolwr Grŵp brif bwyntiau'r Strategaeth Rheoli'r Trysorlys ac amlinellodd nodweddion allweddol Strategaeth Rheoli'r Trysorlys.

PENDERFYNWYD Bod y Pwyllgor yn rhoi ystyriaeth ddyledus i Strategaeth Rheoli'r Trysorlys 2018-19 cyn ei gyflwyno i'r Cyngor i'w gymeradwyo yn Chwefror 2017 fel rhan o'r Strategaeth Ariannol yn y Tymor Canolig.

40. YR ASESIAID RISG CORFFORAETHOL 2018-19

Adroddodd y Swyddog Rheoli Risg ac Yswiriant ar ganlyniad yr Aseiad Risg Corfforaethol a gafodd ei adolygu mewn ymgynghoriad a hysbysodd y Pwyllgor o'r amserlen rheoli risg arfaethedig. Dywedodd fod yr Uwch Dîm Rheoli wedi gwneud cais i'r adolygiad nesaf gael ei gynnal yn y gwanwyn.

Adroddodd fod y newidiadau wedi arwain at risgiau newydd, cyfuno risgiau a fodolai eisoes neu newid i sgôr risg ar y risgiau canlynol:

- Gwneud y newid diwylliannol angenrheidiol i gyflenwi'r Strategaeth Ariannol yn y Tymor Canolig
- Cefnogi plant sy'n agored i niwed, pobl ifanc a'u teuluoedd
- Cynnal Seilwaith
- Diwygiadau Lles
- Cefnogi oedolion mewn peryg
- Patrymau byw iachus

- Hinsawdd economaidd a llymder
- Cydweithio aneffeithiol
- Moderneiddio Ysgolion
- Cais cyflog NJC Heb ei Ariannu
- Anghenion Dysgu Ychwanegol
- Effaith digartrefedd
- Cyrhaeddiad addysgol
- Darpariaeth addysgol
- Iechyd a diogelwch
- Gwaredu gwastraff
- Cydymffurfio â Safonau'r Gymraeg
- Rhoi Rheoliadau Cyffredinol Diogelu Data ar waith

Cydnabu'r Pwyllgor fod nifer y risgiau wedi eu lleihau ond o'r farn y dylai'r adolygiad leihau'r risgiau ymhellach.

Ystyriodd y Pwyllgor y dylai adolygu'r risgiau ar Ddiwygio Lles; gwaredu Eiddo i sicrhau ei fod mewn cyflwr da er mwyn hwyluso Trosglwyddiad Ased Cymunedol. Ystyriodd y Pwyllgor hefyd y dylai'r Asesiad Risg Corfforaethol gynnwys amserlenni o ran pa bryd y cyflawnid risgiau a'u tynno oddi ar y gofrestr risg.

PENDERFYNWYD (1) Fod y Pwyllgor yn ystyried yr asesiad risg blynyddol ac amserlen rheoli risg wedi ei ddiweddarw wedi ei gynnwys o fewn y Polisi Rheoli Risg ac y byddai'n adolygu'r Asesiad Risg Corfforaethol yn y Gwanwyn;

(2) Fod y Pwyllgor yn adolygu ymhellach y risgiau ar Ddiwygio Lles a Gwaredu Eiddo i sicrhau ei fod mewn cyflwr da er mwyn hwyluso Trosglwyddiad Ased Cymunedol.

41. ARCHWILIAD MEWNOL – ADRODDIAD ALLDRO – EBRILL I RHAGFYR 2017

Adroddodd y Prif Archwilydd Mewnol ar berfformiad gwirioneddol yr Archwiliad Mewnol yn erbyn cyfnod blwyddyn y cynllun archwilio rhwng Ebrill a Rhagfyr 2017. Dywedodd wrth y Pwyllgor fod y Cynllun yn darparu ar gyfer 1,085 o ddyddiau cynhyrchiol dros y cyfnod Ebrill 2017 i Mawrth 2018, gyda 405 o ddyddiau gwirioneddol wedi eu cyflawni hyd yma, a oedd yn sylweddol is na'r disgwyl.

Adroddodd y Prif Archwilydd Mewnol fod strwythur cyffredinol Archwilio Mewnol erbyn hyn yn seiliedig ar 14 o gyflogeion Hafal ag Amser Llawn (FTE); fodd bynnag roedd 6.5 swydd wag ar hyn o bryd. Nododd ar ddiwedd y cyfnod, fod 24 adolygiad / swydd wedi eu cwblhau a'u cau, 17 a oedd wedi rhoi barn archwilio sylweddol / resymol i'r rheolwyr ar yr amgylchedd reoli mewnol ar gyfer y systemau yr edrychwyd arnynt. Nododd o blith y 7 adolygiad a oedd yn weddill, bod 5 wedi nodi gwendid i'r fath raddau mai dim ond sicrwydd cyfyngedig y dylid ei roi ar yr amgylchedd rheoli yn gyffredinol. Roedd y 2 adolygiad a oedd yn weddill wedi eu cau heb fod angen barn oherwydd natur y gwaith a wnaed.

Dywedodd y Prif Archwilydd mewnol wrth y Pwyllgor fod Parteniaeth Archwilio'r De orllewin wedi ei gomisiynu i gynnal 2 adolygiad archwilio a bod y ddau wedi eu cwblhau i safon uchel iawn.

Mewn ymateb i gwestiwn gan y Pwyllgor os dylid cynnwys y Cynllun Archwilio Mewnol yn y gofrestr risg i adlewyrchu'r diffyg adnoddau staffio, dywedodd y Prif Archwilydd Mewnol fod yna risg ond bod mesurau lliniaru yn cael eu rhoi ar waith. Nododd fod

cynlluniau i edrych ar wasanaeth archwilio rhanbarthol a bod angen penderfyniad ar pa un ai i sefydlu gwasanaeth rhanbarthol i gael ei wneud cyn gosod hysbysebion i lenwi'r swyddi gwag yn y strwythur. Dywedodd y Swyddog Rheoli Risg ac Yswiriant y byddai'n siarad â'r Pennaeth Cyllid Dros Dro i weld a ddylid cynnwys y Cynllun Archwilio Mewnol ar y gofrestr risg.

PENDERFYNWYD: I'r Pwyllgor ystyried Adroddiad Alldro Archwilio Mewnol yn ymwneud â'r cyfnod Ebrill i Rhagfyr 2017 er mwyn sicrhau fod holl agweddau eu swyddogaethau craidd yn cael eu hadrodd yn ddigonol.

42. DIWEDDARIAD AR ARCHWILIAD Y CYNLLUN SEILIEDIG AR RISG 2017-18

Cyflwynodd y Prif Archwilydd Mewnol ddatganiad sefyllfa ar y gwaith archwilio a gafodd ei gynnwys a'i gymeradwyo o fewn y Cynllun Seiliedig ar Risg Blynyddol Archwilio Mewnol 2017/18.

Adroddodd y Prif Archwilydd Mewnol ar ddatganiad sefyllfa a thanlinellu'r adolygiadau hynny a oedd wedi eu cwblhau, y rhai oedd wedi eu neilltuo ar gyfer chwarter 4, y rhai a ymgorfforid o fewn y gwaith a neilltuwyd i Bartneriaeth Archwilio'r De Orllewin a'r rhai hynny na fyddai mwyach yn cael eu cwblhau yn y flwyddyn ariannol hon ond y gellid eu gwthio ymlaen i 2018/19 a/neu lle gellid cael sicrwydd gan reoleiddwyr allanol. Sicrhaodd hi'r Pwyllgor fod pob peth yn cael ei wneud i sicrhau fod cymaint o'r Cynllun Archwilio Seiliedig ar Risg yn cael ei gwblhau er mwyn iddi allu rhoi barn am y flwyddyn.

Adroddodd y Prif Archwilydd mewnol hefyd fod y gwaith a oedd i'w wneud gan Bartneriaeth Archwilio'r De orllewin yn cwmpasu ymagwedd newydd yn seiliedig ar y Model 3 Llinell Amddiffyn. Dywedodd mai gwiriad iechyd ar 8 swyddogaeth gorfforaethol hanfodol oedd yn sail i weithgareddau gweithredol o ddydd i ddydd. Dywedodd wrth y Pwyllgor, mewn ymgynghoriad â'r Prif Weithredwr, y cytunwyd y byddai pedwar maes yn cael eu cynnwys yn yr adolygiad Sefydliad Iach.

Dywedodd y Prif Archwilydd Mewnol wrth y Pwyllgor fod 202 diwrnod ar gael i'r Cyngor hwn gan Wasanaeth a Rennir Archwilio Mewnol ac y cafwyd 313 diwrnod rhwng Ebrill – Hydref 2017, fod 320 diwrnod ar gael rhwng Tachwedd 2017 a Mawrth 2018. Dywedodd y byddid yn edrych ar ffyrdd mwy clyfar o weithio. Dywedodd y Prif Archwilydd Mewnol wrth y Pwyllgor hefyd os oedd digon o adnoddau ar gael y byddai Gwasanaeth a Rennir Archwilio Mewnol a Phartneriaeth Y De Orllewin y gallu cyflawni'r Cynllun.

PENDERFYNWYD: Bod y Pwyllgor yn nodi'r adroddiad.

43. RHAGLEN WAITH I DDOD A DDIWEDDARWYD 2017-18.

Cyflwynodd y Prif Archwilydd Mewnol ddiweddariad ar Raglen Waith i Ddod 2016/17. Dywedodd er mwyn gallu cynorthwyo'r Pwyllgor i sicrhau fod ystyriaeth ddyledus wedi ei roi gan y Pwyllgor i bob agwedd ar eu swyddogaethau craidd bod Rhaglen Waith I Ddod wedi ei diweddarw wedi ei chyflwyno.

PENDERFYNWYD: (1) fod y Pwyllgor yn nodi'r Rhaglen Waith i ddod 2017/18 a ddiweddarwyd;

(2) Bod adroddiadau ar Reoli Digwyddiadau a Gweithdrefnau Derbyn Risg yn cael eu hychwanegu i'r Rhaglen Waith i Ddod i'w adrodd i'r Pwyllgor fis Ebrill.

44. EITEMAU BRYD

Nid oedd unrhyw faterion bryd.

Daeth y cyfarfod i ben am 15:45

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE CHIEF EXECUTIVE

EXTERNAL AUDIT ANNUAL AUDIT PLAN 2017-18

1 Purpose of Report.

- 1.1 The purpose of this report is to submit the External Auditor's Annual Audit Plan 2017-18 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 2017-18 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 2017-18 attached as Appendix A and the schedule of authorised grant signatories attached as Appendix B.

**Darren Mepham
Chief Executive
9 April 2018**

Contact Officer: Gill Lewis, Interim Head of Finance & s.151 Officer

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Postal Address

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Finance
Wing 4 Raven's Court
Brewery Field
Bridgend
CF31 4AP

Background Documents

Annual Audit Plan 2018



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2018 Audit Plan – Bridgend County Borough Council

Audit year: 2017-18

Date issued: March 2018

Document reference: 457A2018-19

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Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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2018 Audit Plan

Summary

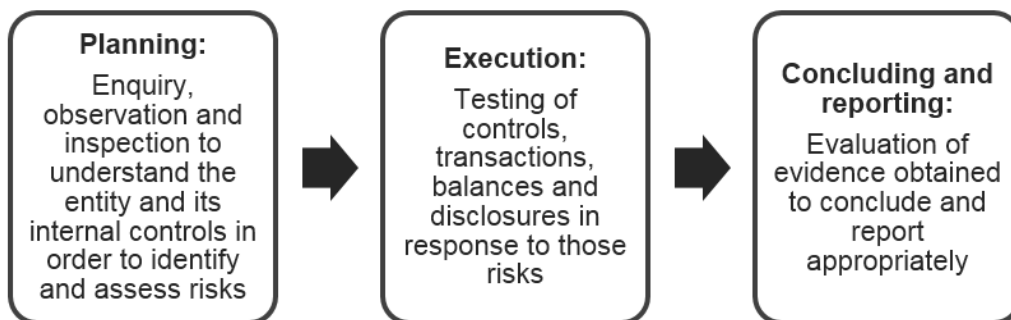
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the 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 the 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. I can confirm that there have been no limitations imposed on me in planning the scope of this audit. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of accounts

- 3 It is my responsibility to issue a certificate and report on the financial statements, which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- 4 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.
- 5 [Appendix 1](#) sets out my responsibilities in full.
- 6 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach that focuses on addressing specific risks while 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

My audit approach involves three key stages: planning, execution and finally concluding and reporting.



- 7 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

This table summarises the key financial audit risks identified at the planning stage of the audit

Financial audit risk	Proposed audit response
<p>Housing benefit expenditure My audit of the 2016-17 financial statements identified a number of errors (within my sample) in respect of payments to housing benefit claimants. Subsequent to that audit work, my testing of the Council's 2016-17 housing benefit subsidy-claim found additional errors. There is a risk that similar errors arise in 2017-18. A particularly high level of error could potentially be material to the financial statements.</p>	<p>The level of risk means that my audit team will undertake increased testing of 2017-18 housing benefit payments, as it was required to do for 2016-17.</p>

Financial audit risk	Proposed audit response
<p>Bank reconciliations</p> <p>The Council has been unable to complete its November and December bank reconciliations due to problems with its cash-system software and a delay in the upload of bank information. I have been informed that finance officers have completed the January reconciliation and are working on February reconciliation.</p> <p>Regular and rigorous bank reconciliations are a fundamental control over the accuracy of both the Council's financial ledger and bank statements. The absence of the reconciliations is therefore a fundamental weakness that could materially affect the financial statements.</p>	<p>My audit team will monitor progress with the outstanding bank reconciliations, and undertake increased testing of the reconciliations completed.</p>
<p>Related party disclosures</p> <p>My audit of the 2016-17 financial statements found that 11 councillors had not completed and submitted their related party returns, as they were required to do. Officers subsequently pursued and obtained all but one return, which was disclosed as being outstanding in the 2016-17 financial statements.</p> <p>There is a risk that related party returns are not received from all councillors for 2017-18, which could lead to material misstatement of the related party disclosures in the financial statements (particularly around their completeness).</p>	<p>My audit team will review the actions taken to ensure full compliance with the Council's related-party return process. My team will also review all of the returns submitted, and the audit implications of any that are outstanding.</p>
<p>We have identified certain disclosures within the financial statements as being 'material by nature' given the sensitivities around their disclosure.</p> <p>Specific risk areas include, by way of example, the accuracy and completeness of:</p> <ul style="list-style-type: none"> • significant transactions with related parties; and • the disclosure of senior officers' remuneration and councillor' allowances. 	<p>My audit team will undertake detailed testing in the areas that I consider to be material by nature.</p>

Financial audit risk	Proposed audit response
<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 [ISA 240.31-33].</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.
<p>The Cardiff Capital 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 Cardiff Capital Region City Deal (the City Deal) involves ten local authorities. All participating authorities ratified the City Deal on 1 March 2017.</p> <p>The authorities have established Cardiff Capital Region – a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734 million for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125 million from the UK Government. In addition, the UK Government has provided a £375 million contribution, and the ten local authorities have agreed a commitment to borrow a combined total of £120 million as part of the Wider Investment Fund. This significant programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address including the potential consolidation of the joint committee’s financial statements.</p> <p>Thus far, one city deal project has been approved. This project involves a special purpose vehicle, CSC Foundry Ltd, to acquire and develop the former LG factory site in Newport. CSC Foundry Ltd is a wholly owned subsidiary that will be consolidated into the joint committee accounts.</p>	<p>Liaising closely with the external auditors of the other local authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements. I will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region’s governance arrangements.</p>

- 8 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.
- 9 For reporting purposes, I will treat any misstatements below a 'trivial' level (being 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 10 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 and will respond promptly to auditors' requests;
 - 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.
- 11 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.

Statutory audit functions

- 12 In addition to the audit of the financial statements, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 13 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 14 If I do receive questions or objections, I will discuss potential audit fees at the time.

Other financial audit work

- 15 I am also responsible for the audit of the Coychurch Crematorium Joint Committee and Porthcawl Harbour. My audit fees for this work are set out in [Exhibit 5](#).

Performance audit

- 16 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities I will continue to seek to strike the most appropriate balance and add 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.
- 17 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will minimise work that focuses on the process of improvement planning.
- 18 In recent years I have placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future I will be unable to rely on my work under the Measure, in 2018-19, and subsequent years, the focus of my local performance audit programmes will be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.
- 19 In 2017-18 I undertook my first work under the Wellbeing of Future Generations (Wales) Act 2015, the Year One Commentary. This work sought to identify how public bodies are beginning to respond to the Act and share emerging practice. My 2018-19 programme will include the first examinations to be carried out under the Act. These examinations will assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives.
- 20 The Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 3** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.
- 21 In the spring of 2018 I will also be consulting on my forward programme of studies across all sectors and I would welcome views on the areas I should focus my national reviews on when the consultation is launched.

