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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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Rhowch wybod i ni os mai Cymraeg yw eich  
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**Cyfarwyddiaeth y Prif Weithredwr / Chief  
Executive's Directorate**

Deialu uniongyrchol / Direct line /: 01656 643148 /  
643147 / 643694

Gofynnwch am / Ask for: Michael Pitman

Ein cyf / Our ref:

Eich cyf / Your ref:

**Dyddiad/Date:** Friday, 12 April 2019

Dear Councillor,

**AUDIT COMMITTEE**

A meeting of the Audit Committee will be held in the Committee Rooms 2/3, Civic Offices Angel Street Bridgend CF31 4WB on **Thursday, 18 April 2019 at 14:00.**

**AGENDA**

1. Apologies for Absence  
To receive apologies for absence from Members.
2. Declarations of Interest  
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014
3. Approval of Minutes 3 - 10  
To receive for approval the minutes of the Audit Committee of 17/01/2019
4. Wales Audit Office (WAO) Performance Work Update 11 - 20
5. External Audit Annual Audit Plan 2019 21 - 46
6. Certification of Grants and Returns 2017-18 47 - 62
7. Internal Audit - Final Outturn Report 63 - 88
8. Internal Audit Strategy and Annual Risk Based Audit Plan April 2019 to March 2020 89 - 126
9. Regional Internal Audit Shared Service Charter 2019/20 127 - 140
10. Updated Forward Work Programme 2018/19 and Proposed Programme for 2019/20 141 - 148
11. Urgent Items  
To consider any other items(s) of business in respect of which notice has been given in

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accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Yours faithfully

**K Watson**

Head of Legal and Regulatory Services

Councillors:

CA Green

JE Lewis

MJ Kearn

B Sedgebeer

Councillors

RM Granville

LM Walters

A Williams

AJ Williams

Councillors

PA Davies

P Davies

TH Beedle

T Giffard

## AUDIT COMMITTEE - THURSDAY, 17 JANUARY 2019

### MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 17 JANUARY 2019 AT 14:00

#### Present

Councillor A Williams – Chairperson

CA Green  
AJ Williams  
T Giffard

JE Lewis  
PA Davies

MJ Kearn  
P Davies

LM Walters  
TH Beedle

#### Apologies for Absence

B Sedgebeer and RM Granville

#### Officers:

Mark Jones	Financial Audit Manager, Wales Audit Office
Helen Smith	Chief Internal Auditor
Mary Williams	Chief Accountant
Mark Galvin	Senior Democratic Services Officer - Committees
Gill Lewis	Interim Head of Finance and Section 151 Officer
Martin Morgans	Head of Performance and Partnership Services

#### 106. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor RM Granville.

#### 107. DECLARATIONS OF INTEREST

Councillor JE Lewis declared a prejudicial interest in Agenda item 7., due to the fact that Flying Start was mentioned during debate on this report and her grandson attends Flying Start. Councillor Lewis left the meeting whilst this item was being considered.

#### 108. APPROVAL OF MINUTES

##### RESOLVED:

That the Minutes of a meeting of the Audit Committee dated 13 December 2018, be approved as a true and accurate record.

In relation to the two penultimate paragraphs before the resolution on page 7 of the minutes, the Chairperson wished the Senior Democratic Services Officer – Committees to take up the following outside of the meeting:-

“In respect of the policy of publishing FOI requests and/or responses to these, is this compliant with the Welsh Language Act, which states that the Welsh language should not be treated any less favourably than the English language. And has advice been sought from the Welsh Language Commissioner to ensure that we are compliant, as if not, it could present a risk and as has been stated, a significant cost to the Council?”

**109. AUDIT REPORT - WALES AUDIT OFFICE - DIGITAL RISK DIAGNOSTIC RESPONSE**

The Head of Performance and Partnerships submitted a report, advising that the Wales Audit Office carried out a fieldwork exercise from May to June 2018, to identify and understand the key digital risks facing Bridgend County Borough Council. The exercise was for planning purposes and the Wales Audit Office shared the key findings with Committee Members on 13 December 2018 (see Appendix 1 to the report). The report before Members detailed a response to such key findings and recommendations.

By way of background information, the Wales Audit Office discussion document presented to the Committee previously covered 7 key areas, as follows:-

1. Digital Strategy and Transformation
2. Website Development – ‘being better connected’
3. Resilience of the ICT infrastructure and platforms
4. IT skills, capacity, capability and resources
5. ICT Disaster Recovery (DR) planning
6. Cyber security and resilience
7. Data protection arrangements and GDPR

The Head of Performance and Partnerships then referred to the report’s current situation, and confirmed that in September 2016, BCBC commenced a project with the digital provider Agilisys, to introduce a single “Digital Platform” (My Account) for customers to interact on-line for key services. He explained that alongside the development of the digital platform, BCBC took the decision to develop and implement a new responsive website in September 2017.

He then went onto explain that the delivery of the Digital Platform was being implemented over two phases, with Phase 1 being the implementation of the Digital Platform running to April 2018. The services delivered were Council Tax and Housing Benefits, as well as the new responsive website.

Phase 2 focused on making available through the Digital Platform, the following services by end of March 2019:-

- Council Tax (Single Person Discount and Vacant Property Discount)
- School Admissions
- Registrars
- Report IT (Fly Tipping, Highways, Dog Fouling, Street Lighting)

The Platform has provided the opportunity to transform and offer the citizen the choice of consuming a digital channel. Transactions and queries could now be undertaken on a 24/7 basis, negating the need for phone calls and face to face communications.

The Head of Partnerships and Performance then gave a similar resume as that exemplified above on the governance of Digital Strategy and Transformation, Website Transactional and Channel Shift Capabilities, GDPR Compliance and Readiness Plans, Council’s IT infrastructure and Network Support, ICT Disaster Recovery (DR) planning and Cyber security and resilience (Public Services Network Code of Connection) and Security Vulnerabilities and/or Risks and relevant time lines for these.

In terms of the report’s financial implications, he finally confirmed that the original Digital Transformation Programme funding of £2.5m was split into £1m for capital expenditure and £1.5m revenue expenditure. This section of the report also included details of spend to date.

In addition to the report, the Head of Partnerships and Performance gave a power point Presentation to explain some of the work undertaken so far and various aims, outcomes and objectives that had either taken place or were being worked upon.

He then responded to a number of questions raised by Members.

A Member raised a query in relation to the Internal Audit section twice previously having raised the same concern around who has access to data security breaches information. An update in a previous report considered by Committee, indicated that no action has been taken in respect of this point, as the Officers believed that it was already appropriately access restricted. If no changes have been made since these previous concerns were so raised, then Internal Audit would possibly be raising this for a third time, which could give cause to a continued concern being still in place.

Officers in the Internal Audit section due to the nature of their role, rarely cut corners, so the Member wondered if there had been a breakdown in communication during the period the two audits took place.

The Head of Partnerships and Performance assured the Member that he would speak further with her outside of the meeting with the view of responding to this concern.

RESOLVED: That Committee noted both the report and accompanying Presentation.

110. CORPORATE RISK ASSESSMENT, CORPORATE RISK MANAGEMENT POLICY AND INCIDENT AND NEAR MISS REPORTING PROCEDURE

The Interim Head of Finance submitted a report, the purpose of which, was to provide Members with the outcome of the Corporate Risk Assessment 2019-20 in Appendix A of the report, and inform the Committee of the changes to the Council's Risk Management Policy in Appendix B and Incident and Near Miss Reporting Procedure in Appendix C.

The report outlined certain background information, confirming in paragraph 3.7, that each year the Council agrees a risk management timeline. This was shown at Appendix 2 within the Corporate Risk Management Policy.

She proceeded to explain, that at present, the Council did not have in place a procedure for the collection of information about incidents and near misses and the investigation of them, in order to ensure that certain lessons are learnt.

The Interim Head of Finance confirmed that the Council's proposed Incident and Near Miss Reporting Procedure was reported to Senior Management Team on 10 April 2018 and then subsequently to the Audit Committee on 28 June 2018. At that meeting, Members requested that the scoring mechanism be reviewed and that a greater role for Members be considered. Corporate Management Board (CMB) then requested that the procedure be cross referenced with existing Health and Safety Department protocols, to ensure that there was no duplication.

The risk assessment at Appendix A has been reviewed in consultation with Corporate Management Board and the Senior Management Team. It identified the main risks facing the Council, their link to the priority themes, the likely impact of these on Council services and the wider County Borough, what is being done to manage the risks and where responsibility lies for the Council's response. The risk assessment is aligned with the Medium Term Financial Strategy (MTFS).

The Corporate Risk Management Policy at Appendix B has been changed to incorporate a 5 x 5 risk scoring matrix which will be used as standard across the Council.

She added that the Policy has been amended to define risk appetite as “the amount of risk the organisation is prepared to accept, tolerate or be exposed to before it takes protective action.”

The Corporate Management Board has considered the level that the Council’s risk appetite should be set at. It has agreed that using the 5 x 5 risk scoring matrix, those with a score of 10 or above exceed the Council’s risk appetite. These being the risks which are designated as high or medium and are coloured red and amber in the risk scoring matrix.

The Corporate Risk Management Policy timeline at Appendix 2 had been amended for 2019-20 and this has been agreed by Corporate Management Board.

The Incident and Near Miss Reporting Procedure at Appendix C had been changed to incorporate the 5 x 5 scoring matrix.

The Interim Head of Finance advised that once a year, it was proposed that Committee considers a report summarising the incidents and near misses recorded and the action taken to prevent a recurrence of these/others. A further report would have to be presented to Council however, seeking an amendment to the Committees Terms of Reference within the Constitution, to include this function.

Members sought clarification as to why health and safety issues were not also incorporated within the Risk Management Policy, and why the Incident Reporting Flowchart (Appendix 3 to the report), did not include health and safety near misses.

The Interim Head of Finance advised that risks to the Authority were different to health and safety issues it faced, and the latter was an area that was usually considered through the Council’s Overview and Scrutiny process (by the Corporate Overview and Scrutiny Committee).

**RESOLVED:**                      That Committee:-

- (1) Considered the Corporate Risk Assessment 2019-20 (Appendix A) and the updated Corporate Risk Management Policy (Appendix B), including the timeline at Appendix 2
- (2) Noted the Incident and Near Miss Reporting Procedure (Appendix C) and that a report will be presented to Council seeking an amendment to the Committee’s Terms of Reference, to include the procedure as a function of the Committee.

111. **TREASURY MANAGEMENT STRATEGY 2019-20**

The Group Manager and Chief Accountant presented a report, in order to share with Members the proposed Treasury Management Strategy for 2019-20, which included the following:-

- Borrowing Strategy 2019-20
- Investment Strategy 2019-20
- Treasury Management Indicators for 2019-20 to 2021-22

The report outlined certain background information, following which she advised that the Treasury Management Strategy 2019-20 (Appendix A to the report) confirmed the Council’s compliance with the CIPFA Code, which requires that formal and

comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of treasury management activities, and that the effective management and control of risk are the prime objectives of these activities.

The Group Manager and Chief Accountant added that the Treasury Management Strategy 2019-20 was going to be presented to Council for approval in February 2019, and whilst the main body of this will remain unchanged, there may be variations to some of the figures if there are any changes (such as the Capital Programme), to reflect the most up to date information.

She explained that the Strategy had been written in accordance with a new addition that now included the Prudential Indicators being incorporated in the Strategy.

The Group Manager and Chief Accountant added that the Strategy did not presently take account of the Capital Grant the Council would receive in the sum of £1.33m, nor the level of earmarked reserves for Period 9.

She then referred to certain key areas of the Strategy for the benefit of Members and concluded her submission, by confirming that the Strategy had been reviewed by the Council's Treasury Management advisor's Arlingclose, who had approved the Strategy without suggesting any amendments to the same.

**RESOLVED:** That Members gave due consideration to the Treasury Management Strategy 2019-20 (Appendix A to the report), further recommending that it be presented to Council for approval at its meeting in February 2019.

112. **INTERNAL AUDIT - OUTTURN REPORT - APRIL TO DECEMBER 2018**

The Chief Internal Auditor presented a report, the purpose of which, was to inform Committee of actual Internal Audit performance against the Audit Plan for the period April to December 2018.

By way of background information, she advised Members that the 2018/19 Internal Audit Plan was previously approved by the Audit Committee at its meeting in April 2018, with the Plan outlining the assignments to be carried out and their respective priorities.

The Plan provided for a total of 1,000 productive days from April 2018 to March 2019, on a Priority 1 and Priority 2 basis.

The Chief Internal Auditor referred Members to Appendix A to the report, which showed actual progress against the 2018/19 Risk Based Plan.

Appendix B contained further information detailing those reviews which have not yet been allocated in the respective quarters and those reviews brought forward from future quarters.

The next section of the report advised that though the Audit Section had been and still did carry some vacant posts, certain new members of staff subsequently recruited had made good progress in their roles, resulting in progression of the Plan. However, in order to ensure that a significant proportion of the Annual Plan is completed by the end of the financial year, the services of the South West Audit partnership had required to be commissioned.

In order to assist with the effective monitoring of the annual risk based plan, further information was attached at Appendix C. This showed all the reviews which had been completed during the period, together with their performance.

**RESOLVED:** That Members give due consideration to the Internal Audit Outturn Report covering the period April to December 2018, to ensure that all aspects of their core functions are being adequately reported.

**113. INTERNAL AUDIT - CORPORATE FRAUD FRAMEWORK**

The Chief Internal Auditor submitted a report, which provided Members with an update on the Council's overarching Corporate Fraud Framework in accordance with the functions of the Audit Committee, as outlined in their Terms of Reference.

The report outlined certain background information and confirmed that one of the core functions of an effective Audit Committee, was 'to consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.'

The Chief Internal Auditor confirmed that a review had been undertaken based on the good practice identified in the Local Government Fraud Strategy. This included an assessment of how well the Council acknowledged the risk of fraud and how it prevents, detects and pursues monies or assets obtained fraudulently.

Attached as Appendices to the report were the following documents:-

- Appendix A – Fraud Strategy and Framework 2018/19 to 2020/21 (with accompanying Action Plan);
- Appendix B – Updated Anti-Fraud and Bribery Strategy (prior to being submitted to Cabinet for approval)
- Appendix C – Anti-Money Laundering Policy (prior to being submitted to Cabinet for approval)

A Member referred to page 152 of the report, paragraph 2.4 and examples of the different forms of Money Laundering and in terms of the fifth bullet point, she felt that the first two words in this paragraph, ie 'tipping off' should be deleted from the Policy. This was agreed to in principle.

