

**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
Total Audits (4)	3	1	0	0	5

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
Total Audits providing an overall assurance opinion including Carry Forward from 2017/18 (46)	9	34	3	2	121

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		
Fundamental (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	2	2		2			
Significant (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	121	121	90	27	4		
Total	123	123	90	29	4		

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 1st 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.