Exhibit 3: local government studies

In 2016-17 I published three national reports related to local government and will undertake fieldwork for a further three reports during the summer and autumn of 2018

Study	Status
2016-17 studies	
How local government manages demand	Published January 9 2018
Strategic commissioning	To be published in March 2018
Improving wellbeing through housing adaptations	Published 22 February 2018
2017-18 studies	
Services to rural communities	Fieldwork – publish Summer/Autumn 2018
Use of data	Fieldwork – publish Summer/Autumn 2018
Integrated care fund	Fieldwork February – publish Autumn 2018

- 22 Taking all these factors into consideration, my 2018-19 programme of work is set out in [Exhibit 4](#).

Exhibit 4: performance audit programme

My 2018 performance audit programme will include local projects and national studies

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet one or more of its wellbeing objectives which we will discuss and agree with the Council during early 2018-19.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.

Performance audit programme	Brief description
Environmental Health	Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.
Corporate Safeguarding Arrangements	Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.
Financial planning and transformation	We will follow up the proposals for improvement made in our savings planning report issued to the Council in April 2017 and undertake ongoing monitoring of the Council's transformation programme, providing real-time challenge during the year.
2018-19 Local Government Studies	Funded by the Welsh Government
Implementation of the Social Services and Well-being Act	The Social Services and Well-being (Wales) Act 2014 focuses on reforming and simplifying the law relating to social services. The Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review progress by authorities in delivering their new duties under the Act and help to identify opportunities for improving current management and delivery arrangements. Further information can be found in our call for evidence report published in August 2017.
Implementation of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	The Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 aims to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventive, protective and supportive mechanisms in the delivery of services. Our review will focus on the effectiveness of arrangements to improve support for people affected by such abuse and violence. Further information can be found in our call for evidence report published in August 2017.

Performance audit programme	Brief description
Value for Money of Planning Services	<p>The Planning (Wales) Act 2015 (the Act) gained Royal Assent on 6 July 2015. The Act sets out a series of legislative changes to deliver reform of the planning system in Wales, to ensure that it is fair, resilient and enables development. An effective planning service will be at the front of shaping the character, development and prosperity of a local authority or national park. Given the requirements of the Act, it is important that planning authorities ensure that their services are fit for the future to ensure they meet both their statutory responsibilities but also support the delivery of corporate, regional and national priorities. Our review will consider the effectiveness and impact of planning services on local communities in Wales. Further information can be found in our call for evidence report published in August 2017.</p>

- 23 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

Certification of grant claims and returns

- 24 I have been requested to undertake certification work on the Council's grant claims and returns, which I anticipate to be the claims and returns set out in [Appendix 3](#). My estimated audit fee for this work is set out in [Exhibit 5](#).
- 25 With regard to my audit of the Council's 2016-17 grant claims, I have reported the findings within my report entitled 'Certification of Grants and Returns 2016-17 – Bridgend County Borough Council', which I issued in March 2017 and is due to be considered in April by the Council's Audit Committee.

Fee, audit team and timetable

Fee

- 26 Your estimated fee for 2018 is set out in [Exhibit 5](#). This figure represents a 4.5% decrease compared to the audit fee charged for 2017.

Exhibit 5: audit fee

The total estimated audit-fee is £354,335, made up of £195,700 for the audit of accounts, £97,356 for performance audit work, £58,500 for certification of grant claims and returns, and £2,779 for other financial audit work

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	195,700	194,051
Performance audit work ³	97,356	97,356
Grant certification work ⁴	58,500	75,907
Other financial audit work ⁵	2,779	3,654
Total fee	354,335	370,968

Notes:

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

² Payable November 2017 to October 2018.

³ Payable April 2018 to March 2019.

⁴ Payable as work is undertaken.

⁵ Payable once the audits have concluded.

- 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. The approved Fee Scheme for 2018-19 has a small increase in my fee rates (less than 1%), which have been taken into account in setting the 2018 fee estimates.

Audit team

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

Exhibit 6: my team

This table provides contact details for the audit team.

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320500	derwyn.owen@audit.wales
Mark Jones	Financial Audit Manager	02920 320631	mark.jones@audit.wales
John Llewellyn	Financial Audit Team Leader	07973 699076	john.llewellyn@audit.wales
Sara-Jane Byrne	Performance Audit Manager	07786 111385	sara-jane.byrne@audit.wales
Samantha Clements	Performance Audit Lead	02920 320163	samantha.clements@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

This table sets out my proposed timetable for completion and reporting of my main audit work at the Council.

Planned output	Work undertaken	Report finalised
2018 Audit Plan	January to February 2018	March 2018

Planned output	Work undertaken	Report finalised
Financial accounts work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on the financial statements 	February to August 2018 See my comment to the right.	August 2018 I expect to provide my audit opinion on the financial statements soon after the Audit Committee meeting to consider the audited statements, which is currently scheduled for 13 September 2018.
Performance work: <ul style="list-style-type: none"> • Improvement Plan Audit • Assessment of Performance Audit • Assurance and Risk Assessment • WFG Act Examinations • Environmental Health • Corporate Safeguarding • Financial planning and transformation 	April to June 2018 September to October 2018 April to November 2018 September 2018 to February 2019* July to November 2018* January to February 2019* April 2018-March 2019 (*Estimated)	June 2018 November 2018 December 2018 April 2019 January 2019 March 2019 Ongoing throughout the year (*Estimated)
Annual Improvement Report	April 2018 to May 2019	May 2019
2019 Audit Plan	January to February 2019	March 2019

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

Future developments to my audit work

- 32 Details of future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 4](#).

- 33 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- **Sustainable Procurement.** Focused upon how to create a mindset that supports sustainable procurement in relation to the WFG Act.
 - **Measuring Outcomes.** Supporting the WFG Act, 44 bodies shift their focus from outputs to outcomes and impact.
 - **Adverse Childhood Experiences.** In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
 - **Digital Seminar,** taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
 - **Building Resilient Communities.** Focusing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
 - **Partnership working between Voluntary bodies and Public Sector Bodies.** Will also include the launch of the Good Practice Guide to Grants Management.
 - **Financial Audit – Early Closure of Local Government Accounts.** Focusing on cultural and behaviour changes.
 - **Alternative Service Delivery Models.** In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation, and Good Practice Wales.
 - **Cybersecurity.** Focusing on governance arrangements.
 - **Preventing Hospital Admissions.** Jointly with NHS, Social Care, Housing and partners from the Third Sector.
 - **Youth.** Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

Appendix 1

Respective responsibilities

Audit of accounts

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 Public Audit (Wales) Act 2004 requires me, by examination of the accounts or otherwise, to satisfy myself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

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. I 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.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting well-being objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period I must report on the results of those examinations to the National Assembly.

Appendix 2

Performance work in last year's Audit Plan still in progress

Exhibit 8: performance work in last year's audit outline still in progress

Three pieces of performance audit work included in last year's audit plan remain outstanding.

Performance audit project	Status	Comment
Service user perspective review	Ongoing	A service user focused review. The specific area to be reviewed is under discussion with the Council.
Digital risk diagnostic	Ongoing	Fieldwork scheduled for mid March 2018.
Overview and Scrutiny – Fit for the Future?	Fieldwork complete	Draft report due to be issued March 2018.

Appendix 3

Anticipated grant-claim certification work

Exhibit 9: summary of grant claim certification work

This table summarises my anticipated 2017-18 programme of grant claim certification work

Name of scheme	Estimated expenditure
Housing Benefits (BEN01)	£49,000,000
21st Century Schools (EDU18)	£2,700,000
Flying Start Revenue (EYC01)	£3,300,000
Families First (EYC14)	£1,750,000
Pooled Budgets - integrated family support service (HLG01)	£825,000
Pooled budgets - integrated community services (HLG01)	£4,500,000
Pooled budgets - assisted recovery in the community (HLG01)	£600,000
National Non-Domestic Rates (LA01)	£41,500,000
Land drainage - Porthcawl Town Beach (LD03)	£120,000
Teachers' Pension (PEN05)	£12,750,000
Communities First (RG03)	£1,500,000
Social Care Workforce Development (SOC07)	£325,000
Local Transport Grant (TRA15)	£1,000,000
Free Concessionary Travel (TRA23)	£2,950,000

Appendix 4

Other future developments

Forthcoming key IFRS changes

Exhibit 10: forthcoming key IFRS changes

There are three key changes to accounting rules that will impact on the Council over the next three years.

Standard	Effective date	Further details
IFRS 9 Financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 Revenue from contracts with customers	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 Leases	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

Wales Pension Partnership

The administering authorities for the eight Local Government Pension Scheme (LGPS) funds in Wales have established a pension investment pool in line with government requirements. The Wales Pension Partnership Joint Governance Committee will, from April 2018 onwards, oversee the pooling of some £15 billion of investments from the eight LGPS funds in Wales.

The relevant authorities need to be fully engaged in this process to ensure that appropriate arrangements are put in place that meet their requirements and to achieve the benefits of pooling which include economies of scale and reduced costs.

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

Exhibit 11: Planned forthcoming GPX webinars and Seminars

My planned GPX programme includes 11 subject areas.

Date	Format	Topic
April 2018	Webinar	Sustainable Procurement. Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
May 2018	Webinar	Measuring Outcomes. Supporting the WFG Act 44 bodies shift their focus from outputs to outcomes and impact

Date	Format	Topic
June 2018	Seminar	Adverse Childhood Experiences. In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
June 2018	Seminar	Digital. Seminar, taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
July 2018	Seminar	Building Resilient Communities. Focusing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
September 2018	Seminar	Partnership working between Voluntary bodies and Public Sector Bodies. Will also include the launch of the Good Practice Guide to Grants Management.
October 2018	Webinar	Financial Audit – Early Closure of Local Government Accounts. Focusing on cultural and behaviour changes.
December 2018	Seminar	Alternative Service Delivery Models. In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation and Good Practice Wales.
January 2019	Webinar	Cybersecurity. Focusing on governance arrangements.
February 2019	Seminar	Preventing Hospital Admissions. Jointly with NHS, Social Care, Housing and partners from the Third Sector.
March 2019	Seminar	Youth. Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

Appendix 5

National value-for-money studies

The Council may also be interested in the national value-for-money examinations that I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved 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.

Exhibit 12 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, follow-up work, or based on the findings of other 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.

Exhibit 12: national value-for-money studies

Topic	Anticipated publication (as at 11 January 2018)
Primary care services ¹	February/March 2018
Access to public services with the support of specialist interpretation and translation	March/April 2018
Waste management (waste prevention) Waste management (municipal recycling) Waste management (procurement of infrastructure)	March/May 2018
Early intervention and public behaviour change ²	March/April 2018
GP out-of-hours services – national summary report	April/May 2018
Rural Development Programme 2014-2020	April/May 2018
Business finance	May 2018

¹ An initial data rich report presenting a 'picture of primary care' in advance of further local audit work.

² Following on from some good practice work, we are planning to produce a short summary paper to highlight some of the issues raised and evidence gathered through that work, supported by a series of podcasts.

Topic	Anticipated publication (as at 11 January 2018)
NHS agency staffing costs ³	Summer 2018
EU Structural Funds programmes 2014-2020	Summer 2018
Improving the wellbeing of young people	Autumn 2018
Radiology services – national summary	To be confirmed
Integrated Care Fund	To be confirmed
Care experienced by children and young people ⁴	To be confirmed

³ Work has recently commenced on gathering data from across the health services of the UK to support a paper on the various approaches being taken to address the increasing costs of employing agency medical and nursing staff within the NHS. The precise format for this output is still to be determined.

⁴ The PAC has now set out its initial plans for some ongoing inquiry work on this topic. I will be supporting this work, although the precise nature of, and timescale for, any additional audit-related outputs is still to be determined.

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APPENDIX B

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Website: www.bridgend.gov.uk

Authorised Finance Signatory List


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

Gill Lewis
Interim Section 151 Officer &
Head of Finance

.....

.....

Mary Williams
Group Manager -
Chief Accountant

.....

.....

Deborah Exton
Group Manager -
Financial Planning &
Budget Management

.....

.....

Gill Lewis
Interim
Head of Finance

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE CHIEF EXECUTIVE

CERTIFICATION OF GRANTS AND RETURNS 2016-17

1 Purpose of Report.

- 1.1 The purpose of this report is to present the Council's External Auditor's report on the grant work undertaken for 2016-17.

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 Wales Audit Officer (WAO), as appointed auditors of the Council, is asked on behalf of the Auditor General for Wales to certify larger grant claims made by the Council. For 2016-17 they audited 14 grant claims and returns with a total value of £123 million (15 grant claims with a total value of £121 million in 2015-16).

4 Current situation / proposal

- 4.1 A summary of all claims and returns subject to certification is provided with the report attached at **Appendix A**, together with the certification fee and outcome of the External Auditor's review.

- 4.2 The certification results are summarised as follows:

- 100% of the grant claims were submitted in accordance with the awarding body's deadline (consistent with 2015-16).
- 12 certificates were unqualified, 2 were qualified, 1 as a result of errors in the calculation of housing benefits payable to claimants, the other due to an increase in passenger numbers of over 10% for one bus route in relation to the Concessionary Fares grant, which was not sufficiently explained during the audit. No financial adjustment to the grant was made.
- There were adjustments made to 6 of the 14 claims, although only 1 had a financial impact to the Council. This compares to 14 requiring adjustment the previous year.

4.3 There was only one significant adjustment which was as a result of an incorrect calculation of the Bad Debt Provision for Non-Domestic Rates. This affects the income to Welsh Government and not any funding due to the Council. The net effect of the other grant adjustments resulted in an increase of £75 to the Council.

4.4 The Council's External Auditors have made 3 recommendations:

- The Council should strengthen its arrangements for processing housing benefit claims
- Officers should ensure that claim forms and returns are completed correctly
- Officers should monitor claims and ensure fluctuations are appropriately explained and justified.

Processes will be put in place to address these 3 recommendations.

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 As outlined within the report, there is an increase in grant due to the Council of £75.

8 Recommendation.

8.1 That Members note the content of the External Auditor's Report on the grant work undertaken for 2016-17 attached at Appendix A.

Darren Mepham
Chief Executive
22 March 2018

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Background Documents

Certification of Grants and Returns 2016/17

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2016-17 – **Bridgend County Borough Council**

Audit year: 2016-17

Date issued: March 2018

Document reference: 401A2018-19

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 infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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Summary report

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Summary

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
We undertook our work with the aim of certifying individual claims and to answer the question: 'Does Bridgend County Borough Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
- 2 We have completed our audits of the 2016-17 grant claims and conclude that the Council has generally sound arrangements for the preparation and submission of its grant claims. We did however find numerous errors in the Council's processing and payment of housing benefit to individual claimants. Overall, we found that the Council:
 - worked closely with us to ensure that all claims and returns were submitted on time and supported by adequate working papers;
 - has improved the quality and accuracy of its claims, evidenced by a reduction in the number of audit qualifications and amendments; although
 - needs to significantly improve the accuracy of its housing benefit payments to individuals and, in turn, the accuracy of its housing-benefit-subsidy grant claim.
- 3 For 2016-17 we certified 14 grant claims, being one fewer than the 15 grant claims audited in 2015-16. This reduction is due to the fact that:
 - the three 2015-16 'communities first' grant claims were merged into one claim for 2016-17; and
 - there was one new grant claim, 'coast protection' introduced for 2016-17.
- 4 The Council submitted all of its 2016-17 grant claims on time for our audit. The total cost of the 2016-17 audits is £75,907 (£58,220 for 2015-16). The 2016-17 audits resulted in an overall net reduction of £10,010 in the Council's eligible costs although overall an increase of £75 in grant income due to the Council (for 2015-16 the equivalent figures were a £152,997 reduction in eligible costs and an increase of £8,789 in grant income due to the Council).
- 5 For 2016-17 we qualified one in seven of the Council's claims. This outcome compares favourably with the average for Welsh councils of one in four claims being qualified and demonstrates an improvement on 2015-16 where we qualified one in three of the Council's claims.

Exhibit 1: Headlines

<p>Introduction and background</p>	<p>This report summarises the results of work on the certification of the Council's 2016-17 grant claims</p> <ul style="list-style-type: none"> • We audited the Council's grant claims on behalf of the Auditor General for Wales. • For 2016-17 we certified 14 grants with a total value of £123 million. • This report is intended for the members of the Council's Audit Committee and for those officers with responsibility for grant management. It provides a summary of our audit results, with our recommendations to support improvement.
<p>Timely receipt of claims</p>	<p>The Council provided us with all 14 grant claims on time.</p>
<p>Certification results</p>	<p>We issued 12 unqualified audit certificates and two qualified audit certificates</p> <p>The reasons for qualifying the two grant claims were:</p> <ul style="list-style-type: none"> • errors in the calculations of housing benefit payments to claimants; and • for the Council's 'free concessionary travel' grant claim, we received an unsatisfactory explanation for one bus route's year-on-year increase in passenger numbers (that exceeded 10%).
<p>Audit adjustments</p>	<p>Audit adjustments were made to six of the Council's grants claims, although only one of them had a financial impact on the grant due to the Council</p> <ul style="list-style-type: none"> • There was only one significant adjustment (ie over £10,000). An adjustment of £-10,085 was made to the Non-Domestic Rates Return due to an incorrect calculation of the bad debt provision, albeit it had no impact on grant due to the Council. • There was only one further adjustment (ie under £10,000). An adjustment of £75 (additional grant due to the Council) in total was made to the Housing Benefit Subsidy claim to correct errors. These were errors where the full population of transactions could be tested and the total resulting error confirmed. • The adjustments to the other four grant claims did not have any financial impact on the grant due to the Council.