**RESOLVED:**

- (1) That Members noted the Fraud Strategy and Framework 2018/19 to 2020/21.
- (2) That Members accepted the content of the Anti-Fraud and Bribery Strategy as set out in Appendix B of the report, and noted that that this would be referred to Cabinet for approval.
- (3) That Members have regard to the content of the Anti-Money Laundering Policy as set out in Appendix C of the report, and noted that it will be referred to Cabinet for approval.

**114. UPDATED FORWARD WORK PROGRAMME 2018/19**

The Chief Internal Auditor submitted a report, the purpose of which was to present to Audit Committee the updated Forward Work Programme 2018-19, as appended to the report.



RESOLVED: That Members considered and noted the updated Forward Work Programme for 208/19.

115. URGENT ITEMS

None.

116. RETIREMENT OF THE HEAD OF INTERNAL AUDIT

The Interim Head of Finance and S151 Officer advised Members that this was the Chief Internal Auditor's last meeting of the Audit Committee before she was due to retire. She advised that she had the pleasure of working with her in both her current role and previously in an audit role, and commended her for her professionalism and dedication to her work over the last 28 years of local government, 10 of which she had been the Head of Internal Audit in BCBC and the Vale of Glamorgan Council.

The Chief Internal Auditor had assisted greatly in the merger and support of the Internal Audit Shared Service with the Vale of Glamorgan Council, which since has been expanded further to include other neighbouring authorities.

Together with the Chairperson and on behalf of Members and Officers, the Interim Head of Finance and S151 Officer wished her a very happy and healthy retirement, thanking her for the total commitment she had shown in her role since she had been in BCBC and latterly part of the Shared Service.

The meeting closed at 16:36

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18 APRIL 2019

#### REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

#### WALES AUDIT OFFICE (WAO) PERFORMANCE WORK UPDATE 2018-19

##### 1. Purpose of this report

- 1.1 The purpose of this report is to submit an update on the Performance Audit Programme for 2018-19 by the Wales Audit Office (WAO).

##### 2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priority:
- Smarter use of resources – ensuring 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.
- 2.2 The Council's performance is an important element in determining the extent to which the Corporate Objectives can be delivered.

##### 3. Background

- 3.1 This programme of work is undertaken to help the Auditor General discharge his duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 18 of the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015. The Local Government (Wales) Measure 2009 also requires the Auditor General to carry out an annual Improvement Assessment to determine whether Bridgend County Borough Council is likely to comply with the requirements of Part 1 of the Measure. This involves:-

- A review of the Council's arrangements to secure continuous improvement;
- Improvement studies of areas which may hinder improvement or transformation or give rise to inefficiencies;
- Bespoke pieces of work related to the Council's improvement objectives and arrangements; and

- An audit of the Council's published improvement plans and its self-assessment of performance.

#### **4. Current Situation / Proposal**

- 4.1 The WAO performance audit work programme update April 2019 is attached as **APPENDIX A**. It outlines work undertaken in the Council by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009 and Parts 2 and 3A of the Public Audit (Wales) Act 2004.

#### **5. Effect upon policy framework & procedural rules**

- 5.1 None.

#### **6. Equality Impact Assessment**

- 6.1 There are no equality implications.

#### **7. Well-being of Future Generations (Wales) Act 2015 Implications**

- 7.1 This report links to the Council's long-term well-being objectives as it examines the performance of the Council and how continuous improvement is being achieved.

#### **8. Financial implications**

- 8.1 The annual fee for Performance Audit Work in 2018-19 is £97,356 and there is a revenue budget allocated for this charge.

#### **9. Recommendation**

- 9.1 It is recommended that Audit Committee:-
- Note the WAO performance audit work programme update April 2019 (**Appendix A**)

**Gill Lewis CPFA**  
**Interim Head of Finance and Section 151 Officer**  
**26 March 2019**

**Contact Officer** : Gill Lewis, Interim Head of Finance  
 Mary Williams, Group Manager – Chief Accountant

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**Background Documents:**

WAO performance audit work programme update April 2019

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## Bridgend County Borough Council

### Audit Committee Update – April 2019

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#### Performance Audit work

2018-19 performance audit work	Scope	Status
<b>Improvement Plan audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Final Certificate issued 19th April 2018.
<b>Performance audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Final Certificate issued 23rd November 2018
<b>Annual Improvement Report (AIR)</b>	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Not started. Likely timescales June/July 2019
<b>Financial planning and transformation</b>	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.	Underway

<p><b>Assurance and risk assessment</b></p>	<p>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.</p>	<p>Complete</p>
<p><b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b></p>	<p>Examination of the extent to which the Council has acted in accordance with the sustainable development principles when taking steps to meet the following wellbeing objective: Deliver the Porthcawl Resort Investment Focus Programme (e.g. the Cosy Corner developments and the Rest Bay café development) to grow the value of tourism in the economy, increase employment and business opportunities, and support a range of cultural, sporting and business events.</p>	<p>Underway</p>
<p><b>Environmental health</b></p>	<p>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.</p>	<p>Planning</p>
<p><b>Corporate safeguarding arrangements</b></p>	<p>Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.</p>	<p>Planning</p>



2017-18 Local Government Studies	Scope	Status
<p><b>Services to rural communities</b></p>	<p>The study will focus on whether local government uses its resources to deliver services that meet the needs of rural communities today and in the longer term.</p>	<p>Complete</p> <p><a href="#">Link</a> The maturity of local government in use of data</p>
<p><b>Using data effectively</b></p>	<p>This study will seek to identify whether councils' corporate management arrangements for managing and using data are leading to better decision making in the use of resources.</p> <p>The study will collect information from all councils in Wales.</p> <p>A short survey was issued across all councils in Wales</p>	<p>Complete</p> <p><a href="#">Link</a> to Local Government Services to Local Communities</p> <p><a href="#">Link</a> Provision of Local Government Services to Rural Communities:Community Asset Transfer</p>
2018-19 Local Government Studies	Scope	Status
<p>First point of contact assessments under the Social Services and Well-being (Wales) Act 2014</p>	<p>The Welsh Government introduced the Social Services and Well-being (Wales) Act 2014 (the 2014 Act), which focuses on reforming and simplifying the law relating to social services. The 2014 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 first point of contact and assessments for adult social care.</p> <p>Detailed fieldwork in five local authorities. We are planning to undertake fieldwork in Cardiff City Council, Denbighshire County Council, Merthyr</p>	<p>Underway</p>

	Tydfil County Borough Council, Pembrokeshire County Council and Carmarthenshire County Council	
Tackling violence against women, domestic abuse and sexual violence	<p>In 2015 the Welsh Government passed the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act (the 2015 Act). The overarching objective of the 2015 Act is 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 preventative, protective and supportive mechanisms in the delivery of services. The review will focus on determining whether local authorities and their partners are effectively working together to prevent gender-based violence and domestic abuse, and protecting all of the people involved.</p> <p>Our fieldwork sites are Swansea City and County Council, Conwy County Borough Council, Flintshire County Council, Rhondda Cynon Taff County Borough Council, South Wales Police and South Wales Fire and Rescue Authority</p>	Underway
Planning Services: Improving the wellbeing of Wales	<p>Planning services are an important part of the democratic jigsaw that allows the detailed consideration of proposals to improve the economic prospects of the nation. Good planning decisions can have a positive impact on the wellbeing of people and places. Poor planning decisions can have a detrimental impact on people’s wellbeing and can stifle economic development. This study will provide independent assurance that planning authorities are supporting sustainable development and delivering for the future long-term wellbeing of their communities and for Wales</p> <p>We are planning to undertake fieldwork in Bridgend County Borough Council, Gwynedd County Council, Newport City Council, Torfaen County Borough Council and Ceredigion County Council.</p>	Underway
<b>National Studies</b>	<b>Update and link to report</b>	
Improving the well-being of young people	Underway	

Primary care services	Published April 2018. <a href="#">Link</a> to published report
Integrated care fund	Underway
Reflecting on Year One – Well-being of Future Generations Act	Published 10 <sup>th</sup> May 2018 <a href="#">LINK</a>
Waste management	Recycling module (published <a href="#">Link</a> ); waste prevention (published <a href="#">Link</a> ) and waste treatment infrastructure modules (published <a href="#">Link</a> )
NHS Wales informatics services	Published 10 January 2018. <a href="#">Link</a> to published report
Access to public services with the support of specialist interpretation and translation	Published 25 April 2018. <a href="#">Link</a> to published report
Early intervention and public behaviour change	Drafting
Welsh Government business finance	Publish 29 <sup>th</sup> November 2018
Managing the Impact of Brexit on the Rural Development Programme	Published November 28 <sup>th</sup> November 2018 <a href="#">Link</a>
European Structural Funds Programme 2014-2020	Published August 2018 <a href="#">Link</a>

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE AUDIT COMMITTEE

18 APRIL 2019

#### REPORT OF THE INTERIM HEAD OF FINANCE

##### EXTERNAL AUDIT ANNUAL AUDIT PLAN 2019

#### 1 Purpose of Report.

- 1.1 The purpose of this report is to submit for review the External Auditor's Annual Audit Plan 2019 together with a schedule of authorised grant signatories for the Council.

#### 2 Connection to Corporate Improvement Plan / Other Corporate Priorities.

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

Smarter use of resources – ensuring 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.

#### 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 its duties and met the 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 2019 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. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The wellbeing goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report.

**8. Financial Implications.**

8.1 None

**9. Recommendation.**

9.1 That Members review and consider the content of the External Auditor's Annual Audit Plan 2019 attached as Appendix A and note the schedule of authorised grant signatories attached as Appendix B.

**Gill Lewis, CPFA**  
**Interim Head of Finance & Section 151 Officer**  
**02 April 2019**

**Contact Officer:** Gill Lewis, Interim Head of Finance & s.151 Officer  
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CF31 4AP

**Background Documents**

Annual Audit Plan 2019



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2019 Audit Plan – **Bridgend County Borough Council**

Audit year: 2018-19

Date issued: March 2019

Document reference: 1100A2019-20

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Further information on this is provided in [Appendix 1](#).

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# 2019 Audit Plan

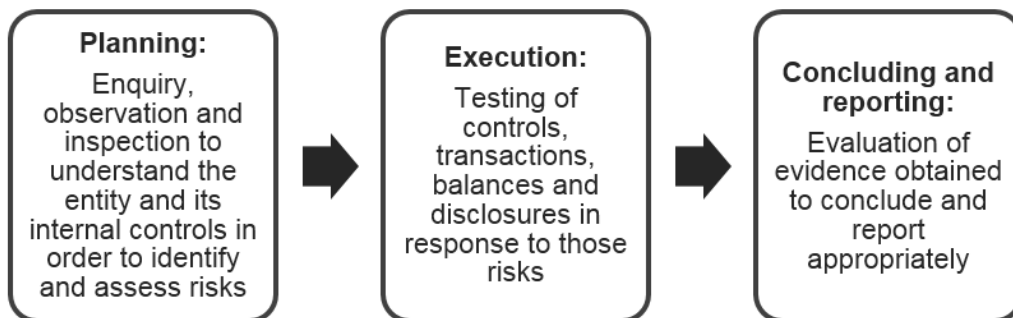
## Summary

- 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 the financial statements

- 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 financial statements:
  - 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 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 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



6 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. It also includes other key areas of audit attention on which my team will be focusing.

Exhibit 2: financial audit risks and other key areas of audit attention

Financial audit risk	Proposed audit response
<b>Significant risks</b>	
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].	My audit team will: <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business; and</li> <li>• any additional procedures to address any specific risks of management override which are not addressed by the mandatory work above.</li> </ul>

Financial audit risk	Proposed audit response
<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"> <li>• certain transactions with related parties; and</li> <li>• the disclosure of senior officers' remuneration, pension, and any exit packages.</li> </ul> <p>With regard to the Council's senior officers, there have been a number of changes during 2018-19 and there is a risk that the Council does not disclose them accurately in the financial statements.</p>	<p>My audit team will undertake detailed testing in the areas that I consider to be material by nature.</p> <p>For 2018-19 my testing of senior officers' remuneration, and their disclosure in the financial statements, will include the verification of leavers, starters, and movements.</p>
Other areas of audit attention	
<p>IFRS 9 financial instruments applies from 1 April 2018 and brings in 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 recognition of expected credit losses and will impact on how the bad debt provision is calculated.</p> <p>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 a body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.</p>	<p>My audit team is assessing, with the Council's finance officers, the likely impacts of the new IFRSs and undertake work to respond to any identified risks of material misstatement.</p>

Financial audit risk	Proposed audit response
<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, which is 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. This scheme is the responsibility of Welsh Government.</p> <p>In addition, the UK Government has provided a £375 million contribution, and the ten local authorities have agreed a commitment to fund 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 Regional Cabinet 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 is consolidated into the Regional Cabinet Joint Committee's financial statements.</p>	<p>My audit team will liaise with the Council, and the auditors of the Regional Cabinet Joint Committee's financial statements, to confirm that the accounting treatment in the Council's 2018-10 financial statements is appropriate.</p>

- 7 I do not seek to obtain absolute assurance on the truth, fairness and regularity 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 financial statements being misled. The quantitative level at which I judge such misstatements to be material for the Council is calculated as 1% of gross expenditure. On this basis my current planning materiality is £4.5 million. I review my levels of materiality throughout the audit, for example when the Council presents me with its draft financial statements.
- 8 Whether I judged an item to be material can also be affected by certain qualitative issues such as legal and regulatory requirements, or areas of the financial statements that I consider to be of interest to the reader that I therefore judge to be sensitive. I set significantly lower levels of materiality for such areas, which include for example the remuneration<sup>1</sup> of senior officers, and certain related party disclosures.
- 9 For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- 10 My fees and planned timescales for completion of the audit 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 the audit of the financial statements, I have statutory responsibilities to receive questions and objections to the financial statements 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.
- 12 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. If I do receive questions or objections, I will discuss potential audit fees at that time.

<sup>1</sup> These disclosures typically include salary, pension benefits and any exit package costs.

## Other financial audit work

- 13 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 4](#).

