

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

### **Section 1 - Introduction**

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

- Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2015.
- Supporting both the Chief Executive and the Head of Finance with their delegated responsibilities for ensuring arrangements for the provision of an adequate and effective internal audit.
- Monitoring the adequacy and effectiveness of the Internal Audit Shared Service and Director's / Heads of Service responsibilities for ensuring an adequate control environment.
- Supporting the Head of Finance in discharging his statutory responsibilities under Section 151 of the Local Government Act 1972.
- Ensuring that the Council's External Auditor in relation to our work on the main financial systems audits can place reliance on this.

### **Section 2 - Definition of Internal Audit**

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

### Section 3 - Statutory Framework

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

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

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

### Section 4 - Audit Committee

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

### Section 5 - Public Sector Internal Audit Standards (PSIAS)

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

- The definition of internal auditing;
- Code of ethics.
- International standards for the professional practice of internal auditing. These standards cover the following areas:
  - Purpose, authority and responsibility.

- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

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

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

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

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides. Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit Plan for 2017/18 is based, to a large extent, on the Council's Corporate Risk Register. This was complemented by:

- Priorities identified by Corporate Directors;

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

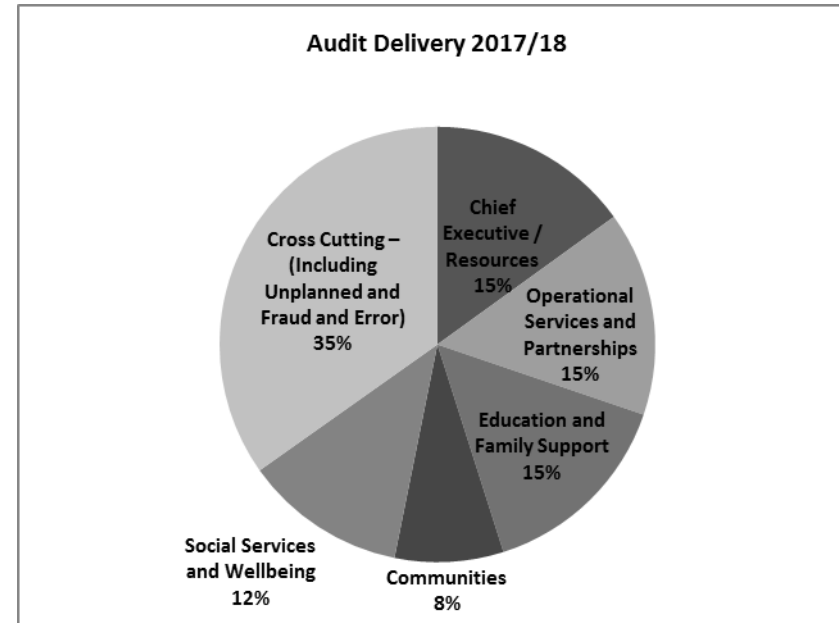
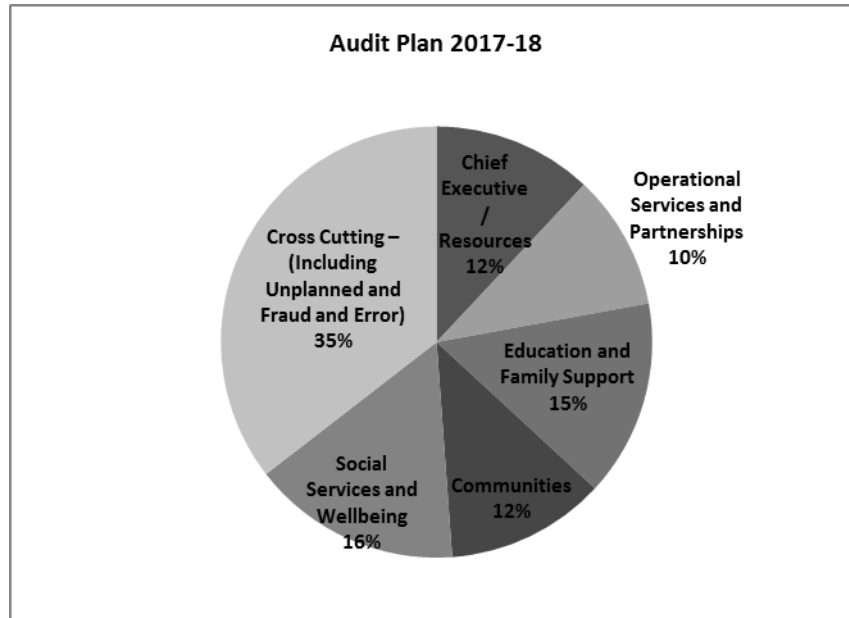
The Plan was submitted and approved by the Council's Audit Committee on 27<sup>th</sup> April 2017. The plan provides for the delivery of 1,085 productive days for the year, with a commitment of a minimum of 995 productive days. Table 1 below provides the outturn for the service for the Financial Year ending March 2018 and further detail is provided in Appendix B. The current structure for the Shared Service was reviewed during the year and staff numbers have reduced from 18 Full Time Equivalent employees (FTE's), to 14. The Head of Audit aims to achieve best practice, but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work. As at the end of the Financial Year 2018 the service is carrying 7.5 vacancies. This lack of adequate resourcing has had an impact on the number of days delivered as indicated below. As a consequence it has been necessary to commission the services of the South West Audit Partnership to assist in the delivery of the Plan. Whilst there is still a shortfall in the number of days delivered, with the assistance of SWAP and in particular the Healthy Organisation review on five of the eight corporate themes, this has provided an objective assessment of the management control framework or "health" of the Council in these areas. It has also informed the 2018/19 Annual Risk Based Audit Plan.