The Council's arrangements	<p>The Council has continued to improve its preparation of grants claims, although there is still scope for improvement and a need for significant improvement in the processing of housing benefit claims</p> <ul style="list-style-type: none"> • Grant officers should be reminded of the importance of providing accurate and fully completed claim forms. • Grant officers should be reminded of the importance of monitoring fluctuations in spend on grants, particularly on monthly payments to the same supplier. Where significant changes are noted, appropriate explanations should be obtained to justify these variances. • The Council should strengthen the arrangements in place around its housing benefit processes, which should include: <ul style="list-style-type: none"> – ensuring that adequate induction and ongoing training is provided to all housing benefit staff; and – ensuring that management review and oversight is satisfactory, with particular regard to the input of data into the housing benefit system.
Fees	<p>Our overall fee for certification of grants and returns for 2016-17 is £75,907, which is higher than our fee estimate of £58,220</p> <p>The increase was mainly due to the significant number of issues identified by our audit of the housing benefit subsidy claim. Under the Department for Work and Pensions' rules, our audit findings, and the outcome of the additional reviews undertaken by Council officers, we were required to undertake additional audit testing.</p>

Summary of certification work outcomes

- 6 **Exhibit 2** sets out a summary of the key outcomes from our audit of the Council's 2016-17 grants claims. The summary shows where audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 7 A qualification means that we identified issues concerning the Council's compliance with a scheme's requirements, which could not be resolved through adjustment. In these circumstances it is likely that the relevant grant-paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.
- 8 Overall:
- seven claims were unqualified with no amendment;
 - five claims were unqualified but required some amendment to the final figures;
 - one claim was qualified without amendment; and
 - one claim was qualified with amendment.

Exhibit 2: Summary of the outcomes of our audit work

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
NDR Non-Domestic Rates Return (LA01)	26/5/17	26/5/17	no		£-10,085		Yes
Housing Benefit Subsidy claim (BEN01)	30/4/17	27/4/17	no	1		£75	No
21 st Century Schools (EDU18)	30/9/17	11/9/17	no				Yes
Flying Start Revenue (EYC01)	30/9/17	5/9/17	no				Yes
Families First (EYC14)	30/9/17	5/9/17	no			£0	Yes

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
Pooled budgets - integrated family support service (HLG01)	28/4/17	28/4/17	no				Yes
Pooled budgets - integrated community services (HLG01)	28/4/17	28/4/17	no				Yes
Pooled budgets - assisted recovery in the community (HLG01)	28/4/17	28/4/17	no				Yes
Land drainage - Porthcawl Town Beach - Design phase (LD03)	31/10/17	19/10/17	no				Yes
Teachers' Pension return (PEN05)	31/5/17	31/5/17	no			£0	Yes
Communities First (RG03)	31/7/17	26/7/17	no			£0	Yes
Social Care Workforce Development Programme (SCWDP) (SOC07)	30/9/17	5/9/17	no			£0	Yes
Local Transport Grant (TRA15)	30/9/17	12/9/17	no				Yes
Free Concessionary Travel (TRA23)	30/9/17	25/9/17	no	1			No
Total				2	£-10,085	£75	

9 **Exhibit 3** summarises the key issues behind the outcomes of our audit work.

Exhibit 3: Key issues behind each of the adjustments or qualifications identified

Ref	Summary observations	Amendment (£)
1	<p>NDR Non-Domestic Rates Return (LA01)</p> <p>The claim was amended to correct the entry for the year-end bad debt provision, which had been incorrectly calculated. It should be noted that while the change to the bad debt provision affects the income to Welsh Government, it does not affect the amount of funding due to the Council from the Welsh Government.</p>	(10,085)
2	<p>Housing Benefit Subsidy claim (BEN01)</p> <ul style="list-style-type: none"> The claim was amended to correct a number of errors in respect of non-HRA rent rebates and modified scheme cases. Amendments were made where the full population of the relevant cases could be identified and tested, enabling the total errors to be identified. The claim was qualified for a significant number of errors in respect of non-HRA rent rebates and rent allowance cases. Qualifications were necessary where it was not possible to test the full populations of relevant cases and therefore the facts were set out in a qualification letter for consideration by the Department for Work and Pensions. <p>A summary of the number and value of errors are set out in Exhibits 4 and 5 below.</p> <p>Exhibit 4 analyses the number of errors across housing benefit categories and types of error. It shows that:</p> <ul style="list-style-type: none"> the outcome of our testing of our original sample; and the outcome of the additional cases reviewed by Council officers, and the number of errors identified by us through our examination of the Council officers' reviews. 	£75

Ref	Summary observations	Amendment (£)
	<p>The exhibit shows that Council officers' review of additional case files, required by the Department for Work and Pensions' procedures, had failed to identify numerous processing errors. As a result of these failings we had to further extend our additional audit testing.</p> <p>Exhibit 5 shows the value of errors identified across housing benefit categories and the type of errors. (Exhibit 7, Recommendation 1).</p>	
3	<p>Families First (EYC14)</p> <p>The claim was amended as line 3 (grant entitlement), being the lower of line 1 (grant award) and line 2(actual spend), had not been completed. (Exhibit 7, Recommendation 2).</p>	0
4	<p>Teachers' Pension return (PEN05)</p> <p>The claim was amended as Section 3 included transposition errors where the employees and employer's pension figures had been included in the incorrect columns. (Exhibit 7, Recommendation 2).</p>	0
5	<p>Communities First (RG03)</p> <p>The CFO certificate on the claim was re-signed by the officer who had signed the original offer letter, as required by the certification instructions. The original claim provided for audit had not been signed by the correct officer. (Exhibit 7, Recommendation 2).</p>	0
6	<p>Social Care Workforce Development Programme (SCWDP) (SOC07)</p> <p>The claim was amended to include in Section 6 the '£' and '%' of expenditure in respect of health and safety legislation. This had been omitted from the original claim provided for audit. (Exhibit 7, Recommendation 2).</p>	0
7	<p>Free Concessionary Travel (TRA23)</p> <p>The claim was qualified as an explanation provided to support an increase in passenger numbers in excess of 10%, for a route by one of the bus contractors, was unsatisfactory. The certification instructions require us to obtain appropriate explanations for any increase or decrease in a route's passenger numbers against the previous year, which exceeds 10%. (Exhibit 7, Recommendation 3).</p>	0

Ref	Summary observations	Amendment (£)
	Total effect eligible costs	(10,010)

Exhibit 4: Analysis of HB errors by number

Description of issue/error	Original sample reviewed by WAO		Additional sample reviewed			
	No. of cases reviewed	No. of errors found	No. of cases reviewed by Council	No. of errors found by Council	No. of those cases reviewed by WAO	No. of errors found by WAO
Non HRA Rent Rebate – statutory fuel deduction errors (claim amended for this error)	20	5	48	48	48	48
Non HRA Rent Rebates – error in start date of the passported benefit (claim qualified for this error)	20	1	The original error identified was an underpayment and as this type of error could only ever result in an underpayment and therefore, in accordance with the Department for Work and Pensions' guidance, no further testing of this error type was required.			
Non HRA Rent Rebates – error in calculation of earned income (claim qualified for this error)	20	1	29	2	5	2

Description of issue/error	Original sample reviewed by WAO		Additional sample reviewed			
	No. of cases reviewed	No. of errors found	No. of cases reviewed by Council	No. of errors found by Council	No. of those cases reviewed by WAO	No. of errors found by WAO
Non HRA Rent Rebates – incorrect split of benefit between cells 12 and 13 (claim amended for this error)	8	8	All relevant cases identified and tested in original sample. No further testing required.			
Rent Allowances – error in calculation of weekly rent liability (claim qualified for this error)	20	3	40	1	5	1
Rent Allowances – error in assessment of non-dependant (claim qualified for this error)	20	1	40	0	4	0
Rent Allowances – error in calculation of earned income (claim qualified for this error)	20	4	40	2	40	22
Modified schemes – incorrect calculation of weekly war pension (claim amended for this error)	4	1	35	5	8	5

Exhibit 5: Analysis of HB errors by value

Description of issue/error	No. of claims tested in total	Value of claims tested £	No. of claims with errors	Value of overpayment errors £	Value of underpayment errors £	Net value of errors £
Non HRA Rent Rebate – statutory fuel deduction errors	68	£37,005.00	53	-£61.20	£286.08	£224.88
Non HRA Rent Rebates – error in start date of passported benefit	20	£28,829.49	1	N/A	£7.29	£7.29
Non HRA Rent Rebates – error in calculation of earned income	49	£35,820.49	3	-£55.43	£0.10	-£55.33
Non HRA Rent Rebates – incorrect split of benefit between cells 12 and 13	8	£5,481.20	8	N/A	£297.61	£297.61
Rent Allowances – error in calculation of weekly rent liability	60	£235,541.00	4	-£16.46	£571.00	£554.54
Rent Allowances – error in assessment of non-dependant	60	£267,953.87	1	N/A	£1,889.45	£1,889.45
Rent Allowances – error in calculation of earned income	60	£219,962.00	26	-£1,417.27	£1,068.43	-£348.84

Description of issue/error	No. of claims tested in total	Value of claims tested £	No. of claims with errors	Value of overpayment errors £	Value of underpayment errors £	Net value of errors £
Modified schemes – incorrect calculation of weekly war pension	39	£47,658.41	6	-£283.50	N/A	-£283.50

Recommendations

- 10 **Exhibit 6** explains the risk rating that we give to audit issues and our recommendations set out at **Exhibit 7**. We will follow up our recommendations as part of the next year's audit.

Exhibit 6: Risk rating

Priority 1	Priority 2	Priority 3
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements 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.

Exhibit 7: Recommendations

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Housing benefit data is incorrectly assessed and processed, resulting in:</p> <ul style="list-style-type: none"> • incorrect payments to claimants; and • an incorrect claim to the Department for Work and Pensions. <p>Also, when the Council is requested to complete additional testing because of audit errors that we have identified, that testing must be undertaken properly so that any errors are identified.</p>	<p>The Council's annual claim may be qualified or amended.</p> <p>Housing benefit subsidy may be reclaimed by from the Council by the Department for Work and Pensions.</p> <p>Failure to do so will increase the level and cost of our audit work and may impact on the nature and/or content of the audit qualification.</p>	<p>R1</p> <p>The Council should strengthen its arrangements for processing housing benefit claims, which should include:</p> <ul style="list-style-type: none"> • ensuring that adequate induction and ongoing training is provided to all housing benefit staff; • ensuring that management review and oversight is satisfactory, with particular regard to the input of data into the housing benefit system; and • significantly improving the rigour of housing benefit officers' testing of any extended samples that arise from our audit work. 	1	<p>The induction training plan includes all relevant areas of Housing Benefit that is pertinent to each role. In addition, the 2018/19 training plan specifically includes refresher training on the areas identified as an issue during the audit.</p> <p>Targeted claims checking will be undertaken in addition to routine testing to improve accuracy.</p>	<p>Benefits and Financial Assessments Manager</p> <p>April 2018</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
				Any additional testing requested will be re-checked by a second officer to ensure that all errors are identified.	

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Claim not prepared correctly, for example:</p> <ul style="list-style-type: none"> • arithmetic incorrect, figures included in the wrong sections of the claim form; • claim form not completed in accordance with completion instructions; • claim form not fully completed; and • incorrect CFO signature included on claim form. 	<p>Annual claims may be qualified or amended.</p>	<p>R2</p> <p>The Council should ensure that annual claim forms are completed correctly and independently reviewed by a senior officer.</p> <p>The Grant Checklist should be completed and reviewed for each claim submitted for audit.</p>	<p>2</p>	<p>The Council has in place processes for completion of claims and a grants checklist as part of its Grants Policy. The process will be reinforced with relevant officers.</p>	<p>Finance Manager, Financial Control & Closing</p> <p>30 June 2018</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Variances in expenditure or changes in expenditure patterns are not fully investigated and explained	Annual claims may be qualified or amended. Grant may be reclaimed by the grant paying body.	R3 Grant officers should monitor grant spend to ensure that significant fluctuations in spend with individual suppliers, particularly where payments are made monthly to the same supplier, are appropriately explained and justified.	2	The scheme concerned has been discussed with appropriate officers and variances will be reviewed and explanations provided.	Group Manager, Highways Services 30 June 2018

- 11 Our overall fee for the certification of grants and returns was £75,907. This was higher than the fee estimate of £58,220 set out within the 2017 Audit Plan, which was based on the previous year's audit fee. The increase was mainly due to the significant number of issues identified during our audit of the housing benefit subsidy claim and the additional testing required as a result of these issues. [Exhibit 8](#) provides a breakdown of the audit costs.

Exhibit 8: Breakdown of the audit costs

Breakdown of fee by grant/return	2016-17	2015-16
Housing Benefits (BEN01)	£31,795	£11,291
21 st Century Schools (EDU18)	£1,478	£1,131
Flying Start Revenue (EYC01)	£2,410	£3,381
Flying Start Capital (EYC02)	-	£2,979
Families First (EYC14)	£3,195	£3,596
Pooled Budgets (3 claims in 2016-17, 2 claims in 2015-16) (HLG01)	£4,710	£4,013
National Non-Domestic Rates (LA01)	£3,270	£3,493
Land drainage - Porthcawl Town Beach - Design phase (LD03)	£2,634	-
Teachers' Pension (PEN05)	£2,914	£2,923
Communities First (3 claims in 2015-16, merged into 1 in 2016-17) (RG03)	£5,083	£12,051
Social Care Workforce Development (SOC07)	£1,964	£2,391
Local Transport Grant (TRA15)	£2,009	£2,466

Breakdown of fee by grant/return	2016-17	2015-16
Free Concessionary Travel (TRA23)	£3,050	£3,567
Planning, admin and reporting	£11,395	£4,938
Total fee	£75,907	£58,220

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE INTERIM HEAD OF FINANCE

HOUSING BENEFIT SUBSIDY RETURN 2016/17

1. Purpose of Report.

- 1.1 The purpose of the report is to inform the Committee of the checking and training activities that have been undertaken to date, and actions planned for 2018/19 to address the issues identified during the 2016/17 Housing Benefit subsidy audit.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 The Housing Benefits Service, which administers Housing Benefits, is a statutory service which supports our disadvantaged citizens.

3. Background.

- 3.1 The 2016/17 subsidy audit identified a number of processing issues which affected the accuracy of the subsidy claim. The main issues were in relation to the recording of rent (increases/services charges) and the treatment of earned income and occupational pensions. Identified errors were immediately corrected with overpayments recovered where permitted by the Housing Benefit regulations, and underpayments paid accordingly.

4. Current situation / proposal.

- 4.1 Steps to address the issues commenced whilst the audit was being undertaken; the following actions have been completed, or are planned for 2018/19, in order to improve accuracy.

4.2 General guidance/training

- 4.3 Benefit Officers have been made aware of the types of errors identified during the audit and the issues are discussed at team meetings. Accuracy is now a standing item on all team meeting agendas [commenced July 2017 – ongoing].
- 4.4 Reminders or guidance is issued to assessors when common errors are encountered or an error type may be replicated by others. Individual assessors correct their own errors; claims are then rechecked. Whilst this has always been the case, the process is more structured as checking has increased [commenced July 2017 – ongoing].
- 4.5 Comprehensive earned income training was completed in March 2018. This training will be on-going throughout 2018/19 via refresher sessions, team meetings and guidance. The March 2018-19 training plan is devised to concentrate on the specific issues identified during the audit (the relevant pages are contained in Appendix 1).

4.6 Identified rent issues

- 4.7 The audit identified that a default service charge figure had been incorrectly used in the Housing Benefit calculation of bed and breakfast cases. In addition to checking and amending any 2016/17 rents, all the 2017/18 rents have been checked for accuracy [March 2018 – April 2018].
- 4.8 To ensure that no further rent increases had been overlooked, the housing association (HA) rents with a commencement date prior to April 2017 were checked with the relevant landlord to confirm that the rent had not changed [October 2017 – on-going].
- 4.9 To ensure that all eligible services were correctly recorded as such, the 2016/17 and 2017/18 service charges for supported accommodation were checked [July 2017 – October 2017].
- 4.10 The 2017/18 HA rent charges were checked during the inputting of the 2018/19 rent increases [February 2018 – April 2018].
- 4.11 Exception reports will be continually monitored post April 2018 to ensure that all HA rent increases have been captured [April 2018 onwards].