## Performance audit

- 14 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.
- 15 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 continue to minimise work that focuses on the process of improvement planning.
- 16 In my audit plan for 2018 I explained that in previous years I had 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 it is likely that I will be unable to rely on my work under the Measure, in 2019-20, and subsequent years, the focus of my local performance audit programmes will continue to be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.
- 17 In 2018-19 I undertook an examination of the extent to which you are acting in accordance with the sustainable development principle in taking steps to meet your well-being objectives. During 2019-20 I will undertake a further examination to assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives. This will be the final piece of work I will undertake to discharge my duties under the Wellbeing of Future Generations Act at the Council prior to laying my first cyclical report with the National Assembly in 2020. During 2019-20 I will also be considering how to discharge my duties under the Act over the period 2020 to 2024 and I will seek to engage with local authorities as well as other stakeholders in developing my approach.
- 18 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. 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.

- 19 Taking all these factors into consideration, my 2019-20 programme of work will comprise:

**Exhibit 3: performance audit programme**

<b>Performance audit programme</b>	<b>Brief description</b>
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 its wellbeing objectives.
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.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.
Transitioning to new Health Partnership	A project to assess the Council's progress in transitioning to a new Health Partnership.
Workforce Strategy	A project to review the Council's approach to workforce planning.
<b>2019-20 Local Government Studies</b>	(Funded by the Welsh Consolidated Fund) The Auditor General has recently completed his consultation on his forward work programme and new local government studies to commence in 2019-20 will be confirmed shortly.

- 20 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

- 21 I have been requested to undertake certification work on the Council's grant claims and returns, which I anticipate being the claims and returns set out in [Appendix 3](#). My estimated audit fee for this work is set out in [Exhibit 3](#).
- 22 With regard to my audit of the Council's 2017-18 grant claims, I have reported the findings within my report entitled 'Audit Certification of Grants and Returns 2017-18 – Bridgend County Borough Council', which I issued in January 2019 and is due to be considered by the Council's Audit Committee on 18 April 2019.

## Fee, audit team and timetable

### Fee

- 23 Your estimated fee for 2019 is set out in [Exhibit 4](#). There have been some small changes to my fees rates for 2019. My audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This estimated total fee below represents a small reduction compared to your actual 2018 fee.

#### Exhibit 4: audit fee

Audit area	Proposed fee (£) <sup>2</sup>	Actual fee last year (£)
Audit of financial statement <sup>3</sup>	193,000	193,712 <sup>4</sup>
Performance audit work <sup>5</sup>	97,405	97,356
Grant certification work <sup>6</sup>	52,000	52,209
Other financial audit work <sup>7</sup>	1,900	1,913
<b>Total fee</b>	<b>344,305</b>	<b>345,190</b>

- 24 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's Section 151 Officer.
- 25 Further information on my [fee scales and fee setting](#) can be found on our website.

<sup>2</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

<sup>3</sup> Payable November 2018 to October 2019.

<sup>4</sup> The actual fee was lower than the fee estimate of £195,700 in the 2018 Audit Plan. The Council received a rebate.

<sup>5</sup> Payable April 2019 to March 2020.

<sup>6</sup> Payable as work is undertaken

<sup>7</sup> Payable once the audits have concluded.

## Audit team

26 The main members of my team, together with their contact details, are summarised in [Exhibit 5](#).

### Exhibit 5: my audit team

Name	Role	Contact number	E-mail address
Derwyn Owen <sup>8</sup>	Financial Audit Engagement Lead	02920 320500	<a href="mailto:derwyn.owen@audit.wales">derwyn.owen@audit.wales</a>
Huw Rees	Performance Audit Engagement Lead	02920 320500	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Mark Jones	Financial Audit Manager	02920 320631	<a href="mailto:mark.jones@audit.wales">mark.jones@audit.wales</a>
John Llewellyn	Financial Audit Team Leader	07973 699076	<a href="mailto:john.llewellyn@audit.wales">john.llewellyn@audit.wales</a>
Sara-Jane Byrne	Performance Audit Manager	07786 111385	<a href="mailto:sara-jane.byrne@audit.wales">sara-jane.byrne@audit.wales</a>
Samantha Clements	Performance Audit Lead	02920 320163	<a href="mailto:samantha.clements@audit.wales">samantha.clements@audit.wales</a>

27 I can confirm that 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

28 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 6](#).

<sup>8</sup> Engagement Director for the Council

Exhibit 6: timetable

Planned output	Work undertaken	Report finalised
<b>2019 Audit Plan</b>	December 2018 to February 2019	March 2019
<b>Financial statements work:</b> <ul style="list-style-type: none"> <li>Audit of Financial Statements Report</li> <li>Opinion on Financial Statements</li> </ul>	February to August 2019 See my comment to the right.	August 2019  I expect to provide my audit opinion on the financial statements soon after the Audit Committee meeting that is due to be held on 8 August 2019.
<b>Performance work:</b> <ul style="list-style-type: none"> <li>Improvement Plan Audit</li> <li>Assessment of Performance Audit</li> <li>Assurance and Risk Assessment</li> <li>WFG Act Examinations</li> <li>Financial Sustainability</li> <li>Transitioning to new Health Partnership</li> <li>Workforce Strategy</li> </ul>	June 2019 November 2019 April to December 2019 April to November 2019  May to November 2019 To be agreed  To be agreed	June 2019 November 2019 February 2020 November to December 2019 December 2019 To be agreed  To be agreed
Annual Improvement Report	April 2020 to May 2020	July 2020
2020 Audit Plan	October to December 2019	January 2020

\* subject to timely clearance of draft findings with the Council.

## Future developments to my audit work

- 29 Details of other future developments including forthcoming changes to key International Financial Reporting Standards, the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit, are set out in [Appendix 4](#).

# Appendix 1

## Respective responsibilities

### Audit of the financial statements

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, and to ask me questions about the financial statements and, where appropriate, to challenge items in the financial statements. 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 financial statements 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 7: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
WFG Act Examination (Regeneration in Porthcawl)	Drafting	Feedback workshop to be arranged with Council for April 2019
Financial Planning	Underway	May 2019
Corporate Safeguarding Arrangements	Planning	Postponed due to Estyn Inspection
Environmental Health	Planning	To be determined
Annual Improvement Report	Planning	July 2019

# Appendix 3

## Summary of grant claim certification work

Exhibit 8: summary of grant claim certification work

Name of scheme	Estimated expenditure
Housing Benefits (BEN01)	£48,500,000
21 <sup>st</sup> Century Schools (EDU18)	£12,000,000
Pooled Budgets - integrated family support service (HLG01)	£600,000
Pooled budgets - integrated community services (HLG01)	£4,750,000
Pooled budgets - assisted recovery in the community (HLG01)	£600,000
National Non-Domestic Rates (LA01)	£39,750,000
Summary schedule of certified Welsh Government grants (LA99)	£11,750,000
Teachers' Pension (PEN05)	£13,000,000
Social Care Workforce Development (SOC07)	£325,000
Local Transport Grant (TRA15)	£500,000



# Appendix 4

## Other future developments

### A. Forthcoming key IFRS changes

Exhibit 9: changes to IFRS standards

Standard	Effective date	Further details
IFRS 16 leases	Expected in 2020-21	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 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.

### B. Good Practice Exchange

The Wales Audit Office's 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 on line. The main areas of work are regarding financial management, public-sector staff and governance.

### C. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place next March.

The Auditor General has commenced a programme of work looking at the arrangements that the devolved public sector in Wales is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he issued a call for evidence to compile a baseline summary of arrangements being put in place. On 19 February, the Auditor General issued a report<sup>9</sup> on preparation in Wales for a 'no deal' Brexit. This will be followed up by further audit fieldwork during the rest of 2019.

<sup>9</sup> <http://www.audit.wales/publication/preparations-wales-no-deal-brexite>

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### Authorised Finance Signatory List

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


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

18 APRIL 2019

#### REPORT OF THE INTERIM HEAD OF FINANCE AND S151 OFFICER

#### CERTIFICATION OF GRANTS AND RETURNS 2017-18

#### 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 2017-18.

#### 2 Connection to Corporate Improvement Plan / Other Corporate Priorities.

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
- Smarter use of resources – ensuring 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.

#### 3 Background

- 3.1 Wales Audit Office (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 2017-18 11 grant claims and returns with a total value of £142 million were audited (compared to 14 grant claims with a total value of £123 million in 2016-17). The reasons for the reduction in volume are due to 3 grants being amalgamated into a consolidated claim and 1 further grant no longer requiring audit certification.

#### 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 2016-17).
  - 9 certificates were unqualified, 2 were qualified, 1 as a result of a small number of errors in the calculation of housing benefits which resulted in an adjustment of £547, the other due to inclusion of an ineligible item of expenditure to the value of £6,298.

- There were adjustments made to 4 of the 11 claims, which resulted in an overall reduction of grant to the Council of £6,573. This compares to 6 requiring adjustment the previous year.

4.3 The Council's External Auditors have made 1 recommendation:

- The Council should continue to review the strength of its arrangements for processing housing benefit claims, particularly in key areas such as housing benefit induction and ongoing training, and the level of management review required.

Improvements will continue to be made to address this recommendation.

## **5 Effect upon Policy Framework & Procedure Rules.**

5.1 None

## **6 Equality Impact Assessment.**

6.1 There are no equality issues.

## **7. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The report supports all the wellbeing objectives.

## **8. Financial Implications.**

8.1 As outlined within **Appendix A**, there was a net reduction to the overall grant amount due of £6,573. This is the result of:-

- Local Transport Grant Claim – the grant claim was based on estimated expenditure and included £13,402 that was subsequently not incurred. The grant that had been received for these items now needs to be repaid;
- Local Authority Single Revenue Grant – there was spend on the waste element of this grant that was missed in error off the claim so an additional amount of £6,298 grant is due;
- Two minor adjustments on the Housing Benefits Claim and Pooled Budgets which totalled an additional £531 grant due.

8.2 The implication of the above is that the Council will benefit by additional grant of £6,829 as there was no expenditure incurred on the Local Transport Grant Claim so the grant monies are being held for repayment.

## **9. Recommendation.**

9.1 That Members note the content of the External Auditor's Report on the grant work undertaken for 2017-18 attached at **Appendix A**.



**Gill Lewis**  
**Interim Head of Finance and Section 151 Officer**  
**27 February 2019**

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**Background Documents**

Certification of Grants and Returns 2017/18

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Audit Certification of the 2017-18 Grants and Returns - **Bridgend County Borough Council**

Audit year: 2017-18

Date issued: January 2019

Document reference: 1022A2019-20

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

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# Findings

- 1 We have completed our audit of Bridgend County Borough Council's (the Council's) 2017-18 grants claims and returns (referred to as grants hereafter). We can confirm that the Council submitted all grant claims on time and supported by generally sound working papers. The Council's officers continued to engage with us proactively and we certified all grants claims ahead of the audit deadlines in place.
- 2 We certified 11 grant claims, being three fewer than the previous financial year. This reduction was because:
  - no audit was required this year for the Coast Protection grant, as audit is due at the end of the scheme; and
  - the Flying Start, Families First and Free Concessionary Travel<sup>1</sup> schemes were merged into a new solitary grant claim, known as the Summary Schedule of Certified Welsh Government grants.
- 3 We qualified<sup>2</sup> two of the 11 grants claims. The qualified claims were the Housing Benefit Subsidy claim and the Summary Schedule of Certified Welsh Government claim. Below, [Exhibit 1](#) summarises the outcome of the audits and [Exhibit 2](#) sets out the main audit observations.
- 4 The total cost of the audits is £52,209 (£75,907 for 2016-17). The audits resulted in an overall net reduction of £6,573 in grant income due to the Council. For comparison, last year's grant audits resulted in an overall net increase in grant income due to the Council of £75.

<sup>1</sup> For 2017-18 the Free Concessionary Travel Scheme did require a separate return to the Welsh Government in respect of smartcard-journey data, but the return did not require audit certification.

<sup>2</sup> A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements, which could not be resolved through adjustment.

## Exhibit 1 – summary of main audit observations

Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
Housing Benefit Subsidy claim (BEN01)	30/4/18	30/4/18	No	Yes		£547	No
21 <sup>st</sup> Century Schools (EDU18)	30/9/18	30/9/18	No				Yes
Pooled budgets - integrated family support service (HLG01)	27/4/18	27/4/18	No			-£16	Yes
Pooled budgets - integrated community services (HLG01)	27/4/18	27/4/18	No				Yes
Pooled budgets - assisted recovery in the community (HLG01)	27/4/18	27/4/18	No				Yes
NDR Non-Domestic Rates Return (LA01)	31/5/18	31/5/18	No				Yes
Summary schedule of certified Welsh Government grants (LA99)	15/6/18	15/6/18	No	Yes		£6,298	No
Teachers' Pension return (PEN05)	31/5/18	25/5/18	No				Yes
Communities First (RG03)	31/7/18	31/7/18	No				Yes
Social Care Workforce Development Programme (SCWDP) (SOC07)	28/9/18	30/8/18	No				Yes
Local Transport Grant (TRA15)	30/9/18	11/9/18	No		-£13,402		Yes
<b>Total</b>				<b>2</b>	<b>-£13,402</b>	<b>£6,829</b>	<b>9</b>

5 **Exhibit 2** provides some additional information on the audit qualifications and amendments that are set out above in the **Exhibit 1** summary.

