

**REGIONAL INTERNAL AUDIT SERVICE
STRATEGY AND DRAFT ANNUAL RISK BASED AUDIT PLAN**

2019 – 2020

Bridgend CBC

1. Introduction

Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the Annual Governance Statement. The purpose of this document is to provide a detailed Regional Internal Audit Shared Service Risk Based Plan for 2019-2020.

The audit plan is in order to ensure that the risks facing the Council are adequately addressed and internal audit resources are effectively utilised. The standards for “proper practice” in relation to internal audit are laid down in the Public Sector Internal Audit Standards (PSIAS).

Internal Audit has drawn their risk assessment from a wide range of sources including the Council’s Corporate Risk Register, Internal Audit risk assessment models and Directorate’s Business Plans and management meetings. The risk assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to the Council by providing assurance to the Council’s Audit Committee on controls over key risks. This document sets out the responses as internal auditors to those risks and to other factors that have been considered as part of the assessment of audit need.

The Plan will be subject to ongoing review and adjustments, to ensure it remains aligned with significant delivery objectives and risks and is responsive to the priorities and concerns of the Corporate Management Board (CMB). Any significant changes to the Plan will be reported to the Audit Committee.

2. Definition of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as follows: *“Internal audit 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”.*

3. Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (Wales) Regulations 2015:

“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.”

PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk based plan must take into account the requirement to produce an annual internal audit opinion”

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

4. S.151 Officer Responsibility

Internal Audit also has an important role to support the Council’s Section 151 Officer in discharging their statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

5. Development of the Internal Audit Plan

The plan has been prepared after a reference to the ‘audit universe’ (the comprehensive list of all areas potentially subject to audit across the Council). It has also taken into account an analysis of the risk registers and the views of Corporate Directors and Senior Management as to where audit resource is most needed. In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council and Chief Executive, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment, governance and risk management arrangements.

Revision of the Internal Audit Plan: This plan will be kept under review on an ongoing basis. Any significant changes will be reported to the Audit Committee for consideration and approval.

6. Risk Based Approach

The internal audit function will be delivered in accordance with the Regional Internal Audit Shared Service Charter, as presented to the Audit Committee in April 2019. The Charter defines the role, scope, independence, authority and responsibility of the internal audit shared service. Audits will be delivered in accordance with the Charter. The team will be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly focused on recruitment and the exploration of further opportunities to expand the shared service to increase the efficiency and resilience of the service.

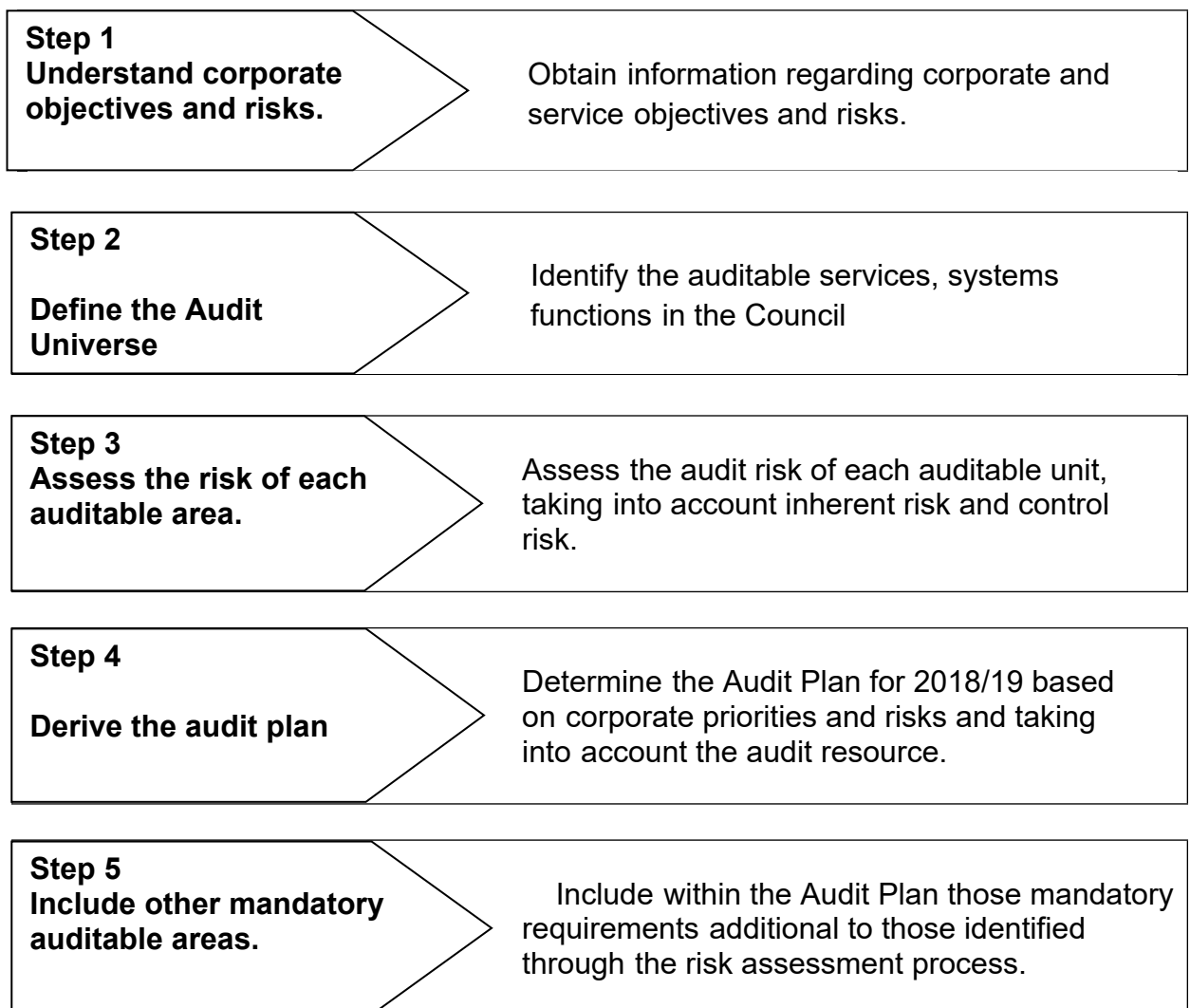
Risk based work is critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council’s

