



ANNUAL INTERNAL AUDIT REPORT

2025-26

Andrew Wathan, CPFA

**Head of Regional Internal Audit Service
May 2026**

**REGIONAL INTERNAL AUDIT SERVICE /
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL**



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Section 1 – Introduction

- 1.1 In accordance with the Global Internal Audit Standards, this is the Head of Audit's annual internal audit opinion and report based on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This can be used to inform the Bridgend County Borough Council's Annual Governance Statement.
- 1.2 The 2025/26 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Internal Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control.
- 1.3 The plan was flexible to respond to changing circumstances and events that may have occurred during the year such as pressures on services, the ability to access staff and evidence or requests to respond to new issues that may have emerged. There were no significant deviations from the original Internal Audit 2025/26 Plan agreed by the Governance and Audit Committee in June 2025.
- 1.4 The Internal Audit Service is delivered through a shared service that came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and currently provides internal audit services to Bridgend, Merthyr Tydfil and the Vale Unitary Councils. The arrangement is underpinned by a detailed legal agreement between the Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service). At the five-year anniversary, April 2024, three of the four original partners renewed the partnership agreement.
- 1.5 The service reports to the three Governance & Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the three Councils.
- 1.6 During the year auditors have had the flexibility to work from home or the office and have undertaken site visits as appropriate for each audit.

Section 2 – Summary of Reviews Undertaken 2025/26

- 2.1 On completion of the audit reviews an audit opinion is formed providing assurance for management and those charged with governance on how well the internal controls and governance arrangements of the system, establishment or area of review are operating.

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- 2.2 Based upon the findings and recommendations made, an overall conclusion as to the level of assurance that can be provided is given as follows:

Table 1 - 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.

Table 2 – Audit Opinion Given to Completed Audit Reviews 2025/26

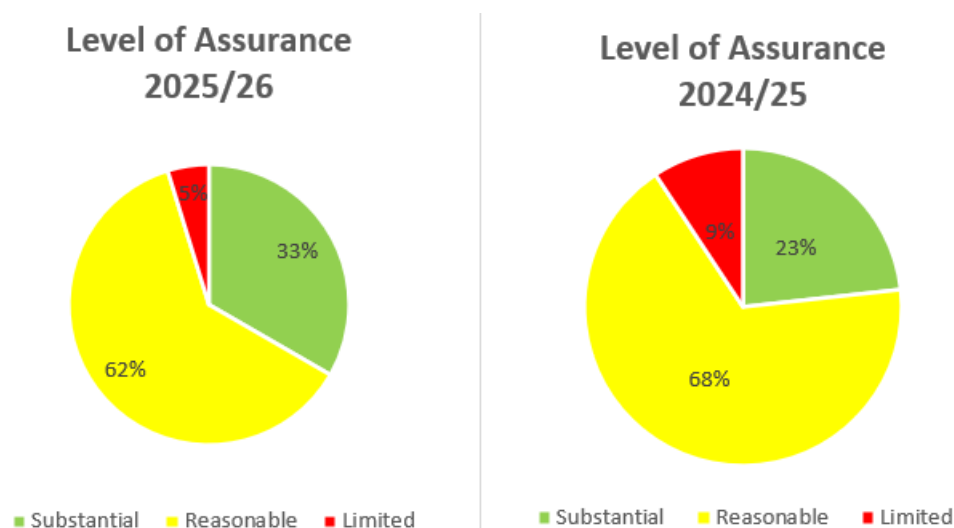
Opinion	Follow Ups	Financial & ICT Systems	Other Audit Reviews	Schools	Grant Verification	Total	%
Substantial	-	5	6	1	2	14	33%
Reasonable	5	2	10	8	1	26	62%
Limited	-	-	1	1	-	2	5%
No Assurance	-	-	-	-	-	0	0%
Total	5	7	17	10	3	42	100%

- 2.3 Table 2 illustrates that a total of 42 reviews were given an audit opinion and 95% of these audit opinions are *Substantial* or *Reasonable Assurance*, a positive outcome. A list of these audits is at **Annex 1**. A comparison of opinions issued in the previous year is shown at Table 3 and Figure 1 below:

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Table 3: Comparison of Audit Opinions

Opinion	2023/24		2024/25		2025/26	
	Total	%	Total	%	Total	%
Substantial	10	24%	10	23%	14	33%
Reasonable	25	61%	29	68%	26	62%
Limited	6	15%	4	9%	2	5%
No Assurance	0	0	0	0	0	0%
Total	41	100%	43	100%	42	100%