**Exhibit 2 - summary of findings**

Summary observations	Amendment (impact on grant due)
<p><b>Housing Benefit Subsidy claim (BEN01)</b></p> <p>The claim was amended to correct seven errors in respect of non-HRA rent rebates. Amendments were made where the full population of the relevant cases could be identified and tested, enabling the total errors to be identified. The errors were in respect of the following:</p> <ul style="list-style-type: none"> <li>• incorrect treatment of childcare costs;</li> <li>• benefits incorrectly granted to claimants in receipt of universal credit; and</li> <li>• incorrect classification of overpayments.</li> </ul> <p>The claim was qualified for several errors in respect of non-HRA rent rebates and rent allowance cases. Qualifications were necessary where we could not test the full populations of the relevant cases and therefore the facts were set out in a qualification letter for consideration by the Department for Work and Pensions. The claim was qualified for the following:</p> <ul style="list-style-type: none"> <li>• a period of non passported benefit not accounted for within a claim calculation (non-HRA rent rebate case); and</li> <li>• 12 errors in respect of income calculations (rent allowance cases).</li> </ul>	£547
<p><b>Pooled budgets - integrated family support service (HLG01)</b></p> <p>The claim was reduced by £16 due to a credit transaction being omitted from the claim reconciliation provided to support the claim expenditure.</p>	-£16



Summary observations	Amendment (impact on grant due)
<p><b>NDR Non-Domestic Rates Return (LA01)</b></p> <p>The claim was amended for the following:</p> <ul style="list-style-type: none"> <li>to include in line 15 of the claim form the correct date of the latest information considered when compiling the claim (Recommendation 1); and</li> <li>to include a zero in line 26 of the claim form in line with the claim completion instructions (Recommendation 1).</li> </ul>	£0
<p><b>Summary schedule of certified Welsh Government grants (LA99)</b></p> <p>The claim was qualified due to the inclusion of ineligible expenditure in respect of flying start expenditure.</p> <p>The claim was amended for the following:</p> <ul style="list-style-type: none"> <li>expenditure on the line for 'local authority single revenue grant' had been incorrectly entered as £2,645,004, the correct amount being £2,651,301; and</li> <li>to include a virement of £8,295 from the Communities First claim that had been omitted from the 'flying start' line within this claim form.</li> </ul>	£6,298
<p><b>Communities First (RG03)</b></p> <p>The claim was amended as expenditure on one expenditure head had not been restricted to the approved amount, as required by the claim completion instructions.</p>	£0
<p><b>Social Care Workforce Development Programme (SCWDP) (SOC07)</b></p> <p>The claim was amended for the following:</p> <ul style="list-style-type: none"> <li>the 'local authority contribution' figure for social worker qualifying training within section 6 of the claim form had not been completed; and</li> <li>the boxes for the 'amount and percentage of Social Care Wales contribution spent on training to comply with health and safety legislation' within section 6 of the claim form had not been completed.</li> </ul>	£0

Summary observations	Amendment (impact on grant due)
<p><b>Local Transport Grant (TRA15)</b></p> <p>The claim was amended for the following:</p> <ul style="list-style-type: none"> <li>• to remove a duplicate amount included for capital scheme retentions; and</li> <li>• to remove estimated spend included in the claim reconciliation but not incurred or accrued in the ledger during the claim period.</li> </ul>	-£13,402
<p><b>Total effect of amendments to the Council</b></p>	<b>-£6,573</b>

6 We have raised one recommendation this year, which relates to our findings in respect of the Council’s housing benefit claim.

Exhibit 3 – recommendation

Issue	Implication	Recommendation	Comment	Responsible officer and target date
<p>Housing benefit data is incorrectly assessed and processed, resulting in:</p> <ul style="list-style-type: none"> <li>incorrect payments to claimants; and</li> <li>an incorrect claim to the Department for Work and Pensions.</li> </ul>	<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>R1</p> <p>The Council should continue to review the strength of its arrangements for processing housing benefit claims, particularly in key areas such as housing benefit induction and ongoing training, and the level of management review required.</p>	<p>Agreed.</p>	<p>Benefits and Financial Assessments Manager</p> <p>Ongoing</p>

7 Our total fee of £51,873 is lower than the fee estimate of £58,500 that we set out in our 2018 Audit Plan.

**Exhibit 4 – audit fees**

Breakdown of fee by grant/return	2017-18 £	2016-17 £
Housing Benefit Subsidy claim (BEN01)	19,218	31,795
21 <sup>st</sup> Century Schools (EDU18)	2,002	1,478
Flying Start Revenue (EYC01)	-	2,410
Families First (EYC14)	-	3,195
Pooled budgets (3 claims) (HLG03)	7,722	4,710
NDR Non-Domestic Rates Return (LA01)	3,682	3,270
Summary schedule of certified Welsh Government grants (LA99)	4,723	-
Land drainage - Porthcawl Town Beach - Design phase (LD03)	-	2,634
Teachers' Pension return (PEN05)	2,105	2,914
Communities First (RG03)	2,933	5,083
Social Care Workforce Development Programme (SCWDP) (SOC07)	3,908	1,964
Local Transport Grant (TRA15)	1,778	2,009
Free Concessionary Travel (TRA23)	806	3,050
Planning, admin and reporting	3,332	11,395
<b>Total fee</b>	<b>52,209</b>	<b>75,907</b>



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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18<sup>th</sup> April 2019

#### REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

#### INTERNAL AUDIT – FINAL OUTTURN REPORT – APRIL 2018 TO MARCH 2019

#### 1. Purpose of report

- 1.1 The purpose of this report is to inform the Audit Committee of the actual Internal Audit performance against the Audit Plan for the Financial Year 2018/19 and to provide the Head of Audit's Annual Opinion.

#### 2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring 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.

#### 3. Background

- 3.1 The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 26th April 2018. The Plan outlined the assignments to be carried out and their respective priorities.
- 3.2 The Plan provided for a total of 1,000 productive days to cover the period April 2018 to March 2019. These days were split into those reviews considered to be Priority One and those considered to be Priority Two with the aim of completing the whole plan by the end of the financial year.

#### 4. Current situation/proposal

- 4.1 The actual outturn against the 2018/19 Risk Based Plan is attached at **Appendix A**. In order to assist the effective monitoring of the annual risk based plan, further information is attached at **Appendix B** which details the end of year performance against the plan and includes the Head of Audit's Annual Opinion on the Council's overall control environment which includes, governance, risk management and internal control.
- 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. This together with the number of vacant posts carried by the Section during this financial year has meant that the service needed to commission the services of the South

West Audit Partnership in order to address in part some of the shortfall in days necessary to complete the plan.

4.3 The Audit Service has consequently been extended to secure resilience moving forward and as such, will now provide the Internal Audit function to four Councils; these being Bridgend C.B.C, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan Council. As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalised. However, the establishment of the Regional Shared Service will provide real opportunities and will continually evolve and improve, making best use of new technology and working practices, providing resilience and offer a wider range of internal audit specialisms across the four local authorities.

## **5. Effect upon policy framework and 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. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

## **8. Financial implications**

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

## **9. Recommendation**

9.1 That Members give due consideration to the Final Internal Audit Outturn Report for the Financial Year 2018/19 including the Head of Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control.

**Mark Thomas**  
**Head of Audit**  
**18<sup>th</sup> April 2019**

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**Background Documents**

None

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**HIGH RISK – PRIORITY ONE**

Area	Directorate	Type	Audit Scope	Qtr. 1 Days	Qtr. 2 Days	Qtr. 3 Days	Qtr. 4 Days	Final Outcome 2018-19
Carry Forward from 2017/18	Cross Cutting	Assurance	Provision for those assignments which are still ongoing at the end of 2017/18.	20				PLAN ITEM COMPLETE
2017/18 Closure of Reports	Cross Cutting	Assurance	To finalise all draft reports outstanding at the end of 2017/18.	10				PLAN ITEM COMPLETE
Follow up of recommendations for 2017/18	Cross Cutting	Assurance	To ensure that all outstanding recommendations made during 2017/18 have been actioned.	10				PLAN ITEM COMPLETE
Recommendation Monitoring			Monitoring the implementation of Internal Audit 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.		5	5	5	PLAN ITEM COMPLETE
Annual Opinion Report 2017/18	Cross Cutting	Governance	To prepare and issue the Head of Audit's Annual Opinion Report for 2017/18.	10				PLAN ITEM COMPLETE
Annual Opinion Report 2018/19			Preparation for the production of the 2018/19 Annual Opinion Report.				10	PLAN ITEM COMPLETE
Audit Planning – 2018/19	Cross Cutting	Governance / Assurance / Risk	To prepare and present the annual risk based audit plan for 2018/19.	20				PLAN ITEM COMPLETE
Annual Planning – 2019/20			Preparation for the production of the annual risk based plan 2019/20.				15	PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE
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 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	10				PLAN ITEM COMPLETE

Area	Directorate	Type	Audit Scope	Qtr. 1 Days	Qtr. 2 Days	Qtr. 3 Days	Qtr. 4 Days	Final Outcome 2018-19
			vulnerable adults and children. Preparatory work for the 2018/19 review.				10	
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		PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE
Advice & Guidance  Provision of Internal control / General advice.	Cross Cutting	Assurance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.	5	5	5	5	PLAN ITEM COMPLETE
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			PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE. (Debtors Carried Forward)
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		PLAN ITEM COMPLETE

Area	Directorate	Type	Audit Scope	Qtr. 1 Days	Qtr. 2 Days	Qtr. 3 Days	Qtr. 4 Days	Final Outcome 2018-19
Emerging Risks / unplanned	Cross Cutting	Contingency	To enable Audit Services to respond to provide assurance activity as required.	10	10	10	10	PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE
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				PLAN ITEM COMPLETED
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				PLAN ITEM COMPLETE
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				PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE
Domiciliary Care	Social Services & Wellbeing	Assurance	Review of Commissioning, Contracts / Framework / Agreements, monitoring and invoicing. Provider performance and complaints linked to safeguarding.				20	PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE
Healthy Organisation Review – follow up	Cross Cutting	Governance / Risk / Assurance	<b>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</b>		25	10		PLAN ITEM COMPLETE

Area	Directorate	Type	Audit Scope	Qtr. 1 Days	Qtr. 2 Days	Qtr. 3 Days	Qtr. 4 Days	Final Outcome 2018-19
Fraud / Error / Irregularity	Cross Cutting	Contingency Fraud & Error	<b>Irregularity Investigations</b> - Reactive work where suspected irregularity has been detected.	10	10	10	10	PLAN ITEM COMPLETE
			<b>Anti-Fraud &amp; Corruption</b> – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.  Developing fraud risk assessment in inform further areas for detailed focus (Fraud Risk Tools).  <b>National Fraud Initiative</b> - 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.			15	10	
<b>Total – Priority One</b>				190	115	120	175	
<b>Priority Two</b>								
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				PLAN ITEM COMPLETE
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			PLAN ITEM COMPLETE.
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		PLAN ITEM COMPLETE
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				PLAN ITEM COMPLETE
Schools	Education & Family Support	Assurance	To undertake a number of school based reviews in accordance with the Internal Audit risk based assessment.	10	10	10	10	PLAN ITEM COMPLETE
			To undertake cross cutting projects to ensure compliance across all schools.	10	10	10	10	
Safer Recruitment	Operational & Partnership Services	Assurance	To provide assurances that safer recruitment is operating effectively across the Council.	10				PLAN ITEM COMPLETE

Area	Directorate	Type	Audit Scope	Qtr. 1 Days	Qtr. 2 Days	Qtr. 3 Days	Qtr. 4 Days	Final Outcome 2018-19
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	DEFERRED TO 2019/20
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			UNALLOCATED – EXTERNAL INSPECTION
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 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.	10		15		PLAN ITEM COMPLETE
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	PLAN ITEM COMPLETE
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		NOT STARTED – DEFER TO 2019/20
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	PLAN ITEM COMPLETE
Access to Records - GDPR	Cross Cutting	Governance / Risk / Assurance	To ensure that the GDPR are being implemented and embedded throughout the Council			10		PLAN ITEM COMPLETE
Asset Management	CEX Finance	Risk / Assurance	To ensure that the disposal of assets is in accordance with Council policy, rules and regulations.				10	NOT ALLOCATED – DEFER TO 2019/20
POVA	Social Services & Wellbeing		To review the processes and procedures in place for the administration for the Protection of Vulnerable Adults.				15	PLAN ITEM COMPLETE
ICT Audit	Cross Cutting	Governance / Risk / Assurance	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively.		20	20		PLAN ITEM COMPLETE (Security & Information Transfer carried forward)

Area	Directorate	Type	Audit Scope	Qtr. 1 Days	Qtr. 2 Days	Qtr. 3 Days	Qtr. 4 Days	Final Outcome 2018-19
								ongoing work)
Complaints / Representations & Advocacy	Social Services & Wellbeing	Governance / Risk / Assurance	Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets.	10				PLAN ITEM COMPLETE
			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.		10			PLAN ITEM COMPLETE
			Provide assurance that procedures and processes are in accordance with the Golden Thread Advocacy programme for Adults.			10		
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	PLAN ITEM COMPLETE
			<b>Total – Priority Two</b>	<b>90</b>	<b>105</b>	<b>110</b>	<b>95</b>	
			<b>Grand Total</b>	<b>280</b>	<b>220</b>	<b>230</b>	<b>270</b>	



**Bridgend and Vale Internal Audit Service:  
Head of Internal Audit's Performance Report and Annual Opinion for the Financial Year 2019/20  
Bridgend County Borough Council.**

**Section 1 - Introduction**

The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 26th April 2018. The Plan outlined the assignments to be carried out and their respective priorities. The information summarised below; provides the final outcome of work undertaken by Internal Audit for the Financial Year 2018/19 and provides the Head of Audit's annual opinion of the Council's overall control environment including, governance, risk management and internal control.

**Section 2 – Core Financial Systems – C/F from 2017/18**

The following reviews of core financial systems were carried forward from 2017/18 and concluded during the first quarter of the 2018/19 Financial Year. It should be noted that all testing undertaken was based on transactions in 2017/18.

Table 1.

Core Financial System Description	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
Creditors	√				3
Debtors	√				0
Automated Processes	√				0
Banking		√			2
<b>Total Audits (4)</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5</b>

Recommendations have been agreed and Management Implementation Plans have been received and action has been taken by management to implement the recommendations.

### Section 3 – Other Reviews

The following other reviews have been undertaken and completed during the period April 2018 to March 2019 as linked to the Annual Risk Based Plan 2018/19:-

Table 2.

Other Reviews	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
C/F Overtime & Excessive Hours		√			4
C/F Energy Management Carbon Reduction Certificate		√			2
Finishing 2017/18 Jobs					29
Porthcawl Harbour Annual Return certification		√			
C/F Flying Start			√		12
Audit Committee - TOR's - Unplanned		√			
Coychurch Crematorium Annual Return certification		√			
Bus Services Support Grant Claim certification	√				
Education Improvement Grant		√			
Transformational Change Overview – additional work to be picked up by SWAP	n/a	n/a	n/a		
GDPR Declarations		√			5
School Agency Follow up – to be followed through in Qtr. 4.	n/a	n/a	n/a		4
Council Tax		√			
Safer Recruitment	√				
Supporting People Grant		√			1
Brynmenyn School		√			5
Database Catering		√			3
ICT Business Continuity		√			2
Community Action Fund		√			1
Health & Safety		√			1
Complaints and Representation		√			1

Additional Learning needs		√			3
Advocacy		√			1
Information Management – Follow Up		√			18
Main Accounting & Budgetary Control	√				
Housing Benefit		√			2
Treasury Management	√				
Procurement		√			4
Coety Primary		√			1
Highways (Potholes)		√			3
Contract and Project Management	√				
Section 117 Follow Up			√		3
Fostering Follow Up		√			
Direct Payments			√	2	3
Domiciliary Care		√			
Looked After Accomodated Children		√			
POVA	√				
NI Underpayment		√			
SWAP Transformation Change		√			
Property Compliance		√			
CRSAs		√			
Corporate Safeguarding		√			2
Governance		√			5
Performance Indicators		√			1
Mobile Communication		√			
Sub Total	6	33	0	2	116
<b>Total Audits providing an overall assurance opinion including Carry Forward from 2017/18 (46)</b>	<b>9</b>	<b>34</b>	<b>3</b>	<b>2</b>	<b>121</b>

All 123 recommendations made to improve the overall control environment are followed up in accordance with the Internal Audit Shared Service Strategy.