4.12 Occupational pensions/earned income

- 4.13 Guidance has been obtained from the DWP to clarify the treatment of salary sacrifice pensions in the Housing Benefit calculations. A salary sacrifice pension is treated differently in the Housing Benefit assessment than a non-salary sacrifice pension. This guidance was disseminated during the earned income training sessions [March 2018] alongside comprehensive training notes, including system screenshots.
- 4.14 Targeted claims checking on 'high risk' earned income claims in addition to routine testing is ongoing [November 2017 – ongoing]. A targeted 10% check on 'lower risk' cases is also in progress; this will be extended if necessary [November 2017 – ongoing].
- 4.15 In addition to the above checks, an accuracy performance indicator has been included in the Finance Service's 2018/19 Business Plan; this plan is corporately monitored quarterly. The outcome of the checking will also be fed-back to Benefit Officers together with details of any issues identified. If a training need is identified, the training plan will be updated accordingly.

4.16 Subsidy checking process

- 4.17 Appendix 2 contains the high-level checking plan that will be undertaken for the 2017/18 subsidy claim. This specifically includes checking subsidy for non-HRA cases and modified schemes. These checks commenced during March 2018 and will be completed by the end of April 2018. Where audit requires an officer to test any extended samples, the initial testing will be examined by a second officer to ensure that all errors (if applicable) are identified.

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 Based upon the value of the errors found, as compared to the overall level of expenditure on that type of claim, the auditors calculated an extrapolated error figure of £52,292.

7.2 £46,710 of this expenditure has been reclassified as 'local authority error' and, as the total amount of local authority error is below the lower threshold (0.48% of gross Housing Benefit expenditure), it attracts 100% subsidy (i.e. it does not affect the amount of subsidy already received)

7.3 With regards the remaining £5,582, this is to be recovered from April 2018's interim subsidy installment. The total Housing Benefit subsidy paid to the authority for 2016/17 totaled £49,166,099.

8. Recommendation.

8.1 The Committee is recommended to note the report.

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Interim Head of Finance

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Background documents

None

6. Identified Training Needs and Requirements for 2018-2019

- Benefit staff refresher courses

Specifically to address issues identified during 2016/17 subsidy audit:

- Back to basics e.g. double checking inputs, checking calculations before accepting
- Use of dates within Benefits
- Income and Capital - particularly pay frequency of earned income, pensions and tax credits
- WURTI

Others:

- Verification and Standards of Evidence
- Overpayments
- Private Rented Sector/Tenancy Types/Payment Schemes
- Fraud awareness

- Individual/group staff training

- Private Tenants
- Clerical processing development

- Designated offices

Porthcawl	Complete	Aberkenfig	Complete
Pyle	Ongoing new staff	Pencoed	Ongoing new staff
Maesteg	Complete		
Ogmore	Complete		

- Verification Framework
- Original Documents
- Document Training
- Photocopying

- Registered Social Landlords

Valleys to Coast	Complete
Hafod	Complete – new staff request Jan 2018
Wales and West	Complete

Refresher training to be arranged

- New Staff

Changes Identified to Date

- Year End
- Benefits Up rating
- Universal Credit Roll Out
- Legislation

2018/19 CALENDAR

	March	April	May	June	July	August	September	October	November	December	January	February	March
Universal Credit / PBS	Yellow	Yellow	Yellow	Yellow	Yellow								Yellow
Income	Yellow	Yellow	Yellow				Yellow	Yellow					
Dates			Yellow	Yellow				Yellow	Yellow				Yellow
Housekeeping													
Rent			Yellow	Yellow				Yellow	Yellow				Yellow
Overpayments	Yellow	Yellow			Yellow					Yellow	Yellow		
Discretionary Housing Payments/Rent in Advance	Yellow	Yellow											

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: APRIL 2017 to MARCH 2018

1. Purpose of Report.

- 1.1 The purpose of the report is to inform the Committee of the activities that have been undertaken during 01 April 2017 to 31 March 2018 with regard to Council Tax Reduction (CTR) fraud investigations. In addition, the report also summarises the results achieved during 2017/18 as compared with the position from November 2015 to March 2017 (effectively as a new process, this period covers the first year of CTR only investigations).

2. Connection to Corporate Plan / Other Corporate Priorities.

- 2.1 The work of the Fraud Investigator impacts the resources available to the Council that supports Corporate Improvement Objectives and other corporate priorities.

3. Background.

3.1 Single Fraud Investigation Service

- 3.2 The Government's paper 'Tackling fraud and error in the benefits and tax credit systems' published in October 2010 announced that over the period 2013-15 the Government intended to create a single fraud investigation service (SFIS) with statutory powers to investigate and sanction all benefit and tax credit offences combining the resources across DWP, Her Majesty's Revenue & Customs (HMRC) and local authorities. This change is to improve efficiency, ensure all offences are taken into account and increase the number of investigations and sanctions.

- 3.3 Investigation staff from all local authorities became civil servants within SFIS as part of the phased programme (June 2014 to March 2016). On the 01 November 2015, Bridgend's Fraud Manager and 2 investigation staff joined SFIS and the investigation work for Housing and Council Tax Benefit transferred. The prosecutions for these benefits are now dealt with by the Crown Prosecution Service.

- 3.4 In the Spending Review 2010, the UK Government announced that it would localise support for council tax from 2013/14. From 01 April 2013 the responsibility to provide support for council tax, and the funding associated with it, was devolved to local authorities in England, to the Scottish Government and to the Welsh Government. Cases of fraud in CTR do not form part of the SFIS remit.

- 3.5 To maintain effective and functioning counter-fraud activities for CTR, the Benefits Service retained a Fraud Investigator primarily to undertake the following:

- Investigate allegations of CTR fraud and single person discount discrepancies
- Risk based intervention activities
- Assist SFIS in the provision of information and/or documentation
- Provide awareness and training for staff in relation to fraud, abuse and financial loss

4. Current situation / proposal

4.1 During the initial few months following the transfer to SFIS, the remaining Fraud Investigator concentrated upon establishing new protocols and processes for the administration of CTR investigations, and developed a contact network with other CTR fraud investigators within neighbouring authorities. This network has widened across Wales and officers now meet quarterly to discuss CTR fraud matters and share best practice.

4.2 Fraud awareness training sessions remain to be undertaken for Benefit, Homelessness, Council Tax and Customer Service staff and with outside agencies. Fraud awareness also forms part of the induction process for all new benefit staff.

4.3 Table 1 illustrates the source of fraud referrals during the relevant periods.

Source of Referrals	Nov 2015 – Mar 2017	2017/18
N.F.I.	7	13
Benefit/Taxation staff	12	33
HBMS* data match	11	2
Department of Work and Pensions (DWP)	2	0
Claim review	48	4
Anonymous (letter/telephone/email)	2	45
Real Time Information (RTI)	36	32
Other organisation/department	N/A	9
Total:	118	138

* DWP Housing Benefit Matching Service

4.4 CTR investigations were undertaken based upon information received as a data match or in the form of a specific allegation regarding the claimant's circumstances.

4.5 41% of the fraud referrals received during November 2015 to March 2017 were initiated through a claim review exercise. These were cases where it appeared that the claimant may have not declared a change in their circumstances, for example, where earnings had remained unchanged over a significant period of time. As the DWP introduced a new monthly data match in June 2017, and workload could not be accurately forecast, a specific CTR claim review exercise was not undertaken in 2017/18. However, a further exercise is planned for autumn 2018. 23% of referrals were received as a result of the DWP's Real Time Information (RTI) initiative. RTI is an earned income and occupational pension data match with HMRC and indicates undeclared earnings or pensions, as well as highlighting significant variations in the amounts declared.

4.6 Almost 33% of the referrals were received via the public; the majority of these referrals relate to DWP benefits or Housing Benefits, and consequently these were forwarded to DWP's SFIS to investigate. Fraud referrals are normally forwarded to SFIS in the following circumstances:

- The referral relates to the entitlement to a DWP benefit such as Income Support, Jobseeker's Allowance or Employment and Support Allowance; or
- The Housing Benefit overpayment is expected to exceed £3,000 (the DWP's threshold for criminal action); or
- It is in the public's interest that a prosecution should result.

During 2017/18, the Fraud Investigator referred 63 cases to the DWP.

4.7 Table 2 illustrates a breakdown of the types of allegations that were referred during the periods:

Types of allegation	Nov 2015 – Mar 2017	2017/18
Undeclared income	38	43
Undeclared increase in income	56	23
Undeclared capital/savings	13	11
Living together	2	33
Non-residency	6	8
Discrepancy – non-dependant	2	9
Discrepancy – household occupants (e.g. SPD*)	1	0
Other (e.g. DLA/Tax Credits/contrived)		11
Total:	118	138

*Single person discount

4.8 The majority of investigations undertaken by Bridgend's Fraud Investigator relate to earnings and savings; this is purely the result of being unable to investigate cases where a DWP benefit may be affected.

4.9 During 2017/18, 82 cases were closed (as compared to 91 for the period November 2015 to March 2017); the closure categories are detailed here in Table 3.

Reason for closure	Nov 2015 – Mar 2017	2017/18
No fraud	10	3
Not investigated	6	39
Fraud proven*	75	40
Total:	91	82

* i.e. sufficient evidence to instigate legal proceedings

4.10 The number of fraud proven cases has reduced to 49% of the closed cases (82% November 2015 – March 2017); this is attributed to the reduced quality of the initial referral. In particular, 73% of the anonymous referrals were not investigated as they

either lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g. the person was not claiming benefits).

- 4.11 Table 4 below provides the CTR, and incidental Housing Benefit, savings that have been achieved as a result of the fraud investigations concluded during the relevant periods.

Savings	2016/17	2017/18
CTR excess reduction	£79,069	£40,424
Future CTR saving	£35,949	£14,760
Council Tax Benefit	£7,274	£887
Housing Benefit	£14,458	£91,310**
Total:	£136,750	£147,181

** 2017/18 investigations included more cases where Housing Benefit was also in payment; for 2016/17, investigations concentrated on CTR only claims.

- 4.12 Once a case has been closed as fraud proven and the CTR adjustment (known as an excess reduction) is calculated, the case is referred to the Interim Head of Finance or Benefits and Financial Assessments Manager to determine whether a sanction is appropriate. The sanctions available to the council are prosecutions, issuing a financial penalty or a fine.
- 4.13 The level of a financial penalty, which is offered as an alternative to prosecution, is prescribed in The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013. The amount of the penalty is 50% of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000. Alternative to this type of penalty, fines may be issued as follows:
- £100 – may be offered as an alternative to prosecution for acts or omissions that could have led to an incorrect award of CTR;
 - £70 – may be imposed for:
 - an incorrect statement, information or evidence that leads to CTR award that is greater than entitlement; or
 - a failure to notify a change in circumstances meaning that a CTR award is greater than entitlement.

Table 5 illustrates the penalties and fines issued in the relevant period:

Successful sanctions	2016/17	Amount	2017/18	Amount
Prosecutions	0	N/A	0	N/A
Penalties	48	£19,986	30	£14,869
Fines	8	£560	6	£420
Total:	56	£20,546	36	£15,289

4.14 In addition to the penalties and fines, the Fraud Investigator has also raised administration-penalties totaling £11,859 (£6,523 in 2016/17), following DWP investigations into Housing and Council Tax Benefit claims.

4.15 Blue Badge misuse

In March 2018, a Blue Badge misuse investigation undertaken by the Fraud Investigator led to a successful prosecution. It resulted in a 12 month community order and 100 hours unpaid work. The person was also ordered to pay legal costs of £550, investigation costs of £377 and an £85 victim's surcharge.

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 in this report.

8. Recommendation.

8.1 The Committee is recommended to note the report.

Gill Lewis
Interim Head of Finance

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Background documents

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013

<http://www.legislation.gov.uk/wsi/2013/588/regulation/13/made>

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26th April 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT – FINAL OUTTURN REPORT – APRIL 17 TO MARCH 18

1. Purpose of Report.

1.1 The purpose of this report is to present to Audit Committee, the Head of Audit's Annual Opinion and the actual Internal Audit performance against the audit plan covering the year April 17 to March 18.

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

2.1. The work of audit is intended to assist in the achievement of all corporate and service objectives.

3. Background

3.1. The 2017/18 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 27th April 2017. The Plan outlined the assignments to be carried out and their respective priorities.

3.2. The Plan provided for a maximum of 1,085 and a minimum of 995 productive days to cover the period April 2017 to March 2018.

4. Current situation / proposal

4.1. The following table shows an analysis of productive days achieved against the plan for this financial year.

Directorates	2017/18 Full Year Plan Days		2017-18 Actual Days delivered
	Max.	Min.	
CEX - Finance	130	130	95
Operational & Partnership Services	110	110	96
Education & Family Support	160	125	94
Communities	130	130	51
Social Services & Wellbeing	170	170	76
Cross Cutting (Including Fraud & Error)	385	330	220
TOTAL PRODUCTIVE DAYS	1,085	995	632

- 4.2. As can be seen from the figures above, the actual outturn for the year shows that the overall productive days originally planned for have not been achieved. This is as a direct result of staff vacancies throughout the year and long term absences during the first half of the year.
- 4.3. As a consequence of resourcing issues at the commencement and during the first half of the financial year it became necessary to undertake a re-structure. The new structure was implemented from 1st October 2017 reducing the establishment to 14FTEs.
- 4.4. The opinion contained within the report at **Appendix A** 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. Included within **Appendix B** is the supporting evidence which lists all those assignments which have been commenced / completed for the year and where an assignment has been completed; an audit opinion has been applied where applicable.
- 4.5. On the basis of internal audit work undertaken, and taking into account all available evidence, it is the opinion of the Chief Internal Auditor that reasonable assurance can be applied to standards of internal control at Bridgend County Borough Council.

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 arising from this report.

7. Financial Implications.

- 7.1. Effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

8. Recommendation.

- 8.1. That Members give due consideration to the Internal Audit Final Outturn Report covering the year ending March 2018, including the Head of Audit's annual opinion to ensure that all aspects of their core functions are being adequately reported.

Helen Smith
Chief Internal Auditor
26th April 2018

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Background Documents

None

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**Bridgend and Vale Internal Audit Service:
Head of Internal Audit's Outturn and Annual Opinion Report April 2017 to March 2018
Bridgend County Borough Council.**

Section 1 - 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 both the Chief Executive and the Head of Finance with their delegated responsibilities 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 Head of Finance in discharging his 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.

Section 2 - 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).

Section 3 - 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).

Section 4 - 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.

Section 5 - 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. There is a requirement within the PSIAS for an external assessment to be undertaken once every five years, therefore as a consequence an external assessment was undertaken during 2016/17 this was undertaken during 2016/17. During 2016-17 an External Assessment was undertaken to review our compliance with the Public Sector Internal Audit Standards. The External Assessor concluded that; overall the assessment identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Indeed, the Assessor further stated that all auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added.

It is important to note that there is a requirement within the PSIAS for an external assessment to be undertaken once every five years. The PSIAS came into effect from 1st April 2013 and therefore as a consequence of the external assessment undertaken during 2016/17, the Internal Audit Shared Service has met this requirement.

Section 6 - Internal Audit Coverage – April 2017 to March 2018

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 2017/18 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.