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

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

Diagram 1

Diagram2



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

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

### **Internal Control Weaknesses Identified**

**Mayoral review: -**

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

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

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

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

**SWTRA Grant Verification**

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

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

As at the time of the audit in January 2018:

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

### **School Agency Follow Up**

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

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

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

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

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

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

### **Internal Control Weaknesses Previously Reported**

#### **Foster Care Payments –**

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

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

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

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

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

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



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

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

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

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

### Section 7 - Audit Recommendations – 2017/2018

Following each audit, report recipients are asked to complete an action / implementation plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions. For the Financial Year ending 31<sup>st</sup> March 2018, Internal Audit has made a total of 46 recommendations, of which management has given written assurance that all of these will be implemented.

From time to time and where it is deemed appropriate to do so, Merits Attention recommendations will be made. By their very nature they relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. To this end, these recommendations are not included on the Management Implementation Plan or logged on the Internal Audit Management Information system. Therefore a formal written response is not required from the client or included in table 2 below.

Table 2

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

Table 3. Analysis of Overdue Recommendations

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

## Section 8 - Resources, Qualifications and Experience

The Head of Internal Audit requires appropriate resources at their disposal to undertake sufficient work to offer an independent opinion on the Council's internal control environment. This is a fundamental part of the Bridgend County Borough Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in 27<sup>th</sup> April 2017, which is based on the provision of a maximum of 1,085 (minimum 995) productive days.

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

Table 4 Staffing Structure

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

In accordance with the Public Sector Internal Audit Standards, the Head of Audit must ensure that Internal Auditors possess the knowledge, skills and competencies needed to perform their individual responsibilities. Internal Auditors are therefore encouraged to study for and obtain professional qualifications. In addition, it is a requirement of the standard that the Head of Audit must hold a professional qualification and be suitably experienced. The following information outlined in table 5 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

Table 5 - Qualifications / Experience

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

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

### Section 9 - Internal Audit – Other Activities

- **Anti-Fraud** – the Internal Audit Shared Service continues to assist in promoting an anti-fraud and corruption culture. We have ensured that staff are made aware; of any recent scams and frauds that have occurred in both the public and private sectors.
- **National Fraud Initiative** – The Council, via Internal Audit, has again participated in the National Fraud Initiative (NFI) as part of the statutory external audit requirements. This brings together data from across the public sector including local authorities, NHS, other government departments and other agencies to detect “matches” i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.
- **Advice and Guidance** – Internal Audit continues to provide advice and guidance both during the course of audits and responding to a wide range of ad-hoc queries.
- **Attendance at and contribution to, working groups etc.** - The Section continues to contribute to the development of the Council and ensuring that we are up to date with best practice by attending the following:-