## Section 4 – Control Issues

**Flying Start** - operates from various settings located across the County and is a grant funded scheme, therefore it is imperative that the control environment is robust and source documents can fully support grant claims. Value for money must be a consideration when procuring goods and/or services. Due to the type of purchases which includes food items, the Corporate Procurement Card is the most frequently used method of purchasing and it is this area that has been the focus of the Internal Audit review. The review resulted in a limited assurance report being issued and the following key issues were identified during the Audit:-

- The format of Resource Request Forms were not fit for purpose;
- Not all purchases could be supported by invoices/receipts due to loss of documents; and
- Significant weaknesses in controls surrounding recording and approval mechanisms were identified.

**Section 117 Follow Up** - The purpose of this review was to follow up on a Limited Assurance report issued in October 2017 to ensure that the recommendations agreed by management have been implemented in an attempt to reduce the risk. The October 2017 audit identified the following key issues which needed addressing:

- 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

An opinion of Limited Assurance has once again been provided; the opinion is based on the testing of those controls that were deemed to be missing in the original audit. As a result of the continued Limited assurance level, a further follow up visit will be scheduled in the forthcoming months.

**Direct Payments** - As part of the Council's 2018/19 Audit Plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Direct Payments. A Limited Assurance audit opinion has been provided due to some areas lacking suitable controls and risk management. In some instances, a framework was found to be in place, however necessary actions were not up to date to provide compliance against the framework. The areas of weakness include:-

- Financial return monitoring of Service User spending was found to be behind during this review;
- Support providers not conducting annual support reviews for Direct Payment Service Users;
- No verification checks on DBS records;

- None of the Service Users whose payments began before May 2017 (the current version of the agreement template) have received an updated agreement, stipulating the up to date terms and conditions of their use of the service; and
- There is a lack of information held in the Welsh Community Care Information System, known as “WCCIS”, for three of the 12 sampled Service Users.

### Section 5 – Counter Fraud Work

The following counter fraud work including irregularity reviews have been carried out during the year.

Table 3

Counter Fraud & Corruption Work	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
National Fraud Initiative	No opinion – user administration only – report to follow. All data sets extracted and submitted by the deadline. Matches received in January 2019 for investigation and auctioning.			n/a	n/a
Potential Misuse of PCard	Limited Assurance – matter referred to the Police - ongoing			n/a	n/a
Bank Account (SO)	Prevented due to adequate controls already in place and operational			n/a	n/a
Grievance NI underpayment	This matter was undertaken under the Council's Grievance Policy on behalf of HR and is now complete			n/a	n/a
Management oversight	This matter is now complete and dealt with internally.			n/a	n/a
Grievance Appeal	This matter is now completed and upheld			n/a	n/a
Total Cases (5)					

National Fraud Initiative is included in our audit plan; however, we only facilitate the upload of data and user account management. A separate report will be presented to the Audit Committee in accordance with their Forward Work Programme.

## Section 6 – Ongoing Work to be Carried Forward to 2019/20

**Table 4**

Type of Work In Progress and Carried Forward	Update
Debtors	<p>To ensure that the systems and controls surrounding the sundry debtor accounts are robust and operating in accordance with the Financial Procedure Rules paying particular attention to aged debts to ensure that the level of debt is maintained at a minimum level.</p> <p>Work is well underway but it will not be completed by the end of the year, therefore this will be carried forward into 2019/20</p>
Project and Contract Management - ARBED funding	<p>The purpose of this piece of work was to undertake initial fieldwork on the commissioning and procurement that took place in relation to the Arbed programme.</p> <p>The Arbed programme was set up by Welsh Government to bring environmental, social and economic benefits to Wales and coordinate investment into the energy performance of Welsh homes.</p> <p>This work is ongoing and therefore will be carried forward into 2019/20</p>
Security and Information Transfer	<p>To evaluate and provide assurance on how the Council protects and secures the transfer of emails, files and information. Additionally, to provide an independent overview relating to the configuration of Microsoft Exchange.</p> <p>Work is well underway but will not be completed in time for the year end, therefore, this will be carried forward into 2019/20</p>

## Section 7 – Outturn for SWAP 2018-19

Table 5

Type of work in progress SWAP	Update
Direct Payments	To 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. Limited Assurance
Complaints and Representations	Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets. Reasonable Assurance
Information Management – follow up	To follow up on the information management function as a consequence of the work undertaken in 2017/18. Second Follow up – Reasonable Assurance.
Advocacy	The scope of the audit work was to review the Council's arrangements in place for Children's and Adult's Advocacy, including commissioning, procurement, performance management, and Finance. Reasonable Assurance
Additional Learning Needs	To provide assurance that reasonable preparatory work has been undertaken by the Council for the upcoming Additional Learning Needs Bill and Transformation Programme. Complete Reasonable Assurance
Domiciliary Care	To provide assurances that the Council ensures that value for money domiciliary care is provided to eligible people in need of care, based on an accurate needs assessment.
Looked After Accommodated Children -	To provide assurance over the suitability and effectiveness of the systems and controls in place to ensure that the Council is fulfilling its duty of care for out of authority residential care placements, in line with the Social Services and Well-Being Act (2014) and the Children Act (1989). Complete Reasonable Assurance
Adults at Risk (POVA)	To assess the adequacy of the controls and procedures in place for the Social Services Safeguarding of Adults at Risk. The Safeguarding of Adults at Risk service is the responsibility of the Adults Safeguarding and Quality Manager, and their Safeguarding Team of four staff. Complete Substantial Assurance.
Transformational Change	To interview all members of the Council's Corporate Management Board to ascertain how Transformational Change is being managed across the organisation and provide assurances that appropriate processes are being adhered to. The review will focus on the overall

	governance arrangements, completeness of records and the allocation of Project Managers with the necessary skills and experience to oversee major projects. Complete Reasonable Assurance.
Project / Contract Management	To review a number of Council projects / contracts to ensure compliance with the appropriate policies, procedures, guidance and legal requirements. Complete Substantial Assurance

### Section 8 – Plan Items not Allocated

Plan Item	Action
Deprivation of Liberty's (DOLS)	Originally allocated to SWAP but due to the number of reviews needing completion, this has been deferred to 2019/20.
Youth Offending Service (YOS)	This work was not undertaken due to an external inspection being carried out during the year, therefore this would have been seen as a duplication of effort.
Supplier Management	Not allocated



### Section 8 – Key Performance Measures – Benchmarking

The Internal Audit Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2017/18 have recently been received and are as shown in Table 4 below:

**Table 6**

Performance Indicator 2017/2018	IASS Performance BCBC 2017/18	WCAG Average Performance 2017/18	IASS Performance for BCBC 2016/17	Overall WCAG Average Performance 2016/17
Percentage of Planned Audits Completed	79%	86%	91%	84%
Percentage of Audits Completed in Planned Time	59%	73%	63%	63%
Percentage of directly chargeable time, actual versus planned	58%	86%	97.8	92%
Average number of days from audit closing meeting to issue of draft report.	9.5 days	6 days	9.5 days	8 days
% of staff leaving during the Financial Year	35%*	12%	30.6*	10%

\*combined figure for the shared service

It should be noted that 15 of the 22 Councils returned their performance figures this year representing a return rate of 68%. It is clear from the figures provided that the Section's performance has dipped when compared with that of 2016/17 and therefore there is room for improvement particular in respect of audits completed within planned time.

## Section 9 – Key Performance Measures – 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 period April to July 2018 are summarised in Table 5 below.

**Table 7**

No.	Question	Average Score of Responses to March 2019	Average Score of Responses to March 2018
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.330	1.290
2	Appropriateness of scope and objectives of the audit.	1.470	1.380
3	Timelines of audit.	1.800	1.450
4	Response of Officer to any requests for advice and assistance.	1.400	1.100
5	General helpfulness and conduct of Auditor (s)	1.270	1.100
6	Discussion of findings / recommendations during or at the conclusion of the audit.	1.000	1.000
7	Fairness and accuracy of report.	1.400	1.190
8	Practicality and usefulness of recommendations	1.530	1.190
9	Standard of report.	1.330	1.100
10	Client agreement with overall audit opinion.	1.330	1.190

In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey. Set out below are three examples we have received during the period.

The timing of the audit would be more appropriate if done after the lead up to / short period after year end.

The process was fair and the auditor was reactive and responsive to the timeframes for submission of the grant.

I feel that the audit has been managed well by the audit team who have shown a good deal of understanding in this case. While we can influence and raise awareness, we have no actual control over schools' use of agency staff and this has been acknowledged by Audit Committee.

### Section 10 – Recommendations – 2018/19

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 2018/19, Internal Audit has made a total of 123 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 8 below.

**Table 8**

2018 -19 Recommendation Priority	No. Made	No. Agreed	No. Implemented	No. not Yet due to be actioned	One month overdue Target date	Two months overdue target date	Three or more months overdue target date
			Complete	Pending	Outstanding		
<b>Fundamental</b> (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	2	2		2			
<b>Significant</b> (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	121	121	90	27	4		
<b>Total</b>	<b>123</b>	<b>123</b>	<b>90</b>	<b>29</b>	<b>4</b>		

## Section 11 – Key Performance Measures – Staff Training

We continue to invest in the development of staff; we have recognised that, whilst the overall audit budget continues to reduce, the need for high quality assurance services does not. Indeed, with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.

In terms of professional training, we have 1 member of staff who is currently studying for the Chartered Institute of Public Finance and Accountancy qualification. The member of staff has successfully completed the Professional Certificate stage of the qualification and has now moved on to the Professional Diploma stage. Another member of staff is about to embark (in January) on their studies to attain the Professional Practitioner's level of the Institute of Internal Auditors qualification.

Staff are encouraged to attend courses and seminars that develop their skills, develop skills for the shared service and also further develop network opportunities. Listed below are a number of training courses that staff have either attended or are scheduled to attend during the coming months:-

- COA Financials refresher training – completed.
- IT Governance Principles – completed.
- Best Practices in threat intelligence for threat containment – completed.
- Use of IDEA software – completed.
- Safeguarding – completed.
- General Data Protection Regulations training – completed.
- Wales Audit Office – Finance for the future.
- Institute of Internal Auditors (IIA) Wales Conference – attended.
- CIPFA Procurement and Contract Audit Summit – attended.
- Domestic Abuse and Sexual Violence – completed.
- Armed Forces Covenant – Completed.

## Section 12 - Opinion Statement 2018/19

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 during the year within the Internal Audit Shared Service, audit work was commissioned from the South West Audit Partnership (SWAP) who undertook a number of reviews primarily within Social Services & Wellbeing and some across the Council.

### 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.

### 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 Corporate Governance 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.

### Internal Control

I have based my opinion on the internal audit work during the year in so much as; a total of 46 reviews culminating in an overall opinion have been completed, 43 (93%) of which have been closed with either a substantial or reasonable assurance opinion level. 3 reviews (7%) have identified weaknesses in the overall control environment, and these have been summarised in Section 4 above.

In addition, I have also had regard to the current interim arrangements that are in place in relation to two of the key Statutory Officers of the Council and members of the Corporate Management Board and the responses received in relation to the Annual Assurance Statements from Head Teachers and Chairs of Governors.

The 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 below: 9

**Table 9**

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 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 13 - 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 seven 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 2018-19 and 2022-23, the Council is expecting to have to make budget reductions of up to £41.304 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 2019 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 2018/19 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. 2018/19 has continued to be a challenging year for the Shared Service and as predicted, South West Audit Partnership have once again assisted with the delivery of the 2018/19 Risk Based Plan. In addition, work is well underway in developing the Shared Service into a Regional Service with the two more Councils joining the partnership. The new Regional Service commenced from the 1<sup>st</sup> April 2019 and therefore some latitude will be required during 2019/20 to facilitate this transitional period from all parties concerned.

Notwithstanding the above, it is important to highlight the current interim arrangements that are in place in relation to two of the key Statutory Officers of the Council and members of the Corporate Management Board. With the recent departure of the Chief Executive as Head of Paid Service, the Corporate Director Communities has been appointed on an interim basis as the Head of Paid Services (Chief Executive) - interim, this together with the continued interim arrangements in place to cover the statutory position of the Council's Section 151 Officer / Head of Finance, causes some concern from a continuity and capacity perspective. Whilst, there is little or no risk in the short term as both Statutory Officers are extremely experienced and more than capable to fulfil these roles, it is important that these interim positions are permanently addressed as soon as possible to ensure that the Council's corporate governance arrangements are not affected in the medium to longer term.

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.



## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18th April 2019

#### REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

#### INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2019 to MARCH 2020

#### 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 2019 to March 2020.

#### 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 which are :-

- **Supporting a successful economy** – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
- **Helping people to be more self-reliant** – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
- **Smarter use of resources** – ensuring 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.

#### 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 2019/20 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. As a consequence and at the commencement of 2019/20 the Audit Service has been extended to secure resilience moving forward and as such, will now provide the Internal Audit function to four Councils; these being Bridgend CBC, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan Council. As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalised. As a consequence, this plan has been based on the maximum number of productive days available to be delivered to Bridgend C.B.C for the whole year based on a full complement of staff.

4.3. Whilst it is recognised that we should be mindful of the fact that 2019/20 will be a transitional year for the service and as such some degree of latitude will be required in respect of the service delivery, arrangements will be put in place to closely monitor performance, keep the Audit Committee fully informed and should the need arise, assistance will be sought to bridge any gaps in delivery.

4.4. Attached at **Appendix A** is the draft Internal Audit Strategy document for 2019/20. 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 2019/20 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 the 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. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The report supports all the wellbeing objectives.

## **8. Financial Implications.**

8.1 The level of service outlined above has been based on the base budget of £312,000 set by Bridgend County Borough Council for 2019/20.