Corporate Risk Register are being managed effectively. As part of this process Internal Audit will also examine the risk management and governance arrangements.

By adopting a risk based audit approach there is a clear linkage between the significant risks identified in the Council’s Corporate Risk Register and the work undertaken by Internal Audit in providing assurance against these. As a result, the starting point for the audit plan approach is an understanding of the Council’s objectives and risks.

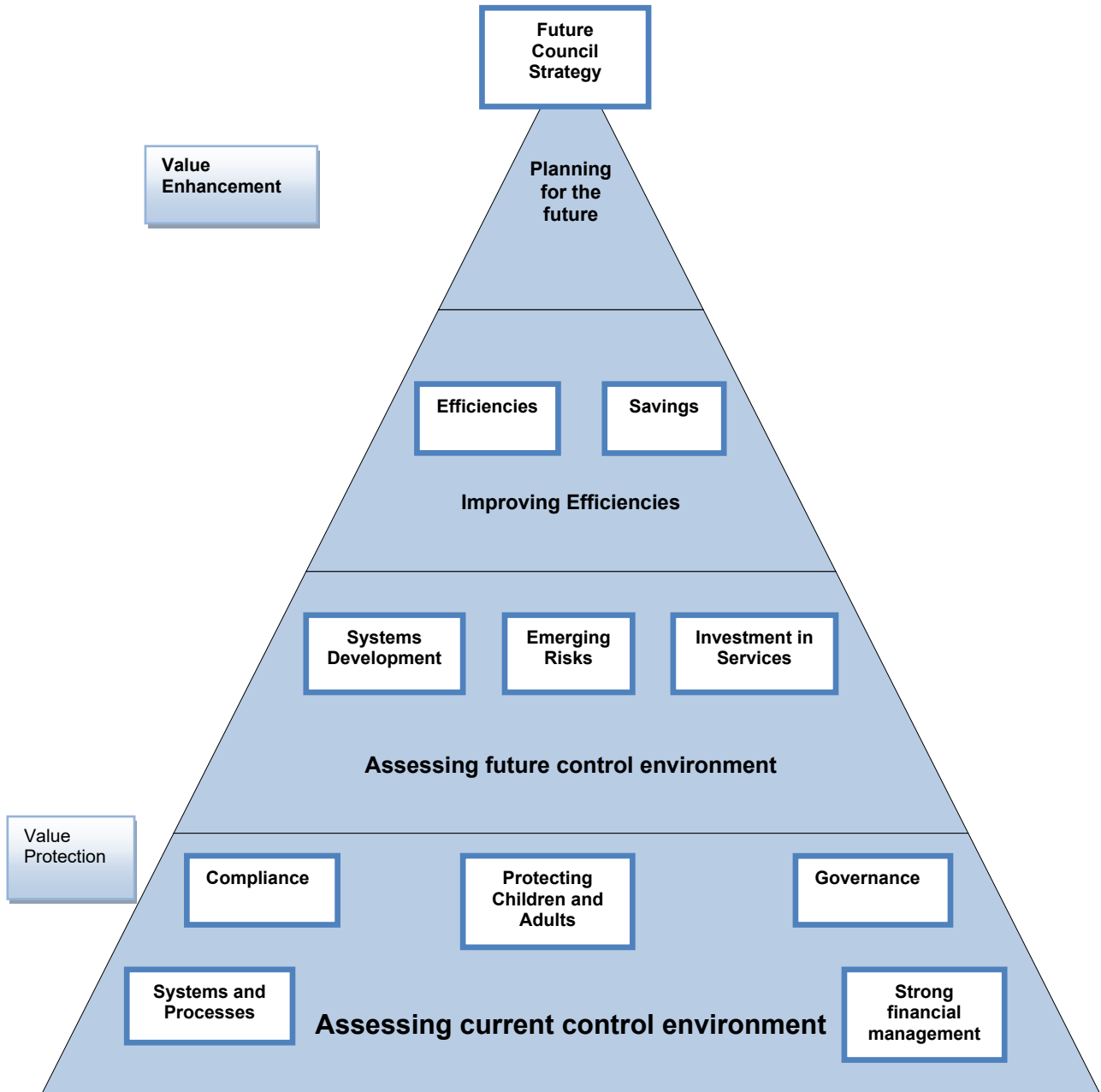
7. Methodology

A summary of our approach to the development of the Audit Plan for 2018/19 is set out below. The Plan is driven by the Council’s organisational objectives and priorities as set out in the Corporate Plan and the risks that may prevent the Council from meeting these objectives.



8. Value of Internal Audit

Internal audit activity can be broadly split into two categories, namely value protection and value enhancement.



Value Protection refers to the assurance we provide on the Council's internal control and governance arrangements. This includes our work on assessing the management of the key risks currently facing the Council. Value Protection also includes mandatory work on fundamental financial systems and helps the s.151 officer to fulfil their statutory responsibilities for proper financial administration and control.

Value Enhancement refers to our work on supporting the continuous improvement with regard to its corporate and service performance, delivering savings and more efficient ways of working as part of Council's Medium Term Financial Planning and, providing assurance on new significant change projects and systems developments and helping with providing assurance on future plans and strategies.

9. The Risk Assessment Process

The information which has been used to prepare the risk assessment and proposed internal audit plan has been collected and collated from a number of different sources. The starting point for a risk based audit approach is an understanding of the Council's priorities and risks. This has been achieved by reviewing the Corporate Plan, the Directorate's Business Plans, the Corporate Risk Register and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

The plan is based on an underlying risk assessment. The inherent risks existing within each area are then identified for audit as part of the audit planning process. The audits which make up the plan have been assessed on priority. Internal Audit will ensure that all reviews classified as "high" risk, will be completed by the end of the year, "medium risk reviews are the next level down, but still require a scheduled review. Although "low" risk reviews still carry a degree of risk, these have not been included on the plan but continue to be risk assessed annually to take account of any changes in their status.