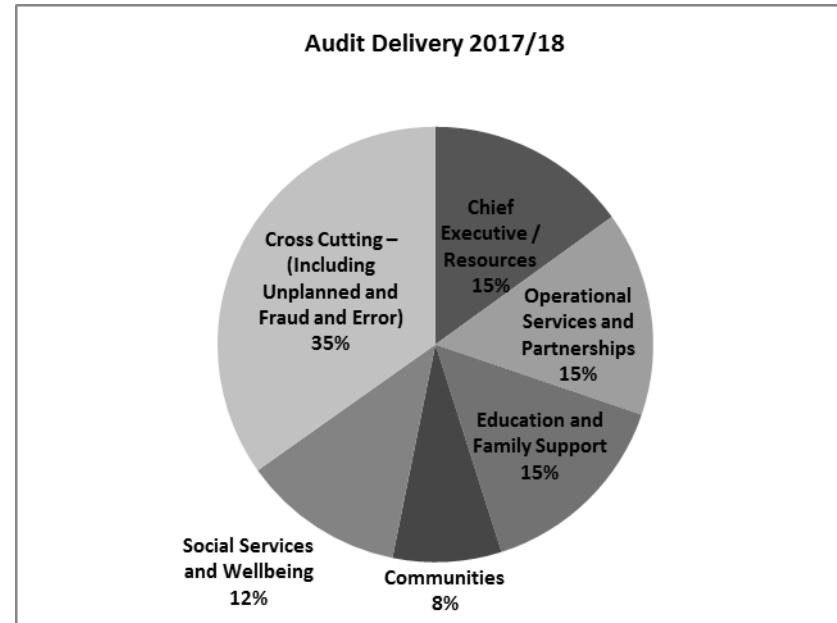
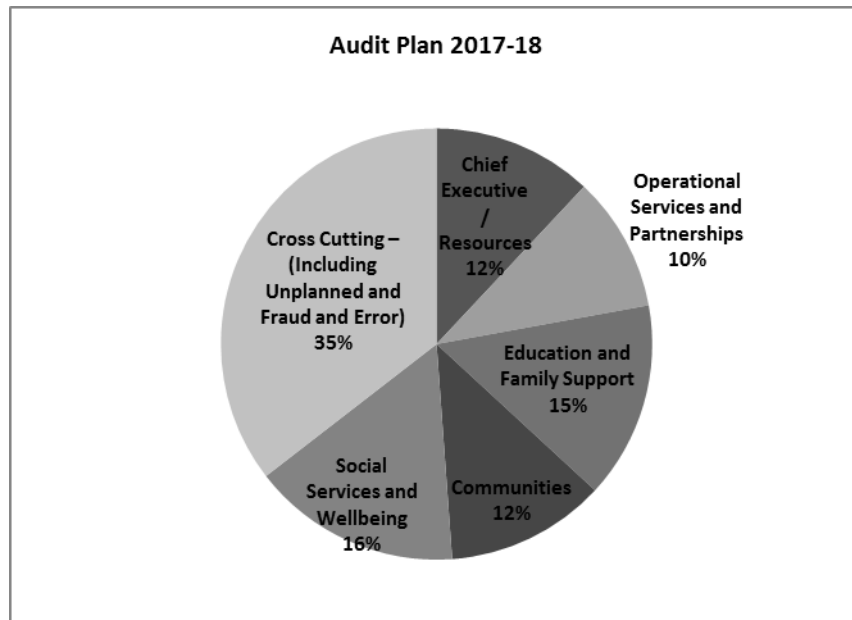
The Plan was submitted and approved by the Council's Audit Committee on 27th April 2017. The plan provides for the delivery of 1,085 productive days for the year, with a commitment of a minimum of 995 productive days. Table 1 below provides the outturn for the service for the Financial Year ending March 2018 and further detail is provided in Appendix B. The current structure for the Shared Service was reviewed during the year and staff numbers have reduced from 18 Full Time Equivalent employees (FTE's), to 14. 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. As at the end of the Financial Year 2018 the service is carrying 7.5 vacancies. This lack of adequate resourcing has had an impact on the number of days delivered as indicated below. As a consequence it has been necessary to commission the services of the South West Audit Partnership to assist in the delivery of the Plan. Whilst there is still a shortfall in the number of days delivered, with the assistance of SWAP and in particular the Healthy Organisation review on five of the eight corporate themes, this has provided an objective assessment of the management control framework or "health" of the Council in these areas. It has also informed the 2018/19 Annual Risk Based Audit Plan.

Table 1 – Productive outturn for the period April 2017 to March 2018

Directorate	2017/18 Full Year Plan Days		2017/18 Actual Days achieved for the Year
	Max.	Min.	
Chief Executive / Resources	130	130	95
Operational Services and Partnerships	110	110	96
Education and Family Support	160	125	94
Communities	130	130	51
Social Services and Wellbeing	170	170	76
Cross Cutting – (Including Unplanned and Fraud and Error)	385	330	220
Total	1,085	995	632

Diagram 1

Diagram2



As can be seen from the table above, the actual outturn for the year shows that the number of productive days expected has not been achieved. The shortfall of productive days is as a direct result of staff vacancies throughout the year and long term absences during the first half of the year. The new re-structure of the Service was completed and implemented on 1st October 2017 and the Service is moving forward into the new Financial Year 2018/19 with 50% vacancies. The lack of resources continues to be of specific concern; however, it is intended that the services of the South West Audit Partnership will be once again commissioned during 2018/19 in order to assist with addressing the shortfall. In addition, we must be mindful of the fact that during 2018/19, work will be underway to further explore the proposal to extend the Shared Internal Audit Service and as a consequence, should this proceed, some latitude will be needed during this transitional year. The extension of the Shared Service should provide more resilience and provide for a more flexible and agile service delivery.

A total of 42 reviews which have culminated in an overall opinion have been completed, 33 (79%) of which have been closed with either a substantial or reasonable assurance opinion level. 9 reviews (21%) have identified weaknesses in the overall control environment, three were specific investigations and the remaining 6 are summarised below.

Internal Control Weaknesses Identified

Mayoral review: -

At the request of the Chief Executive, Internal Audit was asked to review the processes in place for the charitable fundraising in the name of the Mayor. The objectives of the review were to identify the Mayoral processes in regards to fund raising for charities to ensure they are robust and comply with Council policies. The scope included:

- Mayoral Responsibilities in Fundraising
- Charity Committee Governance Arrangements
- Charity Fund Raising Processes & Procedures.

At the conclusion of the review a number of weaknesses were identified, so much so, that no assurance could be provided on the overall internal control environment. The main conclusions are summarised below:-

- The protocol *Managing Expectations* clearly sets out what is expected of the Mayor in all aspects of the role and specifically when dealing with the Charity Committee however it is clear from the Auditor's findings that the protocol has not been applied in this respect.
- Whilst a TOR2 was provided this document was poorly written, did not demonstrate that proper financial controls have been adopted by the Charity Committee and was not signed by committee members. A note was appended to the document stating, "unanimously agreed by the Civic Charity Committee 1st November 2006". In the absence of Committee meeting minutes the Auditor is unable to give the necessary assurance that governance arrangements are robust and that financial reporting to Members takes place.
- Due to the Mayor's membership on the Charity Committee, there is a public perception that the Charity Committee is directly linked to the Council. This review has highlighted the potential for reputational risks to the Council and the Mayor when considering the Auditor's findings.

SWTRA Grant Verification

The South Wales Trunk Road Agent (SWTRA) Service Collaboration is an agreement between the Welsh Government and Neath Port Talbot, Carmarthenshire and Monmouthshire Councils for the management, maintenance and improvement of trunk roads in South Wales. Neath Port Talbot Council (NPT) has entered into an arrangement with Bridgend County Borough Council (BCBC) in order to fulfil its functions under the Agency Agreement. An audit review of the BCBC input to the Agreement for 2016/17 was undertaken as part of the requirements of the South Wales Trunk Road Agent.

As a consequence of the work undertaken only limited assurance could be placed on the control environment, the following key issues have been highlighted which need to be addressed:

As at the time of the audit in January 2018:

- The Partnership Agreement between NPT and BCBC for the period 2016/17 and 2017/18 had not been formally agreed or signed.
- There were delays in raising invoices for monthly fixed costs. It was noted that invoices for fixed costs for the current year (2017/18) were raised on 31st January 2018. Also, invoices for monthly fixed costs for the period April to August 2016 were raised in September 2016 rather than on a regular basis.
- For the period 2017/18 SWTRA require fixed costs to be based on previous years actual costs. As at the time of the audit there had not been a comparison of estimated fixed costs to actual fixed costs for 2016/17.

School Agency Follow Up

The audit undertaken in April 2016 and followed up in June 2017 resulted in the issue of Limited Assurance reports. Due to the potential risks the service / Authority was deemed to be exposed to, a follow up audit review was scheduled as part of the 2017/18 Internal Audit Plan.

The current review has been undertaken to ensure that the recommendations agreed by management have been implemented in an attempt to reduce the risks.

The use of non-approved providers exposes the Council to risks relating to:

- Lack of assurance that best quality and price have been achieved.
- Lack of assurance that background checks have been performed including DBS clearance.
- Non-compliance with current Contract Procedure Rules relating to procurement.

The current follow up review confirmed that a number of the recommendations remained outstanding and the following areas of concern were identified:

- Low use of the approved provider, New Directions.
- No monitoring of spend / usage at a central level.
- No assurance of compliance with Contract Procedure Rules relating to procurement.
- No assurance of required checks being carried out by the agencies.

Internal Control Weaknesses Previously Reported

Foster Care Payments –

An audit review of Foster Carers Payments was undertaken as part of the 2017/18 annual Internal Audit Plan. During the course of the review an input error was identified whereby one field on the Access payments database had not been populated with the placement end date and therefore as a consequence of this the weekly level allowance continued to be paid. This was addressed immediately and more robust validation checks have now been introduced to minimise the risk of re-occurrence. Nine recommendations for strengthening the control environment have been made, which have all been agreed by Senior Management with some being addressed as the Audit progressed.

Section 117 – Section 117 of the Mental Health Act 1983 imposes an enforceable joint duty on the relevant health and social services authorities to provide or to arrange to provide after-care services for certain categories of mentally disordered patients who have ceased to be detained and leave hospital (or prison, having spent part of their sentence detained in hospital).

After-care services would normally include social work, support in helping the ex-patient with problems of employment, accommodation, family relationships, domiciliary services, day centre/residential facilities.

There are no powers to charge for services provided under section 117, regardless of whether they are provided by health or social services. However, a person in receipt of after-care services may also have ongoing care/support needs that are not related to their mental disorder and that may, therefore not fall within the scope of section 117.

The scope of the audit was to review the following areas:

- Funding arrangements;
- Internal Processes and Procedures;
- Evidence Testing.

During the Audit a number of strengths and areas of good practice were identified as follows:

- 96% of service users had been allocated a care co-ordinator and where no care co-ordinator was allocated a valid explanation was provided.
- High value service user packages are subject to scrutiny under the 'right sizing' exercise by the Council's transformation team.
- The use of the recently implemented Welsh Community Care Information System (WCCIS) is already displaying benefits e.g. Social Workers can input service users' information electronically which has removed the need for the completion of a paper 'basic details form.'

The following key issues were identified during the Audit which need to be addressed:

- An out of date financial contribution arrangement with the Health Board;
- No documented internal procedures or working instructions setting out the processes to be followed for the numerous teams involved in the administration of S117 aftercare.
- An authorised signatory listing has not been finalised which means that Finance potentially process payments to Service Providers without appropriate approval.

Section 7 - Audit Recommendations – 2017/2018

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 Financial Year ending 31st March 2018, Internal Audit has made a total of 46 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 table 2 below.

Table 2

2017 – 18 Recommendation Priority	No. Made	No. Agreed	No. Implemented	No. not yet due to be actioned	No. overdue action date
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			Complete	Pending	Outstanding
Fundamental (Priority One) – Immediate Action	3	3	3		
Significant (Priority Two) – Action within 6 – 12 months	43	43	23	11	9
Total	46	46	26	11	9

Table 3. Analysis of Overdue Recommendations

Analysis of Overdue Implementation of Recommendations for 2017-18	No. Overdue	One / Two months overdue Target date	Three or more months overdue target date
		Amber	Red
Fundamental (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	0	0	0
Significant (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	9	9	0
Total	9	9	0

Section 8 - 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 Bridgend County Borough Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in 27th April 2017, which is based on the provision of a maximum of 1,085 (minimum 995) productive days.

The Bridgend County Borough Council is in a partnership agreement with the Vale of Glamorgan Council who host the Internal Audit Shared Service. As at the 31st March 2018 the staffing structure is listed in table 4 below.

Table 4 Staffing Structure

2017-18 Staffing Structure As at 1st April 2017	FTE		New Staffing Structure effective from 1st October 2017 and as at 31st March 2018	FTE
Operational Manager Audit - Head of Audit	1		Operational Manager Audit – Head of Audit	1
Principal Auditor (1 vacant post at present)	2		Client Audit Manager (1 vacant post)	2
Group Auditor	2		Senior Auditor (4 vacant posts)	5
Group Auditor (Information Systems – vacant at present)	1		Auditor (1/2 vacant post)	4
Auditor (5.5 posts are vacant at present)	9.5		Audit Assistant (2 vacant posts)	2
Trainee Auditor (vacant at present)	1			
Trainee Auditor (Information Systems) (vacant at present)	1			
Administrative Assistant	0.5			
Total	18		Total	14

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 5 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

Table 5 - Qualifications / Experience

Post	Qualification Expectation	No of	No.	No of Employees with No
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		FTE's	qualified	of audit years' experience		
				1 – 5 years	6 -10 years	Over 10 years
Operational Manager Audit	CCAB qualified and relevant experience.	1	1			1
Audit Client Manager (one vacant post)	CCAB qualified or equivalent.	2	1			1
Senior Auditors (four vacant posts)	Level 6 educational qualification e.g. Part Qualified Audit or Accountancy professional qualification e.g. PIIA, CIA or CCAB.	5	1			1
Auditors (½ vacant post)	Level 4 education qualification e.g. Qualified Accounting Technician (AAT) or equivalent.	4	2	1	2	1
Audit Assistant (2 vacant posts)	Level 3 educational qualification e.g. A Levels, BTEC National Award or part qualified AAT.	2				

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.

Section 9 - Internal Audit – Other Activities

- **Anti-Fraud** – the Internal Audit Shared Service continues to assist in promoting an anti-fraud and corruption culture. We have ensured that staff are made aware; of any recent scams and frauds that have occurred in both the public and private sectors.
- **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 Team /Board (as required); Corporate Improvement Group. Insight Board; Annual Governance Working Group, The Welsh Chief Auditors Group and all its sub-groups (including South Wales Computer Audit Group; South East Wales 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. In addition, we have provided assistance in dealing with some corporate complaints.

Section 10 - 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 Audit Client Manager 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.

The Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2017/18 in the process of being collated and will be forwarded to the coordinator for the Welsh Chief Auditors Group by the submission deadline of 14th May 2018.

Audit Client Satisfaction Questionnaires

At the completion of each audit, all recipients of reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire ranging from a score of 1 for very satisfied to a score of 5 very unsatisfied. The results for the year ending 31st March 2018 are summarised in Table 7 below.

Table 6.

No.	Question	Average Score of Responses	Average Score of	Average Score of	Average Score of
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		to March 2018	Responses March 2016	Responses March 2015	Responses March 2014
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.290	1.290	1.360	1.420
2	Appropriateness of scope and objectives of the audit.	1.380	1.560	1.450	1.450
3	Timelines of audit.	1.450	1.560	1.690	1.490
4	Response of Officer to any requests for advice and assistance.	1.100	1.330	1.240	1.300
5	General helpfulness and conduct of Auditor (s)	1.100	1.190	1.170	1.150
6	Discussion of findings / recommendations during or at the conclusion of the audit.	1.000	1.000	1.000	1.000
7	Fairness and accuracy of report.	1.190	1.420	1.360	1.600
8	Practicality and usefulness of recommendations	1.190	1.580	1.460	1.570
9	Standard of report.	1.100	1.420	1.290	1.380
10	Client agreement with overall audit opinion.	1.190	1.350	1.310	1.560

Section 11 - Opinion Statement 2017/18

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of 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 the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Debtors, Council Tax, Housing Benefit, Treasury Management etc.) or generally in the reviews undertaken in respect of directorate systems. Due to the resourcing issues within the Internal Audit Shared Service, the number of audit days delivered fell short of those proposed. However, in order to address this in part, audit work was commissioned from the South West Audit Partnership (SWAP) who undertook an ethics review and a Healthy Organisation Review focusing on five of the eight corporate themes (Governance, Risk Management, Commissioning & Procurement, Programme & Project Management and Information Management). For each of the themes the strength of the management control framework in place was assessed against a benchmark model by identifying the presence or otherwise of key controls. The review for each of the five themes referred to above indicates an overall High Assurance opinion, although SWAP were unable to form a conclusion on Information Management as they were not provided with the evidence needed to complete their work at the time of the Audit. In addition, each Corporate Director and the Council's Section 151 Officer have completed an Annual Assurance Statement for 2017/18, as well as Head Teachers and Chairs of Governors and these have been taken into account when forming my annual opinion.

Risk Management

Effective Risk Management forms a key aspect of assurance and governance. An Organisation that can demonstrate and operate under a structured and active risk management approach is far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.

The review of Risk Management within BCBC identified some areas for improvement and these will be followed up in 2018/19

Governance Arrangements

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Governance arrangements have been reviewed and found to be effective. One such review was the Healthy Organisation strategic review which is a high level corporate overview; this review concluded that there was a strong control framework in place in relation to corporate governance. The areas for improvement identified will be followed through during 2018/19.

Internal Control

I have based my opinion on the internal audit work during the year in so much as; a total of 42 reviews culminating in an overall opinion have been completed, 33 (79%) of which have been closed with either a substantial or reasonable assurance opinion level. 9 reviews (21%) have identified weaknesses in the overall control environment, three were specific investigations and the remaining 6 have been summarised in Section 6 above.

In addition, I have taken into consideration the response to the Annual Assurance Statements completed by Corporate Directors, Head Teachers and Chairs of Governors for 2017/18 and the outcome of the Healthy Organisation review completed by the South West Audit Partnership.

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 8 below:

Table 7

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

Therefore, having regards to the reviews completed, the follow up work undertaken, our experience from previous years' audits, the work undertaken by the South West Audit Partnership and the responses received from Corporate Directors; Head Teachers and Chairs of Governors and the impact on the Plan compared with previous years as a result of the resourcing issues, my overall opinion is the Council's overall internal control arrangements are considered to be **reasonable**, resulting in a "**moderate**" level of risk. **Therefore, the Head of Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Council's framework of governance, risk management and control.**

Section 12 - 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 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 2017-18 and 2020-21, the Council is expecting to have to make budget reductions of up to £31.4 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.

