

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

26 JANUARY 2023

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022-23

1. Purpose of report

- 1.1 The purpose of this report is to provide members of the Committee with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2022-23.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
- **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 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.
- 3.2 The Internal Audit Plan for 2022-23 was submitted to the Governance and Audit Committee for consideration and approval on 22nd June 2022. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an opinion at the end of 2022-23.
- 3.3 The Plan is also flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may emerge.

4. Current situation/proposal

- 4.1 Progress made against the approved Plan for the period 1st April to 31st December 2022 is attached at **Appendix A**. This details the status of each planned review, the audit opinion and the number of any high, medium or low priority recommendations that have been made to improve the control environment. It should be noted that

some reviews listed have no audit opinion, for example advice and guidance and Governance and Audit Committee / Corporate Management Board (CMB) reporting. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.

- 4.2 **Appendix A** illustrates that as at the 31st December 2022, a total of 11 audits have been completed with 6 of these completed audits being finalised with an audit opinion. A further 6 audits have been completed and draft reports issued. Feedback is awaited from the service departments in respect of the management action plans for these audit reviews and once received these reports will be finalised. In addition a total of 22 audits are currently on-going and another 11 have been allocated to Auditors and are due to commence shortly. Although there appears to be a large number of audits on-going it should be noted that in many cases the fieldwork is complete and reports are being concluded.
- 4.3 Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 3 completed audit reviews and an opinion of reasonable assurance to the other 3 completed audit reviews. There have been no limited assurance opinions.
- 4.4 For reference, the audit assurance/opinion categories are:

| AUDIT ASSURANCE CATEGORY CODE | |
|-------------------------------|--|
| Substantial | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| Reasonable | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| Limited | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| No Assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

- 4.5 **Appendix A** identifies that to date 9 medium priority and 7 low priority recommendations have been made to improve the control environment. The implementation of these recommendations is being monitored to ensure that the identified and agreed improvements are being made. The progress being made in implementing these is included in a separate recommendation monitoring report which is also presented to this Committee.

- 4.6 Again for reference, Internal Audit recommendations are categorised/prioritised as follows:

| RECOMMENDATION CATEGORISATION | |
|--|--|
| Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows: | |
| High Priority | Action that is considered imperative to ensure that the organisation is not exposed to high risks. |
| Medium Priority | Action that is considered necessary to avoid exposure to significant risks. |
| Low Priority | Action that is considered desirable and should result in enhanced control. |

- 4.7 Whilst it is pleasing that the Regional Internal Audit Service (RIAS) has successfully recruited new audit staff during 2022-23, as previously highlighted, the new staff are having an impact on the current resource available to deliver the internal audit plan due to the support and training they require. Therefore, to assist with the delivery of the plan some audits have been allocated to SWAP Internal Audit Services to undertake on RIAS's behalf.

- 4.8 Whilst performance to date is lower than anticipated for 2022-23, the level of coverage by the end of this financial year will be sufficient to allow the Head of Audit to provide an opinion on the Council's arrangements for internal control, governance and risk management arrangements throughout 2022-23.

5. Effect upon policy framework and procedure rules

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

6. Equality Act 2010 implications

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of 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 of the Committee note the content of the report and the progress made against the 2022-23 Internal Audit Risk Based Plan.

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HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE
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Background Documents :
None