- Audit Committee; Scrutiny Committees (as required); Cabinet (as required); Corporate Management Team /Board (as required); Corporate Improvement Group. Insight Board; Annual Governance Working Group, The Welsh Chief Auditors Group and all its sub-groups (including South Wales Computer Audit Group; South East Wales Education Audit Group; Social Services Audit Group).
- **Investigation Work** – We continue to support Senior Management in providing resources and expertise in investigating allegations of fraud and misappropriation. In addition, we have provided assistance in dealing with some corporate complaints.

### Section 10 - Internal Audit – Review of Performance Management and Quality Assurance Framework

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

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

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

#### Audit Client Satisfaction Questionnaires

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

**Table 6.**

No.	Question	Average Score of Responses	Average Score of	Average Score of	Average Score of

		to March 2018	Responses March 2016	Responses March 2015	Responses March 2014
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.290	1.290	1.360	1.420
2	Appropriateness of scope and objectives of the audit.	1.380	1.560	1.450	1.450
3	Timelines of audit.	1.450	1.560	1.690	1.490
4	Response of Officer to any requests for advice and assistance.	1.100	1.330	1.240	1.300
5	General helpfulness and conduct of Auditor (s)	1.100	1.190	1.170	1.150
6	Discussion of findings / recommendations during or at the conclusion of the audit.	1.000	1.000	1.000	1.000
7	Fairness and accuracy of report.	1.190	1.420	1.360	1.600
8	Practicality and usefulness of recommendations	1.190	1.580	1.460	1.570
9	Standard of report.	1.100	1.420	1.290	1.380
10	Client agreement with overall audit opinion.	1.190	1.350	1.310	1.560

### Section 11 - Opinion Statement 2017/18

This statement of opinion is underpinned by:

### Internal Control Framework

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

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

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

### Risk Management

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

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

### Governance Arrangements

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

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

### Internal Control

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

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

Our overall opinion on a system is based on both the materiality and impact of the system and our opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in Table 8 below:

### Table 7

SYSTEM CONTROL		MATERIALITY AND IMPACT		
		HIGH	MEDIUM	LOW
1	<b>Satisfactory</b>	<b>Moderate</b>	<b>Minimal</b>	<b>Minimal</b>
2	<b>Reasonable</b>	<b>Moderate</b>	<b>Moderate</b>	<b>Minimal</b>
3	<b>Limited – Significant Improvements required</b>	<b>Of Concern</b>	<b>Moderate</b>	<b>Moderate</b>
4	<b>No Assurance – Fundamental weaknesses identified.</b>	<b>Significant</b>	<b>Of Concern</b>	<b>Moderate</b>

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

## Section 12 - Governance Arrangements

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controls its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the



achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

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

Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last six years. The COCG also makes provision for a joint commitment by Members and Officers to the principles it contains, as well as a statement of assurance jointly signed by the Leader of the Council and the Chief Executive. This helps to ensure that the principles of good governance are not only fully embedded but also cascade through the Council and have the full backing of the Leader of the Council and elected Members, as well as the Chief Executive and the Corporate Management Board. The work of the Internal Audit Shared Service represents a fundamental function in delivering the Council's Corporate Governance responsibilities.

Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2017-18 and 2020-21, the Council is expecting to have to make budget reductions of up to £31.4 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about what services can be maintained and what cannot.

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

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

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

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

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

Notwithstanding the above issues, Internal Audit is very mindful of the fact that in a Council of this size and complexity, with its significant savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. It is clear that the scale of the challenges to come will mean that “business as usual”, however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. Therefore, as the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery; there is a need to ensure that the control environment; including governance and risk management; remains robust, proportionate and is as efficient and effective as possible.