As stated earlier in the report, based on the work completed by the Internal Audit Shared Service for the Financial Year ending March 2018 and the contribution to the Audit Plan made by the South West Audit Partnership; no significant cross cutting control issues have been identified (other than that reported in the body of this report) that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific. The recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

Of significant issue for the Internal Audit Shared Service is the continuing lack of resources and the impact this has had on delivering the 2017/18 Audit Risk Based Plan. During the whole of the year, the Shared Service has carried a high level of vacancies and as a

consequence the services of the South West Audit Partnership were commissioned to help address the shortfall. In addition, the structure of the Shared Service was reviewed with a new structure being implemented from 1st October 2017 and although the staff numbers reduced, the number of senior posts was increased. The purpose of this is to ensure a more resilient service moving forward which will not only meet the requirements of the Public Sector Internal Audit Standards (PSIAS) but also the changing environment in which we operate.

2018/19 will continue to be a challenging year for the Shared Service and it is predicted that the South West Audit Partnership will once again be commissioned to assist with the delivery of the 2018/19 Risk Based Plan. In addition, work is underway to further develop the Shared Service into a Regional Service with the proposal for two more Councils to join the partnership. This is likely to gather momentum in the first half of the 2018/19 Financial Year and therefore some latitude will be required during this transitional period from all parties concerned.

Notwithstanding the above issues, Internal Audit is very mindful of the fact that in a Council of this size and complexity, with its significant savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. 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.

<u>Code</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	CHIEF EXECUTIVE - FINANCE					
B	699 BCBC - C/F Main Acct & Bud Control		3.68	4.00	03/04/2017	05/07/2017	Substantial
	705 BCBC - Advice & Guidance CX & Resources		2.36	5.00	03/04/2017	30/03/2018	N/A
	718 BCBC - Income Generation		19.09	20.00	23/05/2017	30/01/2018	Reasonable
	738 BCBC - Housing Benefits		7.91	10.00	13/10/2017	25/01/2018	Substantial
	741 BCBC - Creditors		15.78	15.00	03/11/2017	30/03/2018	Carry Forward
	742 BCBC - Treasury Management		5.68	5.00	03/11/2017	09/02/2018	Substantial
	749 BCBC - Debtors		0.47	10.00	18/12/2017	30/03/2018	Carry Forward
	753 BCBC - Automated Processes		9.59	10.00	02/01/2018	30/03/2018	Carry Forward
	755 BCBC - Banking		3.41	10.00	12/01/2018	30/03/2018	Carry Forward
	757 BCBC - Council Tax		9.32	10.00	23/01/2018	30/03/2018	Reasonable
Total for	Directorate	CHIEF EXECUTIVE - RESOURCES	77.30	99.00			
	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS					
B	698 BCBC - C/F Payroll		5.07	5.00	03/04/2017	16/06/2017	Reasonable
	706 BCBC - Advice & Guidance OpSvs & P/ship		1.66	5.00	03/04/2017	30/03/2018	N/A
	710 BCBC - IT Systems & Security Review		9.93	10.00	24/04/2017	06/07/2017	Reasonable
	716 BCBC - Payroll Grievances		35.00	35.00	03/04/2017	30/03/2018	Reasonable
	734 BCBC - Supporting People Grant 16-17		8.85	10.00	30/08/2017	13/11/2017	Reasonable
	744 BCBC - Mayoral Review		10.10	10.00	14/11/2017	06/02/2018	No Assurance
	750 BCBC - Compliance to the Code of Conduct		11.76	10.00	14/12/2017	30/03/2018	Limited
	759 BCBC - Overtime & Excessive Hours		1.66	15.00	12/02/2018	30/03/2018	Carry Forward
Total for	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS	84.02	100.00			
	Directorate	EDUCATION AND FAMILY SUPPORT					
B	700 BCBC - C/F WB Allegation Education		3.61	5.00	03/04/2017	07/07/2017	Limited
	707 BCBC - Advice & Guidance Ed & Family Sup		1.66	5.00	03/04/2017	30/03/2018	N/A
	711 BCBC - Ed Minor Wks - Built Env		9.80	10.00	03/04/2017	05/07/2017	Substantial
	714 BCBC - CRSA & Assurance Schools 1617		4.22	3.00	03/04/2017	31/05/2017	Reasonable
	726 BCBC - Youth Work Strategy Support Grant		1.76	3.00	20/06/2017	07/07/2017	Reasonable
	727 BCBC - School Summary Report		4.93	5.00	20/06/2017	31/10/2017	Reasonable
	733 BCBC - Education Imp. Grant		4.97	5.00	17/07/2017	17/08/2017	Reasonable
	736 BCBC - School Uniform Grant		5.00	5.00	07/09/2017	20/09/2017	Substantial
	737 BCBC - School CRSA & Assurance 1718		9.93	5.00	18/09/2017	30/03/2018	Reasonable
B	745 BCBC - CCYD Follow Up		2.13	3.00	21/11/2017	20/02/2018	Substantial

	746 BCBC-Abercerdin School Catering Contract	5.68	5.00	28/11/2017	30/03/2018	Reasonable
	747 BCBC - Abercerdin School - P Cards	4.09	5.00	28/11/2017	21/03/2018	Reasonable
	748 BCBC - CRC	3.04	10.00	05/12/2017	30/03/2018	Carry Forward
	752 BCBC - 6thForm & Adult Learning Statment	1.62	2.00	05/12/2017	18/01/2018	N/A
	756 BCBC - Penybont School IT Equipment	3.14	3.00	17/01/2018	06/03/2018	Reasonable
Total for	Directorate EDUCATION AND FAMILY SUPPORT	65.57	74.00			
	Directorate COMMUNITIES					
B	719 BCBC - Fleet	4.59	20.00	03/04/2017	02/01/2018	N/A
	729 BCBC - Highways Inspections & Complaints	25.03	20.00	03/07/2017	30/03/2018	Reasonable
	739 BCBC - SWTRA Grant Verification	21.45	10.00	18/10/2017	30/03/2018	Limited
Total for	Directorate COMMUNITIES	51.08	50.00			
	Directorate SOCIAL SERVICES AND WELLBEING					
B	697 BCBC - C/F Data Sharing Soc Svs	9.36	9.00	03/04/2017	06/06/2017	Reasonable
	708 BCBC - Advice & Guidance SS & Wellbeing	0.88	5.00	03/04/2017	30/03/2018	N/A
	713 BCBC - Section 117	23.07	25.00	17/04/2017	23/10/2017	Limited
	717 BCBC - Bus Svs Support Grant	4.90	5.00	18/05/2017	21/06/2017	Reasonable
	731 BCBC - Foster Care Payments	15.24	15.00	18/07/2017	27/11/2017	Limited
Total for	Directorate SOCIAL SERVICES AND WELLBEING	53.45	59.00			
	Directorate BCBC CROSS CUTTING					
B	701 BCBC - C/F Safeguarding	0.07	1.00	03/04/2017	15/05/2017	Reasonable
	703 BCBC - Finalising 2016-17 Jobs	11.49	20.00	03/04/2017	17/07/2017	N/A
	704 BCBC - Audit Planning	33.14	30.00	03/04/2017	30/03/2018	N/A
	709 BCBC - Audit Committee / CMB	29.32	30.00	03/04/2017	30/03/2018	N/A
	724 BCBC - Grant Verification Communities	1.96	2.00	05/06/2017	09/06/2017	Reasonable
	725 BCBC - Final Accounts	1.86	3.00	19/06/2017	30/03/2018	N/A
	754 BCBC - School Agency Follow up	7.36	5.00	27/12/2017	19/02/2018	Limited
	758 BCBC Healthy Organisation Review	61.55	60.00	02/01/2018	26/03/2018	Reasonable
Total for	Directorate BCBC CROSS CUTTING	146.75	151.00			
Total for Function	ASSURANCE	478.17	533.00			
	ANTI-FRAUD & CORRUPTION					
	Directorate CHIEF EXECUTIVE - FINANCE					
B	735 BCBC - PTA accounting issues	18.04	20.00	04/09/2017	27/11/2017	Limited
Total for	Directorate CHIEF EXECUTIVE - FINANCE	18.04	20.00			
	Directorate EDUCATION AND FAMILY SUPPORT					

B	715 BCBC - Engagement of Consultants		13.65	15.00	03/04/2017	02/10/2017	Limited
	760 BCBC - Flying Start		14.80	10.00	19/02/2018	30/03/2018	Carry Forward
Total for	Directorate	EDUCATION AND FAMILY SUPPORT	28.45	25.00			
	Directorate	BCBC CROSS CUTTING					
B	721 BCBC - NFI		3.48	15.00	03/04/2017	30/03/2018	N/A
	723 BCBC - Counter Fraud Framework		14.32	15.00	05/06/2017	26/03/2018	Reasonable
	743 BCBC - Engagement of Consultants DM		0.91	5.00	06/11/2017	28/12/2017	N/A
	761 BCBC - Potential Invoice Fraud		0.84	2.00	27/03/2018	29/03/2018	N/A
Total for	Directorate	BCBC CROSS CUTTING	19.56	37.00			
Total for Function		ANTI-FRAUD & CORRUPTION GOVERNANCE	66.05	82.00			
	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS					
B	728 BCBC - New Member Support		12.16	10.00	03/07/2017	10/10/2017	Substantial
Total for	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS	12.16	10.00			
	Directorate	SOCIAL SERVICES AND WELLBEING					
B	730 BCBC - Leisure Contract		11.35	10.00	03/07/2017	15/11/2017	Substantial
Total for	Directorate	SOCIAL SERVICES AND WELLBEING	11.35	10.00			
	Directorate	BCBC CROSS CUTTING					
B	720 BCBC - IASS Monitoring		10.34	10.00	03/04/2017	30/03/2018	N/A
	722 BCBC - COCG - AGS working group		0.81	5.00	03/04/2017	30/11/2017	N/A
	740 BCBC - Ethical Review		18.18	15.00	26/10/2017	08/01/2018	Reasonable
	751 BCBC - Code of Corporate Governance		3.89	10.00	02/01/2018	30/03/2018	Reasonable
Total for	Directorate	BCBC CROSS CUTTING	33.21	40.00			
Total for Function		GOVERNANCE	56.72	60.00			
Total for Function		RISK & PERFORMANCE MANAGEMENT					
	Directorate	SOCIAL SERVICES AND WELLBEING					
B	732 BCBC - SS and Wellbeing Act Overview		10.47	10.00	18/07/2017	06/02/2018	Reasonable
Total for	Directorate	SOCIAL SERVICES AND WELLBEING	10.47	10.00			
	Directorate	BCBC CROSS CUTTING					
B	712 BCBC - Insurance		20.71	15.00	26/04/2017	07/12/2017	Reasonable
Total for	Directorate	BCBC CROSS CUTTING	20.71	15.00			

Total for Function

RISK & PERFORMANCE MAN

31.18

25.00

Grand

632.12

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT SHARED SERVICE CHARTER 2018/19

1. Purpose of Report.

1.1. To present to Members the Council's Internal Audit Shared Service Charter for 2018/19.

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 2018/19 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 2018/19 as attached to this report.

Helen Smith
Chief Internal Auditor
26th April 2018

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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
2018 - 2019**

The purpose of this Internal Audit Shared Service (IASS) Charter is to define the purpose, authority and responsibilities of the Bridgend and Vale Internal Audit Shared Service. The Charter establishes the position of internal audit activity within the Council and reporting lines, authorises access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities. 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 mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:

- **Board** – The internal audit activity is established and defined by the Board, (hereafter referred to as the Audit Committee) which has responsibility for overseeing the work of Internal Audit.
- **Chief Audit Executive** – The role of the Chief Audit Executive is undertaken by the Chief Internal Auditor (BCBC) / Operational Manager – Audit (VoG) hereafter designated as the Head of Audit.
- **Senior Management** – Senior Management is defined as the Managing Director and Corporate Management Team (VoG) and the Chief Executive and Corporate Management Board (BCBC) /.

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 Council'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 Heads of Finance in both Councils 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;
- Investigate allegations of fraud or irregularity to help safeguard public funds;
- Support the work of the relevant Audit Committees; and
- Provide an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

- 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 Officers and the Audit Committees 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 (Wales) Regulations 2014 (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 and Bridgend CBC it is the Heads of Finance.

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; and
- 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.

1.10 Scope of Internal Audit Work – Opinion Work

1.11 The Internal Audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

1.12 **Governance**

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the Council;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the Council; and
- Co-ordinating the activities of and communicating information among the Audit Committee, external and internal auditors and management.

1.13 **Risk Management**

Internal Audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing how:

- Organisational objectives support and align with the Council's values;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the Council's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the Council, enabling staff, management and the Audit Committee to carry out their responsibilities.

1.14 **Internal Control**

Internal Audit must assist the Council in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems regarding the:

- Achievement of the Council's strategic objectives;
- Reliability and integrity of financial and operational information;
- Economical, effective and efficient use of resources;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity, corruption or bribery; and

- Compliance with laws, regulations, policies, procedures and contracts.

1.15 **Non – Opinion Work**

Internal Audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency will be made in the internal audit plan to allow for management requests which will be clearly identified as Unplanned Work. No contingency will be made for the provision of a consultancy service.

The Head of Audit must consider the effect on the opinion work before accepting any unplanned work over and above the contingency allowed for in the internal audit plan.

1.16 **Delivery of Internal Audit Work**

Engagement Planning

For each assignment / engagement, a Client Brief will be prepared and agreed with relevant managers. The Client Brief will establish the objectives, scope and timing for the audit assignment and reporting requirements. Internal Auditors are not tasked with reviewing any systems for which they have previously held operational responsibility for. This is applied for a one year period to ensure that objectivity is not compromised.

Performing the Engagement

Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the review's objectives. This evidence supports their conclusions, professional judgements and recommendations and therefore must be factual and accurate. This data is held in compliance with the Council's Document Retention Policy. Assignments / Engagements are supervised to ensure objectives are achieved and quality is assured.

Where key systems are being operated on behalf of the Council or where key partnerships are in place, the Head of Audit must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Audit must be consulted on the audit arrangements proposed or in place.

It is Management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

1.17 Reporting and Monitoring

A written report will be prepared and issued by the Head of Audit following the conclusion of each internal audit assignment / engagement and will be distributed in accordance with internal protocols. Internal Audit results will also be communicated to the Audit Committee.

The internal audit report includes management's response and corrective action taken or to be taken in regard to the specific findings and prioritised recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Head of Audit will agree reporting arrangements with the IASS Board which will include procedures for the:

- Distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- Distribution of finalised audit reports;
- Follow up by internal audit of agreed recommendations; and
- Escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The internal audit activity will be responsible for appropriate follow up on assignment findings and high risk recommendations. All significant findings will remain open on the management information system until cleared. It is the responsibility of the manager to ensure that all agreed recommendations are implemented and for them to provide relevant evidence to internal audit. The findings and results of follow up reviews are communicated to the Audit Committee and used to inform future audit planning.

In the event that the Head of Audit concludes that management has accepted a level of risk that may be unacceptable to the Council, this will be discussed with the relevant Director / Senior Manager. If the Head of Audit determines that the matter has not been resolved, then the matter will be communicated to the S151 Officer, Managing Director/Chief Executive and the Audit Committee.

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

- 2.1 Bridgend County Borough Council is divided into four directorates, each of which is headed by a Corporate Director, and a Chief Executive's Division headed by the Chief Executive. It is the role of the

Chief Executive and the Corporate Directors to ensure delivery and operation of the service areas falling within their remit:

- Chief Executive - Resources;
- Social Services & Wellbeing;
- Education and Family Support;
- Communities; and
- Operational & Partnership Services

2.2 The Vale of Glamorgan Council is divided into four directorates, three headed by a Corporate Director and one headed by the Managing Director. It is the role of the Managing Director and Directors to ensure delivery and operation of the service areas falling within their remit:

- Managing Director and Resources;
- Social Services;
- Environment and Housing; and
- Learning and Skills

2.3 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.

2.4 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.

2.5 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 and the function is provided internally. 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.

2.6 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; and
 - f. Endeavour to resolve any dispute between the respective Authorities;
- 2.7 Scrutiny remains the responsibility of each individual Council and therefore the Audit Committee for each Council will review the performance and effectiveness of audit activity, including that of the Internal Audit Shared Service.

2.8 Internal Audit Standards

- 2.9 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) developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1st April 2013.
- 2.10 The unified set of internal audit standards is based on the mandatory elements of the CIIA’s International Professional Practices Framework. The standards have been adopted by both the Vale of Glamorgan Council and Bridgend CBC Audit Committees.
- 2.11 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; and
 - 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 Council or its Audit Partner).
- 2.12 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.

