

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

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

1. Purpose of Report.

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

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

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

3. Background

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

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

4. Current situation / proposal

4.1. Internal Audit Planning is not an exact science but it is felt that the proposed draft risk based plan for 2018/19 strikes a good balance between the risks identified, the internal audit resources available and the assurance work being carried out by other agencies.

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

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

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

4.4. Attached at **Appendix A** is the draft Internal Audit Strategy document for 2018/19. It demonstrates how the Internal Audit Service will be delivered and developed in accordance with our Terms of Reference and how it links to the Council's objectives and priorities. The Strategy will be reviewed and updated annually in consultation with stakeholders namely the Audit Committee, Corporate Management Board, External Auditors and Senior Management.

4.5. The 2018/19 draft Annual Risk Based Plan of work has been formulated to ensure compliance with the Standards as contained within the PSIAS. In order to keep Members of the Audit Committee fully informed, and to ensure compliance with Standards for Internal Audit the draft detailed plan is attached at **Appendix B**.

5. Effect upon Policy Framework & Procedure Rules.

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

6. Equality Impact Assessment.

6.1. There are no equality implications.

7. Financial Implications.

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

8. Recommendation.

8.1. The Committee is recommended to consider and approve the draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2018/19.

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Background Documents
None