10. The Internal Audit Plan

An annual plan is derived following the audit risk assessment, whereby audits will be selected based on the greatest perceived inherent risk. Internal Audit will ensure that most effort is focused on inherently high risk areas while, at the same time, not totally ignoring the potential for problems that may materialise in other areas.

Whilst Internal Audit will adopt a risk based approach to determine relative risk, there will remain areas where a purely cyclical approach will still be required i.e. programme of School audits.

The Head of Audit will keep progress against the audit plan, and the content of the plan itself, under review. Where there is a need for material changes to the plan; a

revised plan will be re-submitted to the Audit Committee for endorsement. The Audit Committee will also be advised of performance against the audit plan and be kept informed of the results undertaken.

11. Resource Requirement

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. As a consequence and at the commencement of 2019/20 the Audit Service has been extended and will provide the Internal Audit function to four Councils; these being Bridgend C.B.C, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan Council. As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalized. As a consequence, this plan has been based on the maximum number of productive days available to be delivered to Bridgend C.B.C for the whole year based on a full complement of staff.

Whilst it is recognised that we should be mindful of the fact that 2019/20 will be a transitional year for the service and as such some degree of latitude will be required in respect of the service delivery, arrangements will be put in place to closely monitor performance, keep the Audit Committee fully informed and should the need arise, assistance will be sort to bridge any gaps in delivery.

12. Contingencies

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

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

13. Delivering the Audit

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement. Any key (serious) issues arising during the course of the audit review will be promptly reported to the Head of Audit to determine

the impact on the scope of the review. Key issues will also be promptly brought to management’s attention during the course of the review to enable appropriate remedial action to be taken prior to being formally published in the audit report.