- 2.13 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 approval and ratification by the relevant Audit Committee; and
 - 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. The Head of Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS.
- 3.6 The Head of Internal Audit must hold a full professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics. They must have sufficient skill, experience and competencies to work with Corporate Officers and the Audit Committee and influence the risk management, governance and internal control of the Council.

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;
- Cost of assurance in relation to potential benefits; and
- 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:

- Elected Members;
- The Managing Director (VOG) / The Chief Executive (BCBC);
- Corporate Directors and Section 151 Officers
- Heads of Service;
- Group Managers / Operational Managers and line supervisors;
- Front line employees delivering services to the public; and
- 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 have regard to 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 ClIA 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 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 Councils. The External Assessment took place during 2016/17.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2018 TO MARCH 2019

1. Purpose of Report.

1.1 To present to the Committee the Council's Internal Audit Strategy and Annual Risk Based Audit Plan for the year April 2018 to March 2019.

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 2018/19 strikes a good balance between the risks identified, the internal audit resources available and the assurance work being carried out by other agencies.

4.2. 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 impact of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce year on year. Following a restructure in 2017/18, the current establishment for 2018/19 is based on 14 full time equivalents. It should be noted that at the commencement of 2018/19, the Section is carrying approximately 50% in vacant posts. Therefore, arrangements are in place to address the shortfall; however, with such a high level of vacancies, it is important to be prudent when determining the number of productive days that can be realistically achieved. The following is the assumptions that have been made for 2018/19.

- *Quarter 1 and 2 – Status remains the same at 50% capacity;*
- *Quarter 3 and 4 – Status will increase to a maximum of 70% capacity.*

4.3. In order to address the shortfall in resources, it is envisaged that once again the services of the South West Audit Partnership will be commissioned to help assist with bridging the gap. In addition, we must be mindful of the fact that during 2018/19, work will be underway to further explore the proposal to extend the Shared Internal Audit Service and as a consequence, should this proceed, some latitude will be needed during this transitional year. Therefore the proposed plan provides for a maximum of 1,000 productive days being delivered during 2018/19.

4.4. Attached at **Appendix A** is the draft Internal Audit Strategy document for 2018/19. It demonstrates how the Internal Audit Service 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.

4.5. The 2018/19 draft Annual Risk Based 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 plan is attached at **Appendix B**.

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. The level of service outlined above has been based on the base budget of £312,000 set by Bridgend County Borough Council for 2018/19.

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 2018/19.

Helen Smith
Chief Internal Auditor
26th April 2018

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Background Documents
None

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



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

2018 – 2019

Bridgend CBC

1. Introduction

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 2018-2019.

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).

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.

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. Definition of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as follows: *“Internal audit 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”.*

3. Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (Wales) Regulations 2015:

“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.”

PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk based plan must take into account the requirement to produce an annual internal audit opinion”

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

4. S.151 Officer Responsibility

Internal Audit also has an important role to support the Council’s Section 151 Officer in discharging their statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

5. Development of the Internal Audit Plan

The plan has been prepared after a reference to the ‘audit universe’ (the comprehensive list of all areas potentially subject to audit across the Council). It has also taken into account an analysis of the risk registers and the views of Corporate Directors and Senior Management as to where audit resource is most needed. In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council and Chief Executive, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment, governance and risk management arrangements.

Revision of the Internal Audit Plan: This plan will be kept under review on an ongoing basis. Any significant changes will be reported to the Audit Committee for consideration and approval.

6. Risk Based Approach

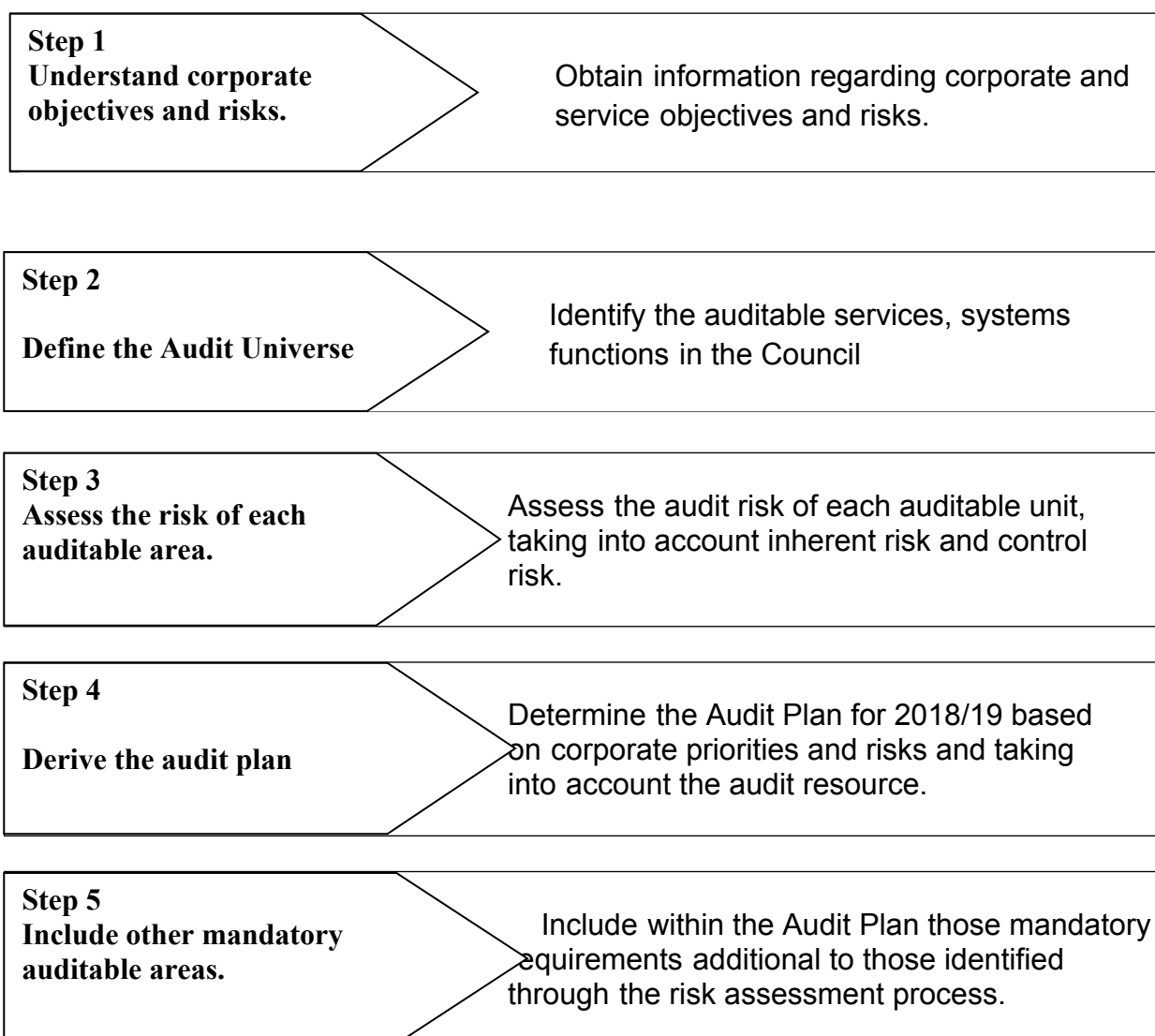
The internal audit function will be delivered in accordance with the Internal Audit Shared Service Charter, as presented to the Audit Committee in April 2018. The Charter defines the role, scope, independence, authority and responsibility of the internal audit shared service. Audits will be delivered in accordance with the Charter. The team will be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly focused on recruitment and the exploration of further opportunities to expand the shared service to increase the efficiency and resilience of the service.

Risk based work is 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.

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.

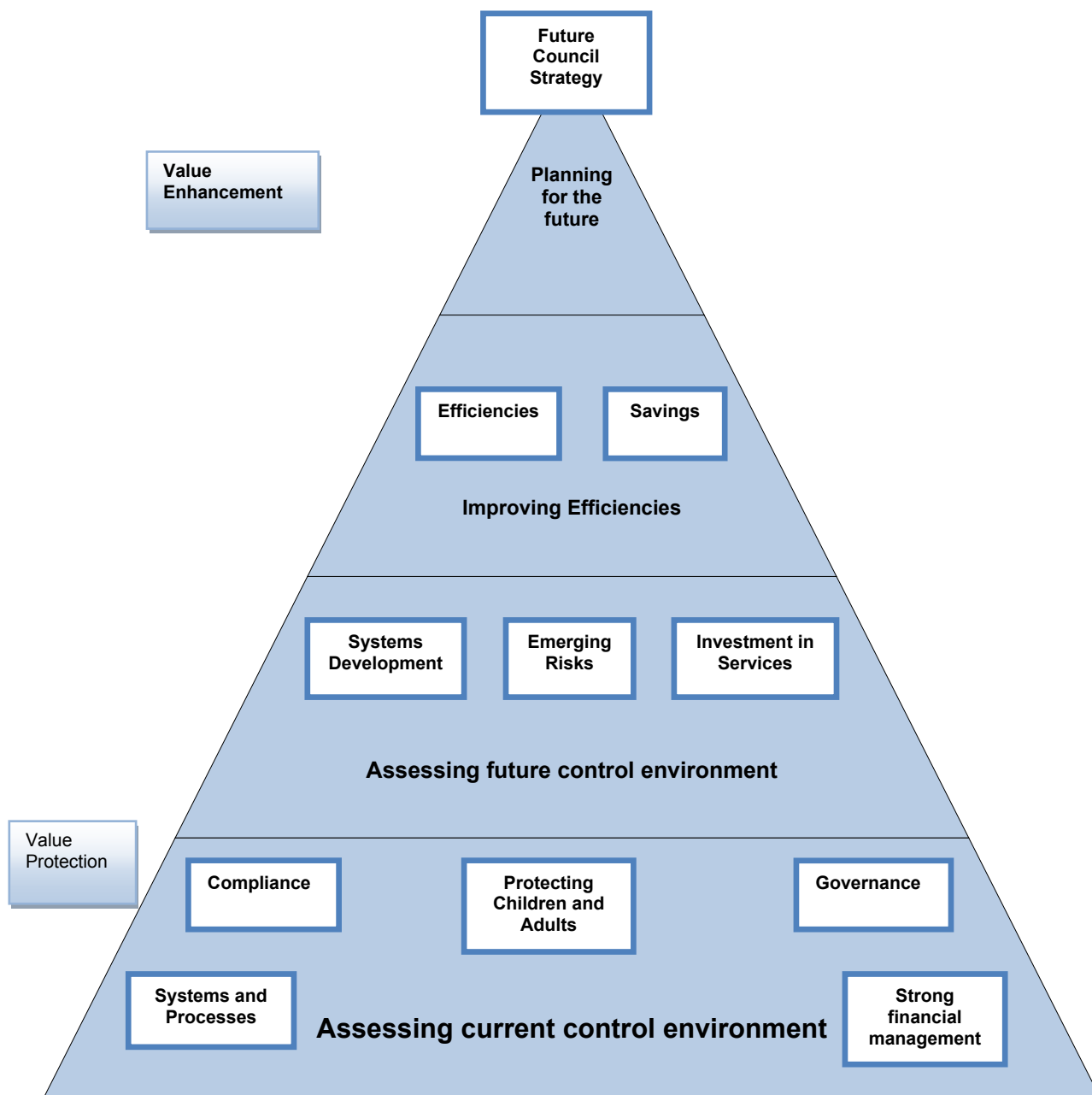
7. Methodology

A summary of our approach to the development of the Audit Plan for 2018/19 is set out below. The Plan is driven by the Council’s organisational objectives and priorities as set out in the Corporate Plan and the risks that may prevent the Council from meeting these objectives.



8. Value of Internal Audit

Internal audit activity can be broadly split into two categories, namely value protection and value enhancement.



Value Protection refers to the assurance we provide on the Council's internal control and governance arrangements. This includes our work on assessing the management of the key risks currently facing the Council. Value Protection also includes mandatory work on fundamental financial systems and helps the s.151 officer to fulfil their statutory responsibilities for proper financial administration and control.

Value Enhancement refers to our work on supporting the continuous improvement with regard to its corporate and service performance, delivering savings and more efficient ways of working as part of Council's Medium Term Financial Planning and, providing assurance on new significant change projects and systems developments and helping with providing assurance on future plans and strategies.

9. The Risk Assessment Process

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.

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.

10. The Internal Audit Plan

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.

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.

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.

11. Resource Requirement

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 year on year. Following a restructure in 2017/18, the current establishment for 2018/19 is based on 14 full time equivalents. It should be noted that at the commencement of 2018/2019, the Section is carrying approximately 50% in vacant posts. Therefore, arrangements are in place to address the shortfall; however, with such a high level of vacancies, it is important to be prudent when determining the number of productive days that can be realistically achieved. The following is the assumptions that have been made for 2018/19.

Quarter 1 and 2. Status remains the same at 50% of the establishment.

Quarter 3 and 4. This will increase to a maximum of 70% of the establishment in post.

In order to address the shortfall in resources it is envisaged that once again the services of the South West Audit Partnership will be commissioned to help assist with addressing the gap. In addition, during 2018/19 work will be underway to further explore the proposal to extend the Shared Internal Audit Service and as a consequence, should this proceed, some latitude will be needed during this transitional year.

The resource availability summarised in Table 1 sets out the proposal to deliver a maximum of 1,000 productive days. It is envisaged that a proportion of these days will be bought in in order to meet the commitment and this will be particularly relevant should there be any delays in filling the vacant posts and the impact of working towards a Regional Shared Service.

12. Contingencies

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.

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. If the reserve is not required, then this will be re-allocated to any other specific audit tasks.

13. Delivering the Audit

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.

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.

Audit recommendations will be prioritised as follows;

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

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.

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.

A clear, concise and constructive final report will be issued to the relevant manager / chief officer following a standard format as outlined below:-

- 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 name of the Head of Audit. All final reports will be issued as PDF documents only and be sent by the Audit Client Manager (s).

14. Follow Up Reviews

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).

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

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.

16. Annual Assurance Report.

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.

17. Corporate Priority Outcomes

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</p>	<p>Remodelling Social Care:- This is a large programme which includes recommissioning adult home care, developing</p>

	<p>people from becoming vulnerable or dependent on the Council and its services.</p>	<p>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> <p>Commercialisation Programme – identifying the opportunities for generating additional income to support and protect core services.</p>

18. Corporate Risk

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.

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.

Corporate Risks
Cultural change necessary to deliver the MTFS
Supporting vulnerable children, young people and their families
Maintaining the Infrastructure
Welfare reform
Supporting adults at risk
Healthy Lifestyles
The economic climate and austerity
Ineffective collaboration
School Modernisation
An unfunded NJC pay claim
The implementation of Adult Learning Needs reform
The Impact of Homelessness
Educational attainment
Educational provision
Health and Safety
Disposing of waste
Compliance with the Welsh Language Standards
Implementation of the General Data Protection Regulations.

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.

19. INTERNAL AUDIT SHARED SERVICE DRAFT ANNUAL RISK BASED PLAN 2018 -2019

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.

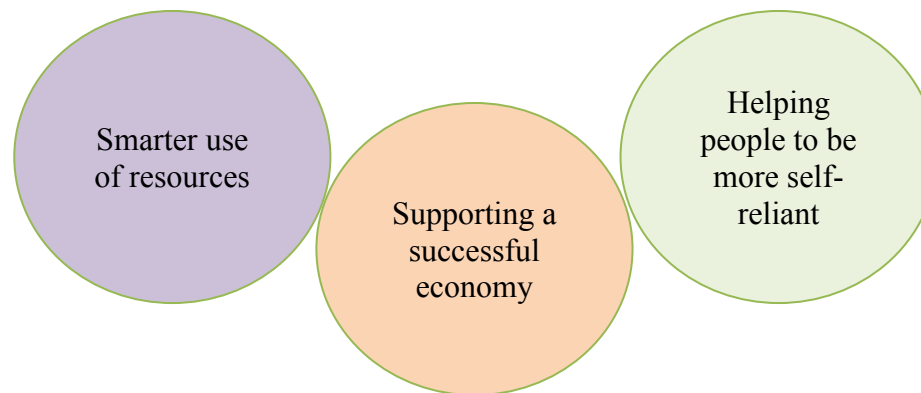
Attached at **Appendix B** is the detailed schedule of audits planned for each of the Council's Directorates including Cross Cutting. Table 1 below provides an overall summary of the number of productive days allocated.

Table 1–Productive Resource Availability & Utilisation April 2018 to March 2019 – Draft Proposals.