Figure 1 – Level of Audit Assurance 2025/26 & 2024/25

- 2.4 A summary of the key control issues identified within the 2 *Limited Assurance* opinion audits are in Section 3 of the report.
- 2.5 The final position against the 2025/26 approved audit plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high, medium or low recommendations made to improve the control environment. It should be noted that 12 audit reviews listed have no audit opinion. The majority of these are routine internal audit work, for example advice and guidance, external audit liaison, fraud and irregularity work, audit planning and recommendation monitoring. This work is planned but the nature of the audit work carried out in respect of these items does not lead to testing and the formation of an audit opinion. Fact finding pieces of work were also undertaken.
- 2.6 **Annex 2** illustrates the status of the 59 audit assignments included in the audit plan, 42 of which were opinion related. A summary of the status of the planned audits is illustrated in Table 4 below.

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Table 4 – Status of Planned Audits 2025/26

Status of Audits Assignments	Number	Percentage Completed (%)
Complete with audit opinion	41	87%
Draft with audit opinion	1	2%
Audit in progress and carried forward	2	-
Audit not started; considered for 2026/27 Plan	3	-
Sub Total	47	89%
Complete with no audit opinion	12	-
Total	59	92%

- 2.7 There were 2 audits that were ongoing at year end so were carried forward. A further 3 were not started and will be considered for inclusion in the 2026/27 audit plan.
- 2.8 It is therefore considered that the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an annual overall opinion.

Section 3 – Limited Reports - Control Issues

- 3.1 **Table 2** illustrates that 2 audit reviews identified control issues which meant that only *Limited Assurance* could be provided. These key issues are detailed below:

3.2 Corporate Risk Management

The following key issues were identified during the audit :

- The absence of a designated officer with sole responsibility for Corporate Risks undermines clear accountability and inconsistent risk management across the Authority.
- Senior Officers, who should be supporting the identified Risk Owners to monitor and review the risks, were not identified.
- The implementation of the Risk Management software system requires prioritisation.
- It could not be demonstrated that Corporate Risks were being reported and monitored at a Senior Management level, including Directorate Senior Management teams, Corporate Management Team (CMT), Cabinet/ Corporate Management Board (CCMB), or at Overview and Scrutiny Committees, due to a lack of supporting evidence.
- Corporate Risks are not correctly identifiable within the Directorates Business Plans.

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3.3 **Awen Cultural Trust**

The following key issues were identified during the audit:

- The savings in the Medium-Term Financial Strategy, agreed by Council in February 2024, had not been identified or achieved.
- Key governance information is not being received from Awen by the Council, and it is not known when key governance information was last received by the Council from Awen.
- No updates on the performance of the Awen partnership have been provided to Scrutiny or Cabinet.
- The membership of the Advisory Board and the Terms of Reference of the Cultural Partnership Advisory Board are outdated.

3.4 Follow up audits are undertaken to provide assurance that improvements have been made following a previous *Limited Assurance* audit opinion report. There were 5 follow up audits completed in 2025/26. Improvements were identified and the audit opinions were all *Reasonable Assurance*. These were:

- Payment Card Industry Data Security Standard (PCI-DSS) Compliance
- Security & Access to Council Buildings
- St Marys Catholic School
- Maesteg Comprehensive School
- Penybont Primary School

Section 4 – Recommendations 2025/26

4.1 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk. Recommendations are included in a management action plan and following each audit report auditees are asked to complete the action plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions, these ratings being High, Medium and Low.

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.

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Recommendation Categorisation	
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.

- 4.2 Management are asked to provide feedback on the status of each recommendation once the target date for implementation has expired. The implementation of these recommendations is monitored via internal audit software to ensure improvements are being made and the monitoring is regularly reported to Senior Officers via Corporate Management Team and to Governance and Audit Committee.

Table 5 – Analysis of Recommendations Made During 2025/26

Rec. Category	Follow Ups	Financial & ICT Systems	Other Audit Reviews	Schools	Grant Verification	Total	%
High	0	0	4	5	0	9	4%
Medium	17	10	37	39	3	106	53%
Low	15	9	32	28	1	85	43%
Total	32	19	73	72	4	200	100%

- 4.3 Table 5 illustrates that a total of 200 recommendations were made to improve the control environment of the areas reviewed during 2025/26. Management has given written assurance that these will be implemented or have accepted the identified risk if the recommendation has not been accepted.
- 4.4 **Annex 3** provides a summary of the status of the high and medium internal audit recommendations made. This includes recommendations made in relation to audits completed in previous years which are yet to be implemented.