## **9. Recommendation.**

9.1 The Committee is recommended to consider and approve the draft Internal Audit Strategy (Appendix A) and draft Annual Risk Based Audit Plan for 2019/20 (Appendix B).

**Mark Thomas**  
**Head of Audit**  
**26<sup>th</sup> April 2019**

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### **Background Documents**

None

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

**2019 – 2020**

**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 Regional Internal Audit Shared Service Risk Based Plan for 2019-2020.

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 Regional Internal Audit Shared Service Charter, as presented to the Audit Committee in April 2019. 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.

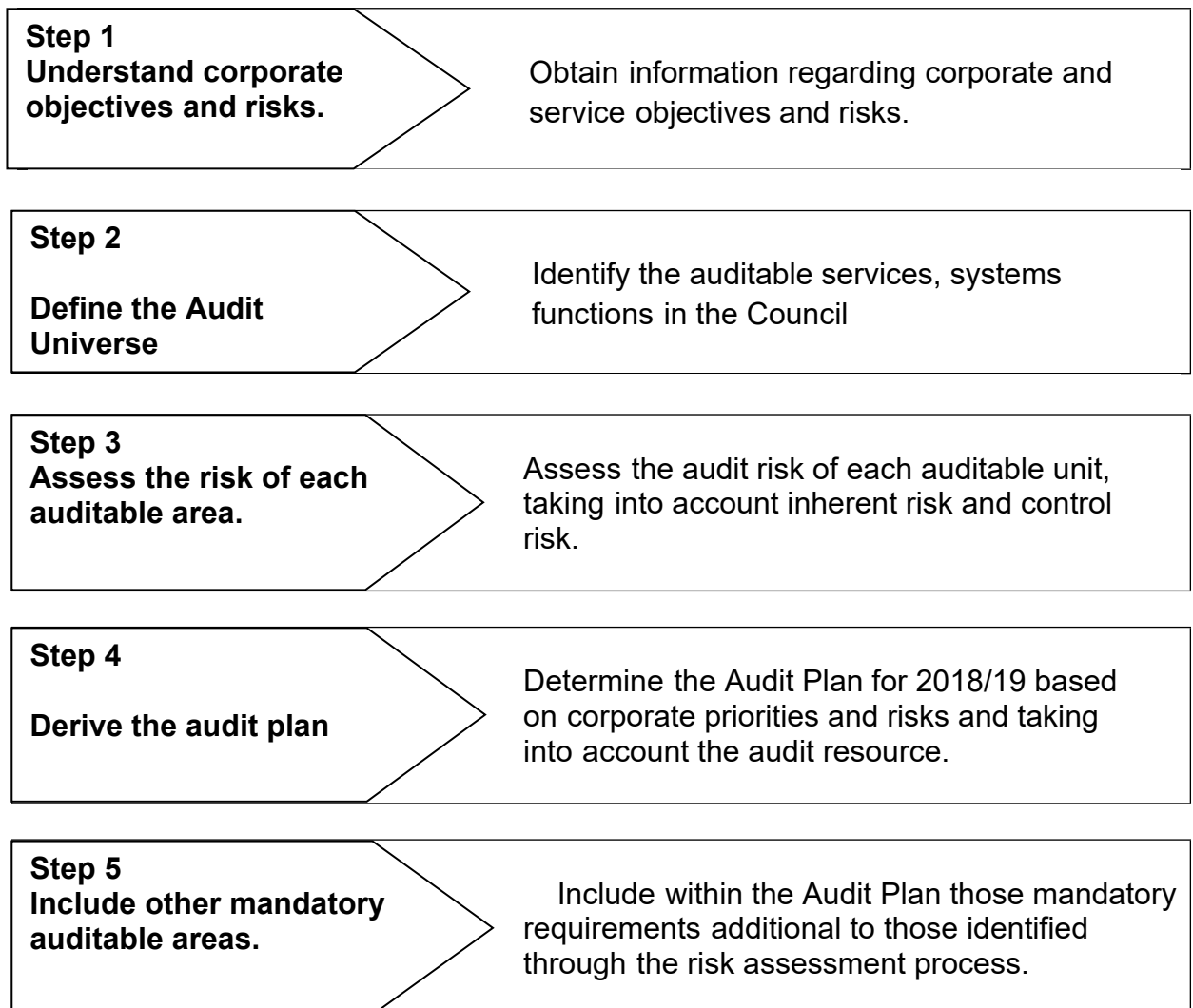
Risk based work is critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council’s

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**

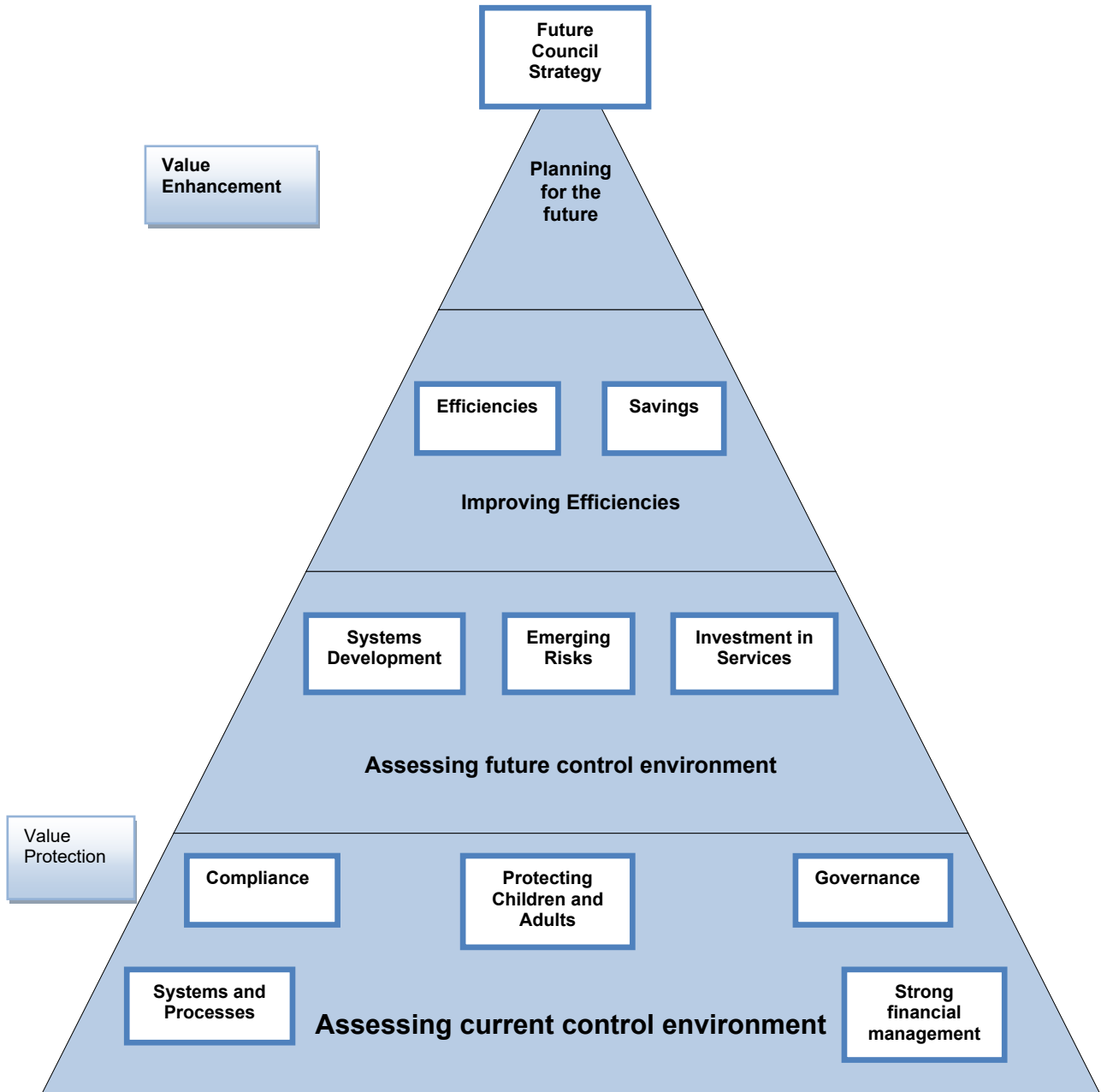
A summary of our approach to the development of the Audit Plan for 2018/19 is set out below. The Plan is driven by the Council’s organisational objectives and priorities as set out in the Corporate Plan and the risks that may prevent the Council from meeting these objectives.



**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 impact of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce year on year. As a consequence and at the commencement of 2019/20 the Audit Service has been extended and will provide the Internal Audit function to four Councils; these being Bridgend C.B.C, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan Council. As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalized. As a consequence, this plan has been based on the maximum number of productive days available to be delivered to Bridgend C.B.C for the whole year based on a full complement of staff.

Whilst it is recognised that we should be mindful of the fact that 2019/20 will be a transitional year for the service and as such some degree of latitude will be required in respect of the service delivery, arrangements will be put in place to closely monitor performance, keep the Audit Committee fully informed and should the need arise, assistance will be sort to bridge any gaps in delivery.

## **12. Contingencies**

The internal audit plan needs to be fluid and flexible enough to enable the internal audit service to be responsive, 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;

<b>Priority Rating</b>	<b>Current risk</b>	<b>Action Required</b>
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><b>One supporting successful economy</b></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><b>City Deal</b> – this is a programme that South East Wales Councils have secured from the UK and Welsh Government. The Deal is projected to deliver 25,000 extra jobs across the region.</p> <p><b>Strategic Review of Post 16 Education and Training</b> – this programme evaluates education provision and curriculum delivery with Bridgend county borough to ensure that there are clear options available to provide the best possible opportunities for learners in the county borough.</p> <p><b>Successful Economy Programme</b> – this programme consists of key regeneration and local development schemes in our main town centres. We will also maximise the opportunities from other regeneration funding strategies and programmes, such as the Valleys Taskforce, a Welsh Government initiative that aims to deliver economic change by creating good quality jobs and helping people access skills.</p> <p><b>Alignment of the Welsh Government Tackling Poverty Grants</b> – we will streamline those grants, focusing on alleviating child poverty through early intervention through Flying Start, Families First, Supporting People and Communities First Legacy Funding</p>
<p><b>Two – Helping people to be self-reliant</b></p>	<p>This means we will work with our partners, including our service users and carers, to take early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its</p>	<p><b>Remodelling Social Care:-</b> We will continue with this large programme of recommissioning adult home care, developing extra care and information and advice services for people and their carers.</p> <p>Working with partners we are implementing a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns.</p>

	<p>services, support individuals and communities to build resilience, and enable them to develop local solutions to meet local needs and enjoy independent life as much as they can.</p>	<p>We are looking at our 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><b>Community Asset Transfer</b> – We will transfer assets to communities to manage sustainably while making the most of the assets we retain.</p>
<p><b>Three – Smarter use of resources</b></p>	<p>This means we 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><b>Digital Transformation Programme</b> – this programme aims to change the way we operate to enable customers to access information, advice and services on line.</p> <p><b>Rationalising the Council's estate</b> – this programme is about disposing of council assets and transferring assets to communities to manage while making the most of the assets we retain.</p> <p><b>Schools' Modernisation Programme</b> – this programme invests in a sustainable education system in school buildings that reduces cost and their carbon footprint.</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**

Unable to make robust medium to long term decisions requiring service change.
Unable to deliver transformation including agreed financial savings
Unable to respond to legislative change
Unable to identify and deliver infrastructure required in the medium to longer term
Unable to meaningfully engage with Health Board and potential LGR boundary changes to ensure that the needs of the Bridgend Community is fairly recognised in any subsequent changes
Failing to safeguard vulnerable individuals e.g. children, adults in need of social care, homeless etc.
Plan for and recover from major threats to service continuity such as civil emergencies, school failure, cyber-attack and discontinuation of funding streams and major contracts
Unable to attract or retain a workforce with the necessary skills to meet the demands placed upon the authority and its services
Important council services are compromised due to the failure of key supplier

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 2019 -2020

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 1<sup>st</sup> April 2013.

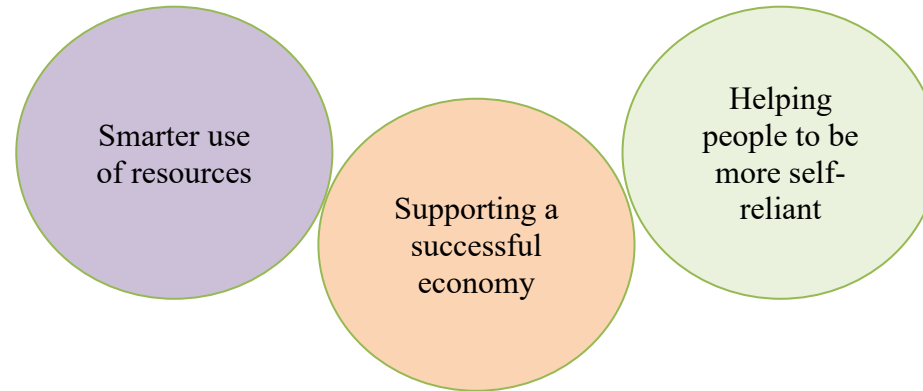
Attached at **Appendix B** is the detailed schedule of audits planned for each of the Council's Directorates including Cross Cutting. Table 1 below provides an overall summary of the number of productive days allocated.



**Table 1–Productive Resource Availability & Utilisation April 2019 to March 2020 – Draft Proposals.**

<b>Resources Available</b>	<b>Total Days</b>
Productive days	<b>1,101</b>
Priority One – Those areas that must be covered during the year.	<b>654</b>
Priority Two – Those areas that should be covered during the year based on Risk.	<b>447</b>
<b>Days split by Directorate.</b>	
Chief Executive - Resources	<b>225</b>
Education & Family Support	<b>163</b>
Communities	<b>75</b>
Social Services and Wellbeing	<b>70</b>
Cross Cutting (including):- <ul style="list-style-type: none"> <li>• Contingency – Fraud and Error</li> </ul>	<b>568</b>
<b>OVERALL TOTAL</b>	<b>1,101</b>

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**BRIDGEND COUNTY BOROUGH COUNCIL WORKING TOGETHER TO IMPROVE LIVES**

**REGIONAL INTERNAL AUDIT SHARED SERVICE  
DRAFT ANNUAL AUDIT PLAN**

**2019 – 2020**

**Bridgend CBC**

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## Introduction

### **The role of internal audit is that of an:**

*“Independent, objective assurance and consulting activity designed to add value and improve an organisations 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”*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The aim of internal audit’s work is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- The framework of internal control, risk management and governance is appropriate and operating effectively; and
- Risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Head of Audit can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Corporate Officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through regular review and reported to the appropriate Corporate Officers and the Council’s Audit Committee.

