

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

27 APRIL 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 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 2022 to 31st March 2023 is attached at **Appendix A**. This details the current 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 a total of 17 audits have been completed with an audit opinion whilst a further 6 audits have been issued as draft. Feedback is awaited from the service departments in respect of the management action plans for these draft audits and once received the reports will be finalised. In addition 10 audits are under review with the draft audit reports due to be issued imminently. Therefore, it is estimated that the audit opinion of 33 audits will feed into the overall annual audit opinion for 2022/23.
- 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 the audit opinions for the 17 audits are as follow; 5 have been given substantial assurance, 11 reasonable assurance and one audit has been given an audit opinion of limited, that is only limited assurance can be placed on the current system of internal control.
- 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 An explanation in respect of the audit where an audit opinion of limited has been given is detailed as follows :

Abercerdin Primary School

The purpose of this audit was to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of Abercerdin Primary School. This audit was undertaken in October 2022. Although some strengths were identified, it was noted that the school was significantly affected by the pandemic and key issues were found. These were in respect of the Governing Body which had failed the statutory requirement to meet termly during the 2021/22 academic year due to membership and attendance issues making it non quorate. There was no evidence that the school budget had been agreed and no evidence to demonstrate when policies had been reviewed and agreed by the Governing Body. There were also issues identified in respect of the school's private fund. As a result of these findings, recommendations were made which have been agreed and a follow up audit will take place during the summer term to ensure that improvements have been made.

- 4.6 **Appendix A** also identifies the audits that have not been completed during 2022/23. Of these, 2 have commenced and are being carried forward whilst a further 9 did not start but will be considered in the 2023/24 plan. One audit was not undertaken and will not be included in the 2023/24 plan, this was a review of grant schemes from Welsh Government which were allocated during and after the pandemic.
- 4.7 **Appendix A** identifies that to date 41 medium priority and 49 low priority recommendations have been made to improve the control environment. The implementation of these recommendations is monitored to ensure that the identified and agreed improvements are being made.
- 4.8 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.

- 4.9 As reported during the year the Regional Internal Audit Service (RIAS) has successfully recruited new audit staff during 2022-23 but as previously highlighted, the new staff have had an impact on the current resource available to deliver the internal audit plan due to the support and training that has been required. The plan was compiled assuming a full establishment and although SWAP Internal Audit Services have assisted, 9 planned audits have not been undertaken during 2022/23.
- 4.10 However, it is estimated that 33 audits will be completed with audit opinions. These, together with other sources of assurance such as external assessment reports from

Care Inspectorate Wales, Estyn and our own controlled risk self-assessments completed by all schools, will provide a level of coverage that is sufficient to allow the Head of Internal 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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Background Documents :

None