

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

ANNUAL INTERNAL AUDIT REPORT 2019-20

1. Purpose of report

- 1.1** The purpose of this report is to provide the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Audit Committee of the work and performance of Internal Audit for the Financial Year 2019-20.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1** This report assists in the achievement of the following corporate well-being objective priority under the Well-being of Future Generations (Wales) Act 2015:-

- Smarter use of resources – ensure that all its resources (financial, physical, ecological, 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 well-being objectives.

3. Background

- 3.1** The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:

- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- Present a summary of the audit work undertaken;
- Draw attention to any issues that may impact on the level of assurance provided;
- Provide a summary of the performance for the service;
- Comment on conformance with the Public Sector Internal Audit Standards.

- 3.2** In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

- 3.3** The 2019-20 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 18th April 2019. The Plan outlined the

assignments to be carried out and their respective priorities. As this was the first year of the newly created Regional Service, 2019-20 was highlighted as a transitional year where flexibility would be required to deal with the demands of setting up a new service.

- 3.4 In addition, the plan was produced based on a full staffing compliment, however vacancies remained during 2019-20 whilst the staffing structure for the Regional Service was being agreed and therefore SWAP Internal Audit Services have assisted with some work.

4. Current situation/proposal

- 4.1 The Internal Audit Annual Report is at **Appendix A** which summaries the reviews undertaken during 2019-20 including any counter fraud work, the recommendations made and any control issues identified. A total of 35 reviews were completed with an audit opinion and a total of 103 medium and high recommendations made. A detailed breakdown is included at **Annex 1** of the appendix. The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.
- 4.2 Progress against the 2019-20 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, Audit Committee, External Audit liaison, Fraud, and Irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 4.3 Annex 2 illustrates that the majority of planned audit reviews have been undertaken during 2019-20 despite the reduced staffing resources. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as the Wales Audit Office reports on budgets and safeguarding. Some planned reviews were reassessed during the year and a decision made not to undertake the work whilst 4 audits will be carried forward into 2020-21.
- 4.4 Taking into account the results of the internal audit reviews completed during 2019-20, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2019-20 is of **reasonable assurance**. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.
- 4.5 In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019-20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

5. Effect upon policy framework and 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 arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

9. Recommendation

9.1 That Members give due consideration to the Annual Internal Audit Report for the Financial Year 2019-20 including the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control.

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30 June 2020

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Background Documents

None