## **Your Internal Audit Team**

Your internal audit service is provided by the Regional Internal Audit Service (RIASS) Partnership. The service is led by the Head of Regional Audit Service (Mr. Mark Thomas) and covers the boundaries of Bridgend, Rhondda-Cynon-Taf, Merthyr Tydfil and the Vale of Glamorgan. The Head of Audit is supported by Audit Client Managers.

## **Conformance with internal audit standards**

The RIASS Partnership is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In February 2017, the Chartered Institute of Public Finance Accountancy (CIPFA) were commissioned to complete an external assessment of the then Bridgend and Vale Internal Audit Shared Service against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting CIPFA a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As CIPFA were one of the authors of the Standards it was considered that they were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessor concluded:

*“There were no areas of non-compliance with the Standards that would affect the overall scope or operation of the internal audit activity. All auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added”.*

## **Conflicts of Interest**

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under the Internal Audit Standards.

## **Bridgend County Borough Council Corporate Plan**

The Corporate Plan sets out how the Council plans to shape its services for the next five years 2016-20. It contains the Council's vision for Bridgend and what it is trying to achieve for its residents and for the County. The Corporate Plan is underpinned by the Council's key priorities and desired outcomes:



### **Corporate Risks**

The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape. The main risks facing the Council are listed below.

<b>Corporate Risks</b>
Unable to make robust medium to long term decisions requiring service change.
Unable to deliver transformation including agreed financial savings
Unable to respond to legislative change
Unable to identify and deliver infrastructure required in the medium to longer term
Unable to meaningfully engage with Health Board and potential LGR boundary changes to ensure that the needs of the Bridgend Community is fairly recognised in any subsequent changes
Failing to safeguard vulnerable individuals e.g. children, adults in need of social care, homeless etc.
Plan for and recover from major threats to service continuity such as civil emergencies, school failure, cyber-attack and discontinuation of funding streams and major contracts
Unable to attract or retain a workforce with the necessary skills to meet the demands placed upon the authority and its services
Important council services are compromised due to the failure of key supplier

### **Developing the Internal Audit Plan 2019/20**

We have used various sources of information and discussed priorities for internal audit with the following groups:

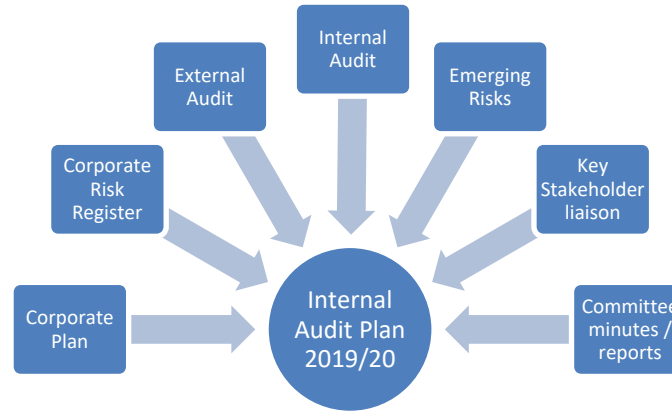
- Chief Executive,
- Corporate Directors;
- Heads of Service; and
- Directorates Management Teams.

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the Council, the RIASS Partnership have developed an annual audit plan for the coming year.

The Council are reminded that Internal Audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.



We will however, continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



## Proposed Internal Annual Risk Based Audit Plan for BCBC 2019-20

## Appendix B

***PRIORITY ONE – Mandatory Audit Work***

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
<b>Good Governance 11015</b>	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
<b>Safeguarding 16024</b>	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 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 2020/21 review.	10			10	20
<b>CRSA 14022</b>	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			10	10	20

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			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					
<b>Grant Certification Work 17042</b>	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.	<b>10</b>	<b>10</b>			<b>20</b>
<b>Material Systems – Key Financial Systems 11001</b>	Chief Executive / Resources	Assurance	A rolling programme of audits is adopted for material systems whereby the work programme for each year may differ, with each audit having varying amounts of system review, testing or a combination of the two. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Council's material system control environment.		<b>25</b>	<b>25</b>	<b>25</b>	<b>75</b>
<b>Direct Payments 16005</b>	Social Services & Wellbeing	Governance / Risk / Assurance	To follow up on the recommendations made during 2018/19 to ensure action has been taken to implement these.		<b>10</b>			<b>10</b>
<b>Data Analytics 12019</b>	Cross Cutting	Assurance	The Council is seeing an increase in the digitisation of their operations, resulting in a growth of data across all business functions. To align with this objective, Internal Audit is currently developing a data analytics strategy to be implemented during 2019/20. Data Analytics is proving to be a useful internal audit tool as Councils become more reliant on	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>40</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples, also utilising IT to discover new capabilities and unlock key information to help identify and reduce inefficiencies and control weaknesses, eliminate waste, fraud and abuse, and improve productivity.					
<b>Domiciliary Care 16004</b>	Social Services & Wellbeing	Assurance	To follow up on the recommendations made during 2018/19 to provide assurance that the actions agreed have been implemented.  Review a sample of Commissioning, Contracts / Framework / Agreements, monitoring and invoicing in order to provide assurance that the control framework is operating satisfactorily.			10	15	25
<b>Property Compliance 12046</b>	Cross - Cutting	Governance / Risk / Assurance	Further work following on from 2018/19. To provide assurance that satisfactory progress is being made in respect of Property Compliance.		10	10		20
<b>Home to School Transport 14101</b>	Education & Family Support	Assurance	This review will focus on the application of eligibility criteria to determine whether children receive the right level of assistance. In addition, the scope of this review will include the processes in place in relation to the provision of home to school transport. The audit will focus on the risks associated with non-transparent procurement processes (and non-compliance with Procurement rules), inadequate service provider checks putting the safety of children at risk, budget overspends and inappropriate / invalid payments.				20	20
<b>Healthy Organisation</b>	Cross Cutting	Governance / Risk /	To follow up on the areas for attention as outlined in the Healthy Organisation Review		25	10		35

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
<b>Review – follow up 17201</b>		Assurance	2017/18 including Governance, Procurement and Commissioning, Risk Management, Programme & Project Management and Information Management.					
<b>DOLS 16110</b>	Social Services & Wellbeing	Governance	To follow up on the recommendations made during the 2018/19 review to ensure that action has been taken to address the weaknesses identified.		<b>10</b>			<b>10</b>
<b>Carry Forward from 2018/19 17033</b>	Cross Cutting	Assurance	Provision for those assignments which are still ongoing at the end of 2018/19.	<b>20</b>				<b>20</b>
<b>2018/19 Closure of Reports 17100</b>	Cross Cutting	Assurance	To finalise all draft reports outstanding at the end of 2018/19.	<b>10</b>				<b>10</b>
<b>Follow up of recommendations for 2018/19 17001</b>  <b>Recommendation Monitoring</b>	Cross Cutting	Assurance	To ensure that all outstanding recommendations made during 2018/19 have been actioned.  Monitoring the implementation of Internal Audit 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.	<b>10</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>25</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
<b>Annual Opinion Report 2018/19</b> <b>17100</b> <b>Annual Opinion Report 2019/20</b>	Cross Cutting	Governance	To prepare and issue the Head of Audit's Annual Opinion Report for 2018/19.  Preparation for the production of the 2019/20 Annual Opinion Report.	<b>10</b>			<b>10</b>	<b>20</b>
<b>Audit Planning – 2019/20</b> <b>17027</b>  <b>Annual Planning – 2019/20</b>	Cross Cutting	Governance / Assurance / Risk	To prepare and present the annual risk based audit plan for 2019/20.  Preparation for the production of the annual risk based plan 2020/21.	<b>20</b>			<b>15</b>	<b>35</b>
<b>Audit Committee /Members and CMB Reporting</b>  <b>17005</b>	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.	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>40</b>
<b>Advice &amp; Guidance</b>  <b>17200</b>  <b>Provision of Internal control / General advice.</b>	Cross Cutting	Assurance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>20</b>
<b>Quality Assurance &amp; Improvement Programme /</b>	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	<b>5</b>		<b>10</b>		<b>15</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
<b>Review of the Effectiveness of Internal Audit</b> <b>17031</b>			/ Public Sector Internal Audit Standards (PSIAS).					
<b>Emerging Risks / unplanned</b> <b>17028</b>	Cross Cutting	Contingency	To enable Audit Services to respond to provide assurance activity as required.	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>60</b>
<b>External Audit Liaison</b> <b>17002</b>	Cross Cutting	Governance	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>14</b>
<b>Fraud / Error / Irregularity</b> <b>17003</b>	Cross Cutting	<b>Contingency</b>	<b>Irregularity Investigations</b> - Reactive work where suspected irregularity has been detected.  <b>Anti-Fraud &amp; Corruption</b> – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.  Developing fraud risk assessment in inform further areas for detailed focus (Fraud Risk Tools).	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	
		<b>Fraud &amp; Error</b>	<b>National Fraud Initiative</b> - 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.	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>80</b>
			<b>Total – Priority One</b>	<b>169</b>	<b>168</b>	<b>143</b>	<b>174</b>	<b>654</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
<b>HIGH RISK – PRIORITY TWO</b>								
<b>Procurement 11005</b>	Chief Executive / Resources	<b>Assurance</b>	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.	<b>15</b>				<b>15</b>
<b>Capital Programme 11017</b>	Chief Executive / Resources	<b>Assurance</b>	A capital programme is a set of capital projects that a council plans to undertake within a given timetable and should be based on an approved Capital Strategy, which in turn should be linked to the council's Asset Strategy. A review of this area will be undertaken to provide assurance that the Capital Programme remains on track and that slippage is accounted for, reported and regularly monitored.		<b>10</b>	<b>10</b>		<b>20</b>
<b>Homelessness 15001</b>	Communities	<b>Assurance</b>	This audit will review the effectiveness of the systems in operation for processing applications and monitoring homelessness cases and select a sample of cases to review the application process, to ensure compliance with the guidance, and to establish the level of monitoring undertaken once the decision to accept a homeless case has been made.				<b>15</b>	<b>15</b>



Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
<b>Additional Learning Needs Bill 14103</b>	Education & Family Support	<b>Assurance</b>	To follow up on the recommendations made during 2018/19 to ensure action has been taken to address the weaknesses identified.		15			15
<b>Schools 14001</b>	Education & Family Support	<b>Assurance</b>	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.	15		25	25	108
<b>Banks Automated Clearing System (BACS) 11003</b>	Chief Executive / Resources	<b>Assurance</b>	The Bank Automated Clearing System (BACS) is a system for making payments directly from one bank account to another. There are two types of bank-to-bank payments: Direct Debits and Direct Credits. Direct Debits are typically used for taking regular or recurring payment such as household bills and Direct Credits are typically used for making payments such as salaries. This review will provide assurance on the adequacy and effectiveness of the control environment surrounding both Direct Debits and Credits.	15	10	10	8	30
<b>Insurance 11008</b>	Chief Executive / Resources	<b>Risk Management</b>	All organisations, whether private or public sector, face risks to people, property and continued operations. An organisation will need to determine the balance of risk between the level of self-insurance and that which is transferred to an external insurance provider as part of their risk mitigation strategy. It is therefore vitally important to ensure that the analysis of claims and any further mitigating actions/controls are considered/implemented as part of the wider risk management programme to reduce or prevent re-		15			15

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			occurrences, thus minimising the impact of these upon the level of any internal fund balances or future premiums. This review will seek to determine whether the Council has an effective control framework in place for the management/monitoring of incidents that have led to claims being upheld; and that any further mitigating actions/controls are considered/implemented as part of the Council's wider risk management programme.					
<b>General Data Protection Regulations 13001</b>	Cross Cutting		The GDPR came into force on the 25 <sup>th</sup> May 2018 and is intended to strengthen and unify data protection for individuals within the European Union (EU) and to address the export of data outside of the EU. Whilst many of the GDPR's main concepts and principles are much the same as those in the current Data Protection Act there are a number of new elements and significant enhancements. There is also the potential for significant fines (up to £20m) to be imposed in the event that the Council is found to have broken the law. This audit will review whether the Council has an effective control framework in place for ensuring that personal information that is gathered is only used for the purpose for which it was originally intended.	<b>20</b>				<b>20</b>
<b>IR35 11009</b>	Chief Executive / Resources	<b>Assurance</b>	IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are referred to as 'disguised		<b>20</b>			<b>20</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			employees' by Her Majesty's Revenue and Customs (HMRC). The Council is responsible for deciding if off-payroll working rules apply when procuring services and if the rules do apply must deduct tax and Class 1 National Insurance Contributions and report them to the HM Revenue and Customs. This review will seek to determine whether the Council has effective arrangements in place to ensure that it conforms to these regulatory requirements.					
<b>Supply Chain Management 17110</b>	Cross Cutting	<b>Assurance</b>	To undertake a review to provide assurance that the Council has appropriate arrangements in place to ensure there is sufficient awareness of the markets in which it operates and the effect of the Council's activity on them. It will review key areas of risk, including levels of supply and demand, sustainability and pricing across supply chains, where we are reliant on other organisations for the provision of services. We shall also look at ethical procurement.			<b>15</b>		<b>15</b>
<b>Project / Contract Management 15031</b>	Communities	<b>Governance / Risk / Assurance</b>	Inadequate contract management can result in poor performance and service delivery, and inappropriate payments. We shall undertake a review of a sample of high risk contracts and, if applicable, joint contracts. We will also review the process for undertaking due diligence of contractors, including resilience, both pre and post contract award. Where appropriate, this review will follow – up on weaknesses identified as part of previous audit work in this area, to ensure these have been adequately	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>60</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			addressed.					
<b>Social Services Follow up work. 16030</b>	Social Services & Wellbeing	<b>Risk Management</b>	A number of reviews were undertaken during 2018/19 within the Directorate of Social Services and Wellbeing, therefore provision has been made to follow up on recommendations made to ensure action has been taken to address any weaknesses identified – these include POVA, Complaints / Representations & Advocacy and Looked After Children.		<b>10</b>		<b>15</b>	<b>25</b>
<b>Budget Savings 11030</b>	Cross Cutting	<b>Assurance</b>	The Medium Term Financial Plan sets out the Council's core budget position in order to ensure it maintains a balanced budget. An important part of the Council's strategy will be to continue to deliver efficiencies and savings over the coming years. A portion of the savings are categorised as 'savings targets' and will require regular review and reporting to monitor the level of savings that have been achieved. This review will seek to establish whether there are effective budget monitoring and reporting arrangements in place to track the progress of the identified savings targets.	<b>15</b>				<b>15</b>
<b>ICT Audit 17040</b>	Chief Executive / Resources	<b>Governance / Risk / Assurance</b>	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively.		<b>25</b>	<b>25</b>		<b>50</b>
<b>Retrospective Orders 12015</b>	Cross Cutting	<b>Assurance / Risk</b>	Inappropriate use of retrospective orders increases the risk to the Council of duplicate / fraudulent orders and payments, disputes and legal consequences, ineffective budget management and the non-achievement of	<b>10</b>				<b>10</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			Value for Money. This review will identify the extent to which retrospective orders are occurring and establishing the approximate value and thereby determining the impact this has on the overall control environment.					
PO Box Addresses 15024	Cross Cutting	<b>Assurance Risk</b>	This is a bespoke piece of work which will look at:- <ul style="list-style-type: none"> <li>Reviewing the validity of the PO Box addresses currently recorded on COA;</li> </ul> Make recommendations on the minimum level of checks to be completed and carried out before setting up on COA.			10	4	14
			<b>Total – Priority Two</b>	120	130	125	94	447
			<b>Grand Total</b>	289	298	268	268	1,101

## Directorate Split

Directorate	Total
Cross Cutting	568
Education & Family Support	163
CEX - Resources	225
Social Services & Wellbeing	70
Communities	75
Total	1,101

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18<sup>th</sup> APRIL 2019

#### REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

#### REGIONAL INTERNAL AUDIT SHARED SERVICE CHARTER 2019/20

#### 1. Purpose of Report.

1.1. To present to Members the Council's Internal Audit Shared Service Charter for 2019/20.

#### 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 which are :-

- **Supporting a successful economy** – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
- **Helping people to be more self-reliant** – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
- **Smarter use of resources** – ensuring 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.