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

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

Audit recommendations will be prioritised as follows;

Priority Rating	Current risk	Action Required
High	Issues that are fundamental and material to your system of internal control. Internal Audit believes that these issues might mean that you do not meet an objective or reduce (mitigate) a risk.	Immediate Action required
Medium	Issues that have an important / significant effect on internal controls but do not need immediate action. You may still meet an objective in full or in part to reduce (mitigate) a risk adequately, but the weakness remains.	Appropriately timed action required.
Low	Issues arising that merit attention and that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.	Action recommended to enhance standards of control.

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

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

A clear, concise and constructive final report will be issued to the relevant manager / chief officer following a standard format as outlined below:-

- The overall level of assurance opinion, based on the auditor’s professional judgement of the effectiveness of the framework of internal control, risk management and governance;
- Audit recommendations, along with management response and implementation date;

- Details of findings, to include an explanation of the risk and the identified control weakness;
- The final report will be issued in the name of the Head of Audit. All final reports will be issued as PDF documents only and be sent by the Audit Client Manager (s).

14. Follow Up Reviews

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

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

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

16. Annual Assurance Report.

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

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

Public Sector Internal Audit Standards and Internal Audit’s Quality Assurance and Improvement Programme.

17. Corporate Priority Outcomes

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

Priority	Description	Key Projects and Programmes
<p>One supporting successful economy</p>	<p>– a This means the Council will take steps to make the county a good place to do business and to ensure that schools are focused on raising the skills, qualifications and ambitions of all people in the county.</p>	<p>City Deal – this is a programme that South East Wales Councils have secured from the UK and Welsh Government. The Deal is projected to deliver 25,000 extra jobs across the region.</p> <p>Strategic Review of Post 16 Education and Training – this programme evaluates education provision and curriculum delivery with Bridgend county borough to ensure that there are clear options available to provide the best possible opportunities for learners in the county borough.</p> <p>Successful Economy Programme – this programme consists of key regeneration and local development schemes in our main town centres. We will also maximise the opportunities from other regeneration funding strategies and programmes, such as the Valleys Taskforce, a Welsh Government initiative that aims to deliver economic change by creating good quality jobs and helping people access skills.</p> <p>Alignment of the Welsh Government Tackling Poverty Grants – we will streamline those grants, focusing on alleviating child poverty through early intervention through Flying Start, Families First, Supporting People and Communities First Legacy Funding</p>
<p>Two – Helping people to be self-reliant</p>	<p>This means we will work with our partners, including our service users and carers, to take early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its</p>	<p>Remodelling Social Care:- We will continue with this large programme of recommissioning adult home care, developing extra care and information and advice services for people and their carers.</p> <p>Working with partners we are implementing a Multi-Agency Safeguarding Hub as a single point of contact for all safeguarding concerns.</p>

	<p>services, support individuals and communities to build resilience, and enable them to develop local solutions to meet local needs and enjoy independent life as much as they can.</p>	<p>We are looking at our existing models of residential care for children and young people and respite care for children with disabilities in order to make them more targeted and more effective.</p> <p>Community Asset Transfer – We will transfer assets to communities to manage sustainably while making the most of the assets we retain.</p>
<p>Three – Smarter use of resources</p>	<p>This means we will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.</p>	<p>Digital Transformation Programme – this programme aims to change the way we operate to enable customers to access information, advice and services on line.</p> <p>Rationalising the Council's estate – this programme is about disposing of council assets and transferring assets to communities to manage while making the most of the assets we retain.</p> <p>Schools' Modernisation Programme – this programme invests in a sustainable education system in school buildings that reduces cost and their carbon footprint.</p>

18. Corporate Risk

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

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

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

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

19. INTERNAL AUDIT SHARED SERVICE DRAFT ANNUAL RISK BASED PLAN 2019 -2020

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

Attached at **Appendix B** is the detailed schedule of audits planned for each of the Council's Directorates including Cross Cutting. Table 1 below provides an overall summary of the number of productive days allocated.

Table 1–Productive Resource Availability & Utilisation April 2019 to March 2020 – Draft Proposals.

Resources Available	Total Days
Productive days	1,101
Priority One – Those areas that must be covered during the year.	654
Priority Two – Those areas that should be covered during the year based on Risk.	447
Days split by Directorate.	
Chief Executive - Resources	225
Education & Family Support	163
Communities	75
Social Services and Wellbeing	70
Cross Cutting (including):- <ul style="list-style-type: none"> • Contingency – Fraud and Error 	568
OVERALL TOTAL	1,101