Section 5 – Counter Fraud Work

- 5.1 A separate Annual Corporate Fraud Report will be presented to the Governance and Audit Committee which will outline the counter fraud work undertaken during 2025/26 which is being compiled by Bridgend's Senior Fraud Investigator. Internal Audit has an excellent working relationship with the Senior Fraud Investigator and significant liaison takes place in relation to policies, corporate fraud matters and related investigations.

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- 5.2 The National Fraud Initiative is also included in the audit plan. Internal Audit facilitates the upload of data and works with the Council's Senior Fraud Investigator to provide advice to officers reviewing the data matches. A biennial exercise commenced when data was extracted from the various Council systems and submitted for matching in October 2024. The matches were returned in January 2025 and work is ongoing to review the data matches to identify if any fraud or error has occurred.

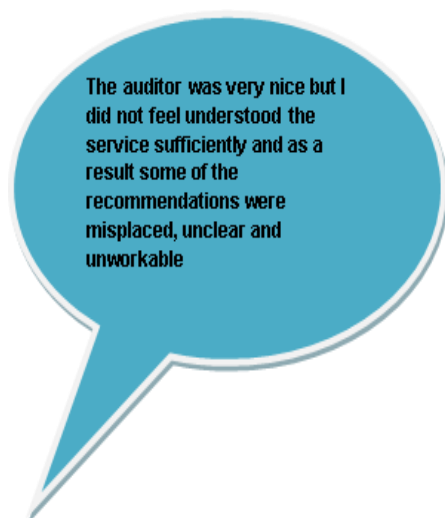
Section 6 – Key Performance Measures – Client Satisfaction Questionnaires

- 6.1 The Internal Audit Service uses the Internal Audit software to enable clients to feedback with comments on the work undertaken by internal auditors. The client satisfaction questionnaires provide managers with the opportunity to feedback on the performance, professionalism and conduct of the auditor as well as the audit process in general. The questions are contained in **Annex 4**.
- 6.2 41 questionnaires were issued during 2025/26 with 39 being returned, a return rate of 95% which is an improvement of the previous year's return rate of 67%. There are discrepancies between the number of audit opinions and questionnaires issued due to timing as questionnaires are only sent after an audit is finalised.
- 6.3 The returned surveys confirm satisfaction with the audit approach, the service provided and the conduct of the Auditors. It is pleasing to note that the average rate of satisfaction is 95% (96% in 2024/25).
- 6.4 An analysis of the question *"how would you rate the usefulness of the audit"* has been undertaken as it was felt that this response rate provides a useful insight. The rate of satisfaction to this question is 90%.
- 6.5 The client also has an opportunity to make comments within the Client Satisfaction Questionnaire. Set out below are examples of comments received during the period. Most of the feedback received was positive although all comments received are considered.

I'm very pleased with the auditor, the work undertaken for this audit, the quick turnaround and the outcome provided..

The auditor couldn't have been nicer on a personal and professional level.

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**Section 7 – Key Performance Measures – Staff Training**

- 7.1 Investment in the development of staff continues as it is recognised that with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated, and versatile audit staff has never been higher.
- 7.2 In terms of professional training, our two Graduate Auditors have each successfully completed 3 of the 4 stages of the Chartered Institute of Public Finance and Accountancy (CIPFA) exams. The final stage will be completed within the next year and will result in them becoming fully qualified CIPFA Accountants. Another four members of staff are working towards the Chartered Institute of Internal Auditors, Certified Internal Auditor qualification.
- 7.3 Staff are encouraged to complete on-line courses to develop their skills and networking opportunities. Listed below illustrate the range of training courses that staff have completed during 2025/26:
- Senior Auditor Skills
 - Fraud Awareness
 - Data Protection
 - Project Management
 - Safeguarding – Children and Adults
 - How to Use Data
 - AI and Co-Pilot skills
 - Ethics
 - Challenging Conversations
 - Delivering Effective Feedback
 - Welsh Language
 - Writing Smarter

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- 7.4 In addition, those staff who hold professional qualification continue to meet their continuing professional development (CPD) requirements.

Section 8 – Key Performance Measures – Benchmarking

- 8.1 The Regional Internal Audit Service (RIAS) is a member of the Welsh Chief Auditors Group (WCAG) and its benchmarking exercise. When the figures become available, they will be shared with the Governance and Audit Committee.
- 8.2 The key indicator is the level of assurance the team can provide on the adequacy of the control environment, governance arrangements and risk management process in place across all service areas of the Council.
- 8.3 The RIAS set quarterly targets to monitor the delivery of the approved audit plan to assist in ensuring sufficient audit coverage has been given to the Council to provide an overall opinion at the end of 2025/26. The year-end target set was 80% and Table 4 illustrates that 92% of the audit plan was completed. A total of 59 assignments were planned during the year of which 54 were completed. Of these, 42 audits were completed with an audit opinion. The nature of the remaining 12 audits did not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.