#### 3. Background

3.1. As at the 1<sup>st</sup> 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 21<sup>st</sup> 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 Regional Internal Audit Shared Service Charter for 2019/20 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. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The report supports all the wellbeing objectives.

#### **8. Financial Implications.**

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

#### **9. Recommendation.**

9.1 The Committee is recommended to consider and approve the Regional Internal Audit Shared Service Charter for 2019/20 as attached as Appendix A to this report.

**Mark Thomas**  
**Head of Audit 18<sup>th</sup> April 2019**

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CF31 4AP

#### **Background Documents**

None



## INTERNAL AUDIT CHARTER FOR THE REGIONAL AUDIT SERVICE 2019 - 2020

The purpose of this Internal Audit Shared Service (IASS) Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Shared Service between Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. The Charter establishes the position of internal audit activity within the Councils along with reporting lines, authorising 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 each Council's respective 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 Head of the Audit Service.
- **Senior Management** – Senior Management is defined as those officers designated as Chief Officers as set out in each Council's Constitution.

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 Chief Finance Officer in each Council 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 Regional Internal Audit Shared Service function that meets the needs of each Council, supporting the relevant 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 each Council it is the Chief Finance Officer.

## **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 Regional 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 relevant S151 Officer, Managing Director/Chief Executive and the Audit Committee.

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

- 2.1 Internal Audit is independent of the activities which it audits thereby providing an unbiased judgement to management. This is essential to its proper conduct and impartial advice to management.
- 2.2 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/Chief Executive, Directors and Heads of Service, and maintains segregation from operations.

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

- 2.3 Internal Audit is a shared regional service between Bridgend CBC, Merthyr Tydfil CBC, Rhondda Cynon Taf Council and the Vale of Glamorgan Council. The host authority for the delivery of the Regional Internal Audit Shared Service (RIASS) is the Vale of Glamorgan Council and the function is provided internally. The governance of the provision of the shared regional service shall be carried out by the Regional Board. This is a group made up of the Chief Financial Officers of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.
- 2.4 The activities of the Regional Board shall include but not be limited to:
- a. determining the strategic direction of the RIASS;
  - 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 IASRS, the Regional Board and / or the Service; and
  - f. Endeavour to resolve any dispute between the respective Authorities;
- 2.5 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 Regional Internal Audit Shared Service.

## **2.6 Internal Audit Standards**

- 2.7 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 1<sup>st</sup> April 2013.
- 2.8 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.
- 2.9 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 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).
- 2.10 The Regional Internal Audit Shared Service (RIASS) has adopted (as a minimum) the Chartered Institute of Internal Auditors (CIIA’s) Code of Ethics. Where members of the RIASS 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.



- 2.11 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 Audit is required to manage the provision of a complete Regional Internal Audit Shared Service to the Council which will include reviewing the systems of internal control operating throughout each 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 Audit will:
- Prepare an annual strategic risk based audit plan for formal agreement by the Regional 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 Regional 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 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 Regional 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;
- Chief Officers (as defined in the Council's Constitution)
- 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 Audit to assess the Regional Internal Audit Shared Service's activities with conformance to the PSIAS and to aid in the annual assessment of the Regional 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 Audit's Annual Opinion Report) which is presented to the relevant Audit Committee and to the Regional Board.
- 4.4 Where there are instances of non-conformance to the PSIAS this will be reported to the Audit Committee and the Regional Board with any significant deviations being detailed within the Annual Governance Statement.
- 4.5 Internal Assessment**
- 4.6 All Auditors have access to up to date business processes, working instructions, the Internal Audit Charter, Council policies, the PSIAS, journals, publications and other relevant articles. Where staff are members of bodies such as CIPFA and/or CIIA further guidance is available.
- 4.7 To maintain quality, work is allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised. Work is monitored for progress, assessed for quality and to allow for coaching and mentoring.

- 4.8 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team Audit targets and performance indicators will be agreed with the Regional 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 Regional Internal Audit Shared Services Councils. The External Assessment of the existing Shared Service between Bridgend CBC and the Vale of Glamorgan Council took place during 2016/17.

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18<sup>th</sup> APRIL 2019

#### REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

#### UPDATED FORWARD WORK PROGRAMME 2018/19 AND PROPOSED PROGRAMME FOR 2019/20

#### 1. Purpose of report

- 1.1 The purpose of this report is to provide Members with an update on the Forward Work Programme for 2018/19 and seek approval for the proposed programme for 2019/20.

#### 2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
- Smarter use of resources – ensuring 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.

#### 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 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 2018/19 and the Proposed Programme for 2019/20 are attached **at Appendix A and B.**

4.2 In addition, and as shown below are the items scheduled to be presented at the Committee's next meeting provisionally on 13<sup>th</sup> June 2019. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item (if appropriate), and indicate whether any additional information or research is required.

Provisional Date of Meeting	Agenda Items
13 <sup>th</sup> June 2019	Pre-Audited Statement of Accounts 2018-19
	Draft Annual Governance Statement 2018-19
	Treasury Management Outturn 2018-19
	Audit Performance Report April to May 2019, together with progress against Plan.
	External Auditors / Inspection Reports (where applicable)

#### **5. Effect upon policy framework and 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. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

#### **8. Financial implications**

8.1 There are no financial implications arising from this report.

#### **9. Recommendation**

9.1 That Members consider and note the updated Forward Work Programme for 2018/19.

**Mark Thomas**  
**Head of Audit**

**18<sup>th</sup> April 2019**

**Contact Officer:** Mark Thomas – Head of Regional Audit Service

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**Background Documents**

None

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

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
<b>2018</b>			
<b>28th June</b>	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	N/A
	Updated Forward Work Programme 2018/19.	CIA	Completed
	Pre-audited Statement of Accounts 2017/18.	Head of Finance	Completed
	Draft Annual Governance Statement 2017-18	Head of Finance	Completed
	Treasury Management Outturn 2017/18	Head of Finance	Completed
	Proposal to Incorporate the Shared Internal Audit Service (RIASS) into a Larger Service Hosted by the Vale of Glamorgan Council to Include Two Additional Councils	Head of Finance	Completed
	Incident and Near Miss Reporting Procedure (Excluding Health and Safety).	Head of Finance	Completed
	Community Action Fund 2017-18 Update	Head of Finance	Completed
	Audit Committee's Term of Reference	Head of Finance	Completed
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
	IASS Outturn Report April and May 2018. Together with progress against Plan.	CIA	Completed
	Healthy Organisational Review	CIA	Completed
<b>6th September</b>	Information and Action Requests	CIA	N/A
	Updated Forward Work Programme	CIA	Completed
	Statement of Audited Accounts and Final Annual Governance Statement 2017/18.	Head of Finance / WAO	Completed
	Internal Audit 4 months Outturn Report April to July 2018, progress against plan	CIA	Completed
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
<b>15th November</b>	Up dated Forward Work Programme	CIA	Completed
	Information and Action Requests (where applicable)	CIA	N/A
	Risk Management	Head of Finance / Risk & Insurance Officer	Deferred to December
	Update on Community Action Fund	Head of Legal and Regulatory Services	Deferred to December
	Treasury Management Half Year monitoring report 2018-19	Head of Finance	Completed
	Internal Audit Outturn Report – April 2017 to September 2018.	CIA	Completed
	Healthy Organisation Review – Information Management follow up	CIA	Completed
	Incident & Near Miss Procedure	Head of Finance	Deferred to December
	External Auditors / Inspection Reports (where applicable). Annual Audit Letter 2017/18	Head of Finance / WAO	Completed

## APPENDIX A

	Annual Improvement Report 2017/18 Performance Work update – 2018/19 Service User Perspective of Disabled Facilities Grants		
<b>13<sup>th</sup> December</b>			
	Risk Management (including Incidents / Near Misses)	Head of Finance / Risk & Insurance Officer	Completed
	Update on Community Action Fund	Head of Legal and Regulatory Services	Completed
	External Auditors / Inspection Reports (where applicable).  Certificates for both the annual audit and performance assessment.	Head of Finance / WAO	Completed
	Healthy Organisation Review – Action Plan Update	Head of Finance	Completed
	Re-representation of the Healthy Organisation Review – follow up Information Management	CIA – ICT Group Manager	Completed
	Updated Forward Work Programme	CIA	Completed
<b>2019</b>			
<b>17<sup>th</sup> January</b>	Up dated Forward Work Programme	CIA	Complete
	Internal Audit 9 months Outturn Report April – December 2018	CIA	Complete
	Corporate Risk Assessment, Corporate Risk Management Policy and Near Miss Procedure 2019-20	Head of Finance	Complete
	Fraud Update	Head of Finance / Benefits Manager.	Deferred to April 2019
	Corporate Fraud Framework	CIA	Complete
	Treasury Management Strategy 2019- 20	Head of Finance	Complete
	Digital Action Plan	Head of Performance & Partnership Services	Complete
	External Auditors / Inspection Reports (where applicable). Digital Risk Diagnostic Response	Head of Finance / WAO	Complete
<b>18<sup>th</sup> April</b>	Updated Forward Work Programme and proposed programme for 2019/20	CIA	Submitted
	Internal Audit proposed Annual Strategy and Audit Plan 2019-2020.	CIA	Submitted
	Internal Audit Shared Service Charter 2019/20	CIA	Submitted
	Draft Head of Audit's Annual Opinion Report and outturn for the Year 2018/19	CIA	Submitted
	Fraud Update	Head of Finance / Benefits Manager	Deferred to June 2019
	External Auditors / Inspection Reports (if applicable): - External Audit Plan 2019/20 Certification of Grants and Returns 2017/18 Performance Work Update – 2018/19	Head of Finance / WAO	Submitted

**AUDIT COMMITTEE  
PROPOSED SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME  
2019 - 2020**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
<b>2019</b>			
13 <sup>th</sup> June	Updated Forward Work Programme 2019/20.	Head of Audit (HOA)	
	Draft Annual Governance Statement 2018-19	Head of Finance	
	Pre-audited Statement of Accounts 2018/19.	Head of Finance	
	Treasury Management Outturn 2018/19	Head of Finance	
	Council Tax Reduction fraud investigations: April 2018 to March 2019	Head of Finance / Benefit's Manager.	
	Corporate Fraud Report 2018/19	HOA / Audit Client Manager	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
	IASS Outturn Report April and May 2019. Together with progress against Plan.	HOA	
8 <sup>th</sup> August	Updated Forward Work Programme	HOA	
	Final Statement of Accounts 2018-19 and External Audit Report	Head of Finance	
	Corporate Risk Register Update	Head of Finance	
	Counter Fraud Update (NFI)	HOA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
4 <sup>th</sup> November	Updated Forward Work Programme	HOA	
	Compliance with the Public Sector Internal Audit Standards	HOA	
	Progress report on the Regional Internal Audit Service	HOA	
	Audit Committee Terms of Reference	HOA	
	Treasury Management Half Year monitoring report 2018-19	Head of Finance	
	Internal Audit Half Year Outturn Report – April 2019 to September 2019.	HOA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
<b>2020</b>			
23 <sup>rd</sup> January	Up dated Forward Work Programme	HOA	
	Internal Audit Progress Report April – November 2019	HOA	
	Audit Committee Terms of Reference	HOA	
	Audit Committee Self-Assessment	HOA	
	Corporate Risk Assessment, Corporate Risk Management Policy and Near Miss Procedure 2020-21	Head of Finance	

**APPENDIX B**

	<b>Fraud Update</b>	<b>Head of Finance / Benefits Manager.</b>	
	<b>Corporate Fraud Framework</b>	<b>HOA</b>	
	<b>Treasury Management Strategy 2020-21</b>	<b>Head of Finance</b>	
	<b>External Auditors / Inspection Reports (where applicable).</b>	<b>Head of Finance / WAO</b>	
<b>16th April</b>	<b>Updated Forward Work Programme and proposed programme for-2020-21</b>	<b>HOA</b>	
	<b>Internal Audit proposed Annual Strategy and Audit Plan 2020-21</b>	<b>HOA</b>	
	<b>Internal Audit Shared Service Charter 2020-21</b>	<b>HOA</b>	
	<b>Draft Head of Audit's Annual Opinion Report and outturn for the Year 2019-20</b>	<b>HOA</b>	
	<b>Fraud Update</b>	<b>Head of Finance / Benefits Manager</b>	
	<b>External Auditors / Inspection Reports (if applicable): -</b>	<b>Head of Finance / WAO</b>	