

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.

| 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 |

Developing the Internal Audit Plan 2019/20

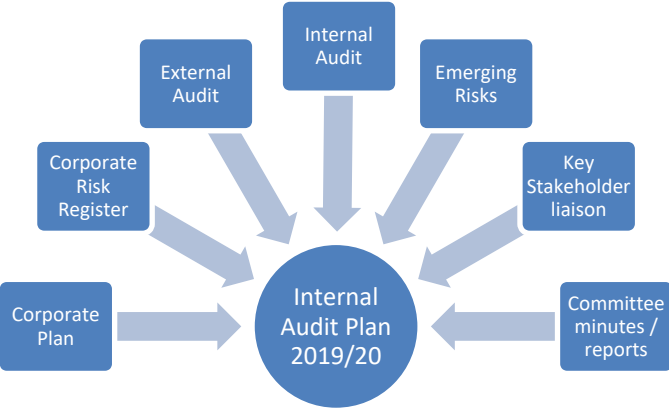
We have used various sources of information and discussed priorities for internal audit with the following groups:

- 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 |
|------------------------------|----------------------------|-------------------------------|---|--------|--------|--------|--------|------------|
| Good Governance 11015 | 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 |
| Safeguarding 16024 | 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 |
| CRSA 14022 | 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 | | | | | |
| Grant Certification Work 17042 | 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 | 10 | | | 20 |
| Material Systems – Key Financial Systems 11001 | 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. | | 25 | 25 | 25 | 75 |
| Direct Payments 16005 | 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. | | 10 | | | 10 |
| Data Analytics 12019 | 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 | 10 | 10 | 10 | 10 | 40 |

| 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. | | | | | |
| Domiciliary Care 16004 | 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 |
| Property Compliance 12046 | 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 |
| Home to School Transport 14101 | 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 |
| Healthy Organisation | 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 |
|---|-----------------------------|------------|---|--------|--------|--------|--------|------------|
| Review – follow up 17201 | | Assurance | 2017/18 including Governance, Procurement and Commissioning, Risk Management, Programme & Project Management and Information Management. | | | | | |
| DOLS 16110 | 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. | | 10 | | | 10 |
| Carry Forward from 2018/19 17033 | Cross Cutting | Assurance | Provision for those assignments which are still ongoing at the end of 2018/19. | 20 | | | | 20 |
| 2018/19 Closure of Reports 17100 | Cross Cutting | Assurance | To finalise all draft reports outstanding at the end of 2018/19. | 10 | | | | 10 |
| Follow up of recommendations for 2018/19 17001 Recommendation Monitoring | 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. | 10 | 5 | 5 | 5 | 25 |

| Area | Directorate | Type | Audit Scope | Qtr. 1 | Qtr. 2 | Qtr. 3 | Qtr. 4 | Total Days |
|--|---------------|-------------------------------|--|-----------|-----------|-----------|-----------|------------|
| Annual Opinion Report 2018/19 17100 Annual Opinion Report 2019/20 | 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. | 10 | | | 10 | 20 |
| Audit Planning – 2019/20 17027 Annual Planning – 2019/20 | 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. | 20 | | | 15 | 35 |
| Audit Committee /Members and CMB Reporting 17005 | 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 | 40 |
| Advice & Guidance 17200 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 | 20 |
| Quality Assurance & Improvement Programme / | 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 | 5 | | 10 | | 15 |

| Area | Directorate | Type | Audit Scope | Qtr. 1 | Qtr. 2 | Qtr. 3 | Qtr. 4 | Total Days |
|--|---------------|--------------------------|---|------------|------------|------------|------------|------------|
| Review of the Effectiveness of Internal Audit 17031 | | | / Public Sector Internal Audit Standards (PSIAS). | | | | | |
| Emerging Risks / unplanned 17028 | Cross Cutting | Contingency | To enable Audit Services to respond to provide assurance activity as required. | 15 | 15 | 15 | 15 | 60 |
| External Audit Liaison 17002 | Cross Cutting | Governance | To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services. | 4 | 3 | 3 | 4 | 14 |
| Fraud / Error / Irregularity 17003 | Cross Cutting | Contingency | Irregularity Investigations - Reactive work where suspected irregularity has been detected. Anti-Fraud & Corruption – 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). | 10 | 10 | 10 | 10 | |
| | | Fraud & Error | National Fraud Initiative - 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. | 10 | 10 | 10 | 10 | 80 |
| | | | Total – Priority One | 169 | 168 | 143 | 174 | 654 |

| Area | Directorate | Type | Audit Scope | Qtr. 1 | Qtr. 2 | Qtr. 3 | Qtr. 4 | Total Days |
|---------------------------------|-----------------------------|------------------|---|-----------|-----------|-----------|-----------|------------|
| HIGH RISK – PRIORITY TWO | | | | | | | | |
| Procurement 11005 | Chief Executive / Resources | 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 | | | | 15 |
| Capital Programme 11017 | Chief Executive / Resources | Assurance | 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. | | 10 | 10 | | 20 |
| Homelessness 15001 | Communities | Assurance | 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. | | | | 15 | 15 |

| Area | Directorate | Type | Audit Scope | Qtr. 1 | Qtr. 2 | Qtr. 3 | Qtr. 4 | Total Days |
|---|-----------------------------|------------------------|--|--------|--------|--------|--------|------------|
| Additional Learning Needs Bill 14103 | Education & Family Support | Assurance | To follow up on the recommendations made during 2018/19 to ensure action has been taken to address the weaknesses identified. | | 15 | | | 15 |
| Schools 14001 | Education & Family Support | Assurance | 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 |
| Banks Automated Clearing System (BACS) 11003 | Chief Executive / Resources | Assurance | 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 |
| Insurance 11008 | Chief Executive / Resources | Risk Management | 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. | | | | | |
| General Data Protection Regulations 13001 | Cross Cutting | | The GDPR came into force on the 25 th 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. | 20 | | | | 20 |
| IR35 11009 | Chief Executive / Resources | Assurance | 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 | | 20 | | | 20 |

| 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. | | | | | |
| Supply Chain Management 17110 | Cross Cutting | Assurance | 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. | | | 15 | | 15 |
| Project / Contract Management 15031 | Communities | Governance / Risk / Assurance | 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 | 15 | 15 | 15 | 15 | 60 |

| Area | Directorate | Type | Audit Scope | Qtr. 1 | Qtr. 2 | Qtr. 3 | Qtr. 4 | Total Days |
|--|-----------------------------|------------------------------------|--|-----------|-----------|-----------|-----------|------------|
| | | | addressed. | | | | | |
| Social Services Follow up work. 16030 | Social Services & Wellbeing | Risk Management | 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. | | 10 | | 15 | 25 |
| Budget Savings 11030 | Cross Cutting | Assurance | 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. | 15 | | | | 15 |
| ICT Audit 17040 | Chief Executive / Resources | Governance / Risk Assurance | In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively. | | 25 | 25 | | 50 |
| Retrospective Orders 12015 | Cross Cutting | Assurance / Risk | 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 | 10 | | | | 10 |

| 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 | Assurance Risk | This is a bespoke piece of work which will look at:- <ul style="list-style-type: none"> Reviewing the validity of the PO Box addresses currently recorded on COA; Make recommendations on the minimum level of checks to be completed and carried out before setting up on COA. | | | 10 | 4 | 14 |
| | | | Total – Priority Two | 120 | 130 | 125 | 94 | 447 |
| | | | Grand Total | 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 |