Resources Available	Total Days
Productive days	1,000
Priority One – Those areas that must be covered during the year.	600
Priority Two – Those areas that should be covered during the year based on Risk.	400
Days split by Directorate.	
Chief Executive - Finance	85
Operational and Partnerships Services	50
Education & Family Support	115
Communities	65
Social Services and Wellbeing	130
Cross Cutting (including):- <ul style="list-style-type: none"> • Contingency – Fraud and Error 	555
OVERALL TOTAL	1,000

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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**

2018 – 2019

Bridgend CBC

1. Introduction

- 1.1 Bridgend County Borough Council is uniquely placed to bring its own services together with the work of other agencies, communities, families and individuals for the benefit of the people of the county. This is nothing new. However, the world is changing fast, hence the Council's Corporate Plan 2016-20 sets out how the Council is to change and what its focus will be over the next four years. The Council recognises that it will have to make significant changes to the way it thinks and operates in order to meet the significant challenges ahead of its communities – not least the increasing demands made on many of its services, against the background of a shrinking budget and economic uncertainty.
- 1.2 In 2018-19 the Council will have a gross budget of just over £400 million and a capital programme of currently £33,693 million to support its core business and the corporate priorities set out in the Corporate Plan. Whilst the 2018-19 budget settlement is favourable compared to recent years and Welsh Government has provided an indication of the funding settlement for 2019/20, there is still considerable uncertainty, particularly in respect of the impact of "Brexit" negotiations and the Council is going to be expected to achieve budget reductions of nearly £33 million between 2018-19 to 2021-22. The Council's Medium Term Financial Strategy sets out how the Council will achieve its corporate priorities and statutory duties whilst meeting budget reductions and managing financial pressures and risks over the next four years.
- 1.3 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.
- 1.4 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 2016-20

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. Well-being Objectives

3.1 In April 2016, the Well-being of Future Generations (Wales) Act 2015 came into effect. The Act is about improving the economic, social, environmental and cultural well-being of Wales. It places a duty upon all public bodies to apply the principles of sustainable development to ensure that present needs are met without compromising the ability of future generations to meet their own needs. The Act sets out seven long-term goals:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales.

3.2 As a public body, Councils have a duty to work towards achieving these seven goals. The Act requires that the Council set its well-being objectives and take steps to realise them. The Act requires the Council to do things differently, applying sustainable development to everything it does. The Council is committed to the sustainable development principles, always acting in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their needs. The five ways of working, defined by the Act – long term, prevention, integration, collaboration and involvement – will underpin everything the Council does and help to improve the well-being of the area and make the County Borough a good place for people to live, work, study and visit.

4. Corporate Priority Outcomes

4.1 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>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.</p> <p>Alignment of the Welsh Government Grants – The Council will streamline and make flexible use of major grants to support families through early help and to address poverty.</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.</p> <p>Working with partners creating a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns.</p>

		<p>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>

5. 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.

Corporate Risks
Cultural change necessary to deliver the MTFS
Supporting vulnerable children, young people and their families
Maintaining the Infrastructure
Welfare reform

Supporting adults at risk
Healthy Lifestyles
The economic climate and austerity
Ineffective collaboration
School Modernisation
An unfunded NJC pay claim
The implementation of Adult Learning Needs reform
The Impact of Homelessness
Educational attainment
Educational provision
Health and Safety
Disposing of waste
Compliance with the Welsh Language Standards
Implementation of the General Data Protection Regulations.

6. The Risk Assessment Process

6.1 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 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.

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 Annual Risk Based Audit Plan for BCBC 2018-19

HIGH RISK – PRIORITY ONE

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Carry Forward from 2017/18	Cross Cutting	Assurance	Provision for those assignments which are still ongoing at the end of 2017/18.	20				20
2017/18 Closure of Reports	Cross Cutting	Assurance	To finalise all draft reports outstanding at the end of 2017/18.	10				10
Follow up of recommendations for 2017/18	Cross Cutting	Assurance	To ensure that all outstanding recommendations made during 2017/18 have been actioned.	10				
Recommendation Monitoring			Monitoring the implementation of Internal Audit		5	5	5	

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			recommendations in consultation with service areas which have received these recommendations. During the year, Internal Audit will review the process to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.					25
Annual Opinion Report 2017/18	Cross Cutting	Governance	To prepare and issue the Head of Audit's Annual Opinion Report for 2017/18.	10				
Annual Opinion Report 2018/19			Preparation for the production of the 2018/19 Annual Opinion Report.				10	20
Audit Planning – 2018/19	Cross Cutting	Governance / Assurance / Risk	To prepare and present the annual risk based audit plan for 2018/19.	20				
Annual Planning – 2019/20			Preparation for the production of the annual risk based plan 2019/20.				15	35
Good Governance	Cross Cutting	Governance	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.	10			10	20
Safeguarding	Cross Cutting	Governance / Assurance / Risk	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	10				

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			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. Preparatory work for the 2018/19 review.				10	20
CRSA	Education & Family Support	Assurance	To undertake the annual controlled risk self-assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure rules. The objectives of the Control Risk Self-Assessment (CRSA) questionnaires are to provide a tool for the Internal Audit Service to evaluate the financial and other related controls in operation, help to provide a basis upon which the scope and frequency of audits can be determined and allow Head Teachers to self-assess themselves against potential risks. CRSAs is a widely used technique in both the public and private sectors	10		10		20
Audit Committee /Members and CMB Reporting	Cross Cutting	Governance / Risk / Assurance	This allocation covers Member reporting procedures, mainly to the Audit Committee. Regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Board and the IASS Board.	10	10	10	10	40
Advice & Guidance	Cross Cutting	Assurance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority,	5	5	5	5	20

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Provision of Internal control / General advice.			including maintained school based staff.					
Grant Certification Work	Cross Cutting	Assurance	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.	10	5			15
Financial Systems	Chief Executive / Finance	Assurance	To provide assurances that the financial systems in operation are efficient and effective and that the internal control environment is robust.		25	25	25	75
Quality Assurance & Improvement Programme / Review of the Effectiveness of Internal Audit	Cross Cutting	Assurance	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		5		10
Emerging Risks / unplanned	Cross Cutting	Contingency	To enable Audit Services to respond to provide assurance activity as required.	10	10	10	10	40
External Audit Liaison	Cross Cutting	Governance	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.		5		5	10
Health & Safety	Cross Cutting	Assurance / Risk	Deferred from 2017/18 - To review procedures in operation by the Council to ensure compliance with policies and procedures, Health & Safety training, Risk Assessments, records maintenance and incident reporting.	10				10

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Members	Cross Cutting	Governance	Partly deferred from 2017/18 - Following the May elections, reviews will be undertaken to ensure that Members comply with the Council's Gifts and Hospitality Policy, Declaration of Interests and Code of Conduct.	10				10
Performance Indicators	Cross Cutting	Assurance	Deferred from 2017/18 – To review the performance management arrangements paying particular attention to the accuracy of the performance information collected.	10				10
Transformational Change	Cross Cutting	Governance / Assurance	To gain assurance that high risk projects are being managed under the Transformational Change Agenda and delivering the savings required.	10	10	10	10	40
Direct Payments	Social Services & Wellbeing	Governance / Risk / Assurance	Review the effectiveness of the procedures and processes in place for Direct Payments to ensure compliance particularly in light of the increase in numbers as a result of the SS&WB Act.				15	15
Domiciliary Care	Social Services & Wellbeing	Assurance	Review of Commissioning, Contracts / Framework / Agreements, monitoring and invoicing. Provider performance and complaints linked to safeguarding.				20	20
Property Compliance	Cross - cutting	Governance / Risk / Assurance	This review had been rolled forward from 2017/18. This will be undertaken as a cross-cutting review due to the diversity of responsibility i.e. schools.		5	5	5	15
Healthy Organisation Review – follow up	Cross Cutting	Governance / Risk / Assurance	To follow up on the areas for attention as outlined in the Healthy Organisation Review 2017/18 – particularly focusing on Risk Management and Information Management		25	10		35

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Fraud / Error / Irregularity	Cross Cutting	Contingency	<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.</p> <p>Developing fraud risk assessment in inform further areas for detailed focus (Fraud Risk Tools).</p>	10	10	10	10	65
		Fraud & Error	<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>			15	10	
Total – Priority One				190	115	120	175	600
HIGH RISK – PRIORITY TWO								
Procurement	Operational & Partnership Services	Assurance	This audit will review the procurement framework and a sample of individual procurement activities across the Council in order to evaluate the level of compliance with legislation and the Council's Constitution.	15				15
Additional Learning Needs Bill	Education & Family Support	Assurance	To review the adequacy and effectiveness of early interventions in line with the proposed Additional Learning Needs Bill and to examine the effectiveness of collaboration.		15			15

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Risk Management	Cross Cutting	Risk	Review of evidenced to ensure that the Council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives			10		10
Highways	Communities	Assurance	To review the procedures and processes in operation within Highways – specifically relating to potholes to determine if the control environment is robust.	15				15
Schools	Education & Family Support	Assurance	To undertake a number of school based reviews in accordance with the Internal Audit risk based assessment. To undertake cross cutting projects to ensure compliance across all schools.	10 10	10 10	10 10	10 10	80
Safer Recruitment	Operational & Partnership Services	Assurance	To provide assurances that safer recruitment is operating effectively across the Council.	10				10
DOLS	Social Services & Wellbeing	Governance	Significant increase in number of DoLS cases impacting on resources. Included in corporate risk register. No previous Internal Audit coverage.		15		5	20
YOS	Social Services & Wellbeing	Governance / Risk / Assurance	Statutory Service – new Funding streams; early intervention and prevention schemes, young people transferred to secure estate. No audit coverage since 2011/12.		15			15
Business Continuity Planning	Operational & Partnership Services	Assurance / Risk	To evaluate the Council's Business Continuity Plan to provide assurances that it sets out how the Council will operate following an incident and how it expects to return to 'business as	10		15		25

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			usual' in the quickest possible time afterwards, that roles and responsibilities are clearly defined and understood and that all relevant stakeholders are fully aware of the plan and its content.					
Use of mobile communications	Cross Cutting	Risk	The Council has recognised the growth of mobile communications which can be demonstrated in a number of ways including integrated self-service opportunities via the Council website. The review will evaluate the effectiveness of the Council's use of Mobile Communications for its community having regards to any appropriate legislation, guidance and internal policies.				15	15
Supplier Management	Cross Cutting	Assurance	To undertake a trend analysis identifying the spend profile of the council to ensure that policies and procedures are being adhered to.			10		10
Project / Contract Management	Communities	Governance / Risk / Assurance	To undertake a review of the procedures and processes associated with a number of Projects / Programmes. Particular emphasis will be placed on compliance.	10	10	15	15	50
Access to Records - GDPR	Cross Cutting	Governance / Risk / Assurance	To ensure that the GDPR are being implemented and embedded throughout the Council			10		10
Asset Management	CEX Finance	Risk / Assurance	To ensure that the disposal of assets is in accordance with Council policy, rules and regulations.				10	10
POVA	Social Services & Wellbeing		To review the processes and procedures in place for the administration for the Protection of Vulnerable Adults.				15	15
ICT Audit	Cross Cutting	Governance / Risk	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure		20	20		40

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
		Assurance	robust controls are evident and operating effectively.					
Complaints Representations & Advocacy	Social Services & Wellbeing	Governance / Risk / Assurance	<p>Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets.</p> <p>To provide assurances that the Council's policies and procedures are aligned to the National Approach to Statutory Advocacy for Children & Young People being introduced.</p> <p>Provide assurance that procedures and processes are in accordance with the Golden Thread Advocacy programme for Adults.</p>	10	10	10		30
Looked After Accommodated Children	Social Services & Wellbeing	Governance / Risk / Assurance	Limited Internal Audit report in 2017/18 for Fostering that requires follow up. Placements, Out of County, Leaving Care.				15	15
			Total – Priority Two	90	105	110	95	400
			Grand Total	280	220	230	270	1,000

Directorate Split

Directorate	Total
Cross Cutting	555
Education & Family Support	115
CEX - Finance	85
Operational Service & Partnerships	50
Social Services & Wellbeing	130

Communities	65
Total	1,000

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26 April 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

UPDATED FORWARD WORK PROGRAMME 2017-18 AND PROPOSED FORWARD WORK PROGRAMME FOR 2018/19

1. Purpose of Report.

- 1.1 To present to Members the updated Forward Work Programme for 2017/18 and the proposed Work Programme for 2018/19 for Audit Committee's information, consideration and approval.

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 is given by the Committee to all aspects of their core functions the updated Forward Work Programme for 2017/18 is at **Appendix A** and the proposed 2018/19 Forward Work Programme is attached at **Appendix B**.

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 consider and note the updated Forward Work Programme 2017/18 and approve the programme for 2018/19.

Helen Smith
Chief Internal Auditor
26th April 2018

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CF31 3NA

Background documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2017 - 2018**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2017			
29th June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	N/A
	Proposed Forward Work Programme 2017/18.	CIA	Complete
	Pre-audited Statement of Accounts 2016/17.	Head of Finance	Complete
	Draft Annual Governance Statement 2016-17	Head of Finance	Complete
	Treasury Management Outturn 2016/17	Head of Finance	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Complete
	IASS Outturn Report April and May 2017.	CIA	Complete
	IASS Charter 2017-18	CIA	Complete
	IASS - External Assessment	CIA	Complete
	IASS Risk Based Plan 2017-18	CIA	Complete
28th September	Information and Action Requests	CIA	N/A
	Updated Forward Work Programme	CIA	Complete
	Statement of Audited Accounts and Final Annual Governance Statement 2016/17	Head of Finance / WAO	Complete
	Internal Audit 5 months Outturn Report April to August 2017.	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Complete
16th November	Up dated Forward Work Programme	CIA	
	Information and Action Requests (where applicable)	CIA	N/A
	Fraud update	Head of Finance / Benefits Manager	Complete
	Corporate Risk update - Communities Directorate	Head of Finance / Risk & Insurance Manager	Complete
	Treasury Management Half Year monitoring report 2017-18	Head of Finance	Complete
	Internal Audit Outturn Report – April 2017 to October 2017.	CIA	Complete
	External Assessment update	CIA	Complete
	IASS staff resourcing update	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Complete
2018			
18th January	Up dated Forward Work Programme	CIA	Complete
	Internal Audit 9 months Outturn Report April 2017 – December 2017	CIA	Complete
	External Auditors / Inspection Reports (where applicable)	Head of Finance / WAO	Complete
	Corporate Risk Assessment 2017-18	Head of Finance	Complete
	Progress against 2017-18 Audit Plan	CIA	Complete

APPENDIX A

	Treasury Management Strategy 2018-19	Head of Finance	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Complete
26th April	Updated Forward Work Programme and Proposed Forward Work Programme 2018/19	CIA	Submitted
	Internal Audit proposed Annual Strategy and Audit Plan 2018-2019.	CIA	Submitted
	Internal Audit Shared Service Charter	CIA	Submitted
	Housing Benefit Update	Interim Head of Finance / Benefits Manager	Submitted
	Head of Audit's Annual Opinion Report and outturn for the Year 2017/18	CIA	Submitted
	Housing Subsidy Report	Interim Head of Finance	Submitted
	External Auditors / Inspection Reports (if applicable): - Audit Plan – Audit Year 2017/18. Grant Return & Certification 2016/17	Interim Head of Finance / WAO	Submitted

**AUDIT COMMITTEE
PROPOSED SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2018 – 2019**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2018			
28th June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	
	Updated Forward Work Programme 2018/19.	CIA	
	Pre-audited Statement of Accounts 2017/18.	Head of Finance	
	Draft Annual Governance Statement 2017-18	Head of Finance	
	Treasury Management Outturn 2017/18	Head of Finance	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
	IASS Outturn Report April and May 2018.	CIA	
13th September	Information and Action Requests	CIA	
	Updated Forward Work Programme	CIA	
	Statement of Audited Accounts and Final Annual Governance Statement 2017/18	Head of Finance / WAO	
	Internal Audit 5 months Outturn Report April to August 2018.	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
15th November	Up dated Forward Work Programme	CIA	
	Information and Action Requests (where applicable)	CIA	
	Fraud update	Head of Finance / Benefits Manager	
	Treasury Management Half Year monitoring report 2018-19	Head of Finance	
	Internal Audit Outturn Report – April 2017 to October 2018.	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
2019			
3rd January	Up dated Forward Work Programme	CIA	
	Internal Audit 8 months Outturn Report April – November 2018	CIA	
	External Auditors / Inspection Reports (where applicable)	Head of Finance / WAO	
	Corporate Risk Assessment 2018-19	Head of Finance	
	Treasury Management Strategy 2019-20	Head of Finance	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
14th February	Updated Forward Work Programme	CIA	
	Compliance with the PSIAS	CIA	
	Corporate Fraud Update	CIA	
	Recommendations update	CIA	

APPENDIX B

	Internal Audit 10 month outturn report April to January 2019	CIA	
18th April	Updated Forward Work Programme	CIA	
	Proposed Forward Work Programme 2019-20.	CIA	
	Internal Audit proposed Annual Strategy and Audit Plan 2019-2020.	CIA	
	Audit Committee – Terms of Reference	CIA	
	Internal Audit Shared Service Charter 2019/20	CIA	
	Draft Head of Audit’s Annual Opinion Report and outturn for the Year 2018/19	CIA	
	External Auditors / Inspection Reports (if applicable): -	Head of Finance / WAO	