

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



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

**2017 – 2018**

**Bridgend CBC**

## **1. Introduction**

- 1.1 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the Annual Governance Statement. The purpose of this document is to provide a detailed Internal Audit Shared Service Risk Based Plan for 2017-2018.
- 1.2 The audit plan is in order to ensure that the risks facing the Council are adequately addressed and internal audit resources are effectively utilised. The standards for “proper practice” in relation to internal audit are laid down in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 Internal Audit has drawn their risk assessment from a wide range of sources including the Council’s Corporate Risk Register, Internal Audit risk assessment models and Directorate’s Business Plans and management meetings. The risk assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to the Council by providing assurance to the Council’s Audit Committee on controls over key risks. This document sets out the responses as internal auditors to those risks and to other factors that have been considered as part of the assessment of audit need.
- 1.4 The Plan will be subject to ongoing review and adjustments, to ensure it remains aligned with significant delivery objectives and risks and is responsive to the priorities and concerns of the Corporate Management Board (CMB). Any significant changes to the Plan will be reported to the Audit Committee.

## **2. Providing Assurance**

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

## **3. Risk Based Approach**

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

#### **4. The Risk Assessment Process**

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

#### **5. The Internal Audit Plan**

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

#### **6. Resource Requirement**

- 6.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Internal Audit Shared Service Board (IASSB). The impacts of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce over the last few years. Resources have decreased from 22 staff in 2012/13 to 20 in 2013/14 to a current full establishment of 18 staff for 2016/17. However, it should be noted that at the commencement of 2017/2018, the Section is carrying 50% in vacant posts. Therefore, arrangements are in place to address the shortfall, however, with such a

high level of vacancies, it is important to be prudent when determining the number of productive days that can be realistically achieved. The following are the assumptions that have been made for 2017/18.

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

Quarter 2. This will increase to 75% of the establishment in post and

Quarters 3 and 4. The Section will be operating with a full establishment.

6.2 The resource availability summarised in Table 1 sets out the proposal to deliver a maximum of 1,070 productive days. It is envisaged that a proportion of these days will be bought in in order to meet the commitment and this will be particularly relevant should there be any delays in filling the vacant posts.

## **7. Contingencies**

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

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

## **8. Delivering the Audit**

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

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

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

8.3 Audit recommendations will be prioritised as follows;

Priority Rating	Current risk	Action Required
Priority 1.	Issues that are fundamental and material to your system of internal control. Internal Audit believe that these issues might mean that you do not meet an objective or reduce (mitigate) a risk.	Immediate Action required
Priority 2	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.
Priority 3	Issues arising that merit attention and that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.	Action recommended to enhance standards of control.

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

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

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

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

**9. Follow Up Reviews**

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

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

10.1 A status report on internal audit work will be present to the Audit Committee on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the assurance opinions given and the number and type of recommendations made. The report will also provide a summary of internal audit performance, planning and resourcing issues. Reports will only be presented to CMB if the issues / risks identified are of a significant nature; are cross cutting and require action to be taken by the Corporate Management Board collectively.

**11. Annual Assurance Report.**

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

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

**12. Corporate Priority Outcomes**

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

Priority	Description	Key Projects and Programmes
<b>One supporting successful economy</b>	– 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	<b>City Deal</b> – Working with neighbouring South East Wales Councils, we are seeking a ‘City Deal’ from the UK and Welsh Government which could result in around £1 billion investment in major capital projects in the Cardiff City Region over the next 10-15 years.

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

	Council's priorities.	<p>school buildings that reduces cost and their carbon footprint.</p> <p><b>Procurement Programme</b> – pursuing new opportunities and practices to maximise the benefit the Council gets when they buy goods and services.</p> <p><b>Commercialisation Programme</b> – identifying the opportunities for generating additional income to support and protect core services.</p>
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**13. Corporate Risk**

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

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

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

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



**14. INTERNAL AUDIT SHARED SERVICE DRAFT ANNUAL PLAN 2017 -2018**

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

Attached at **Appendix 2** 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 per Directorate.

**Table 1–Productive Resource Availability & Utilisation April 2017 to March 2018 – Draft Proposals.**

<b>Resources Available</b>	<b>Based on Assumptions Days to be delivered</b>	<b>Additional If Resources Available</b>	<b>Total Days</b>
Productive days	<b>995</b>	<b>90</b>	<b>1,085</b>
Chief Executive - Finance	<b>130</b>	<b>0</b>	<b>130</b>
Operational and Partnerships Services	<b>110</b>	<b>0</b>	<b>110</b>
Education & Family Support	<b>125</b>	<b>35</b>	<b>160</b>
Communities	<b>130</b>	<b>0</b>	<b>130</b>
Social Services and Wellbeing	<b>170</b>	<b>0</b>	<b>170</b>
Cross Cutting (including):- <ul style="list-style-type: none"> <li>• External</li> <li>• Contingency – Unplanned</li> <li>• Contingency – Fraud and Error</li> </ul>	<b>330</b>	<b>55</b>	<b>385</b>
<b>OVERALL TOTAL</b>	<b>995</b>	<b>90</b>	<b>1,085</b>