Section 9 – Global Internal Audit Standards

- 9.1 From 1 April 2025 internal audit teams in the public sector in the UK have been working to new internal audit standards. These are a combination of the Global Internal Audit Standards (GIAS) and CIPFA's Application Note, Global Internal Audit Standards in the UK Public Sector.
- 9.2 The Global Internal Audit Standards have replaced the Public Sector Internal Audit Standards, and Internal Audit documentation such as the Internal Audit Charter and the RIAS Audit Manual, have been updated to reference this.
- 9.3 There were some additional requirements and changes, the key ones were:
- a 'mandate' for internal audit; in local government, internal audit's primary mandate comes from statutory regulations
 - an internal audit strategy
 - professional courage and professional scepticism
 - Internal Audit plans support the achievement of organisation's objectives

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9.4 The Standards have 5 Domains, 15 Principles and 52 Standards:

The five domains are:

- Purpose
- Ethics and Professionalism
- Governing
- Managing

9.5 The GIAS requires an external assessment to be conducted every five years by a qualified, independent assessor or assessment team external to the organisation. The external quality assessment can also be carried out via an independently validated self-assessment. Members of the Welsh Chief Internal Audit Group elected to adopt the self-assessment approach. The external assessment for the RIAS is scheduled for 2027.

9.6 In addition, an annual internal self-assessment to determine compliance with GIAS is conducted by an Auditor within the team and any non-conformance is reported to the relevant Governance and Audit Committees. This work resulted in a *Substantial Assurance* opinion with 2 low priority recommendations being made and agreed to make further improvement; the Internal Audit Charter was updated to reflect this. Therefore, the RIAS fully conforms with the Global Internal Audit Standards.

Section 10 – Regional Internal Audit Service Progress

10.1 The expanded shared service came into existence on 1st April 2019, it is hosted by the Vale of Glamorgan Council and provides internal audit services to Bridgend, Merthyr Tydfil and the Vale Councils. A 3 Partner Model has successfully been in operation since April 2024.

10.2 The vision for the service is to be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing and to be a service that is regarded as:

- ✓ Professional
- ✓ Approachable
- ✓ Flexible
- ✓ Independent but internal to the organisation – a critical friend

10.3 During 2025/26, the service was supported by an agency auditor for a few months and the Graduate Auditors are being supported to become professionally qualified which will assist in succession planning.

10.4 Audit work has been conducted using various digital solutions and audit staff and auditees all have adjusted well to this way of working. The audit service continues to be delivered remotely with an element of office based and face to face working as required.

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- 10.5 The audit software solution continues to be used. Ongoing development will continue to ensure maximum use of the improved functionality and reporting tools.
- 10.6 The RIAS undertook some internal audit work for the Welsh Local Government Association (WLGA) during 2025/26, and this agreement will continue for 2026/27.
- 10.7 The longer-term success of the Regional Internal Audit Service includes plans to develop a commercial approach and analysing the potential public sector market. Limited progress has been made on this aspect as the foundations referred to above need to be embedded before progressing this.

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Section 11 - Opinion Statement 2025/26

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Creditors, Council Tax, General Ledger and Open Contractor) or generally in the reviews undertaken in respect of directorate systems and processes.

In providing my 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 2025/26 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at my opinion, the following matters have been taken into account:

- The results of all internal audits undertaken during the year ended 31st March 2026
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities.
- Other sources of assurance

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Governance Arrangements

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Governance arrangements are considered as part of every audit where applicable.

Whilst some governance issues were identified within the school audits, no other significant issues were identified from a governance perspective therefore an opinion of **Reasonable Assurance** is given.

Risk Management

Effective Risk Management forms a key aspect of assurance and governance. The Corporate Risk Management Policy sets out the roles, responsibilities and reporting lines for all officers and members.

Key risks are distilled in the Corporate Risk Assessment which is regularly reviewed and challenged by senior management. Detailed reports are also provided quarterly to the Governance & Audit Committee.

A Corporate Risk Management audit was undertaken during 2025/26 and a *Limited* opinion provided largely due to strategic and management aspects of risk management needing strengthening. These findings aligned to the findings of Audit Wales in their risk management audit.

Risk management audit is also considered as part of every audit.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one of **Limited Assurance** is given.

Internal Control

I have based my opinion on internal control using the work undertaken by internal audit during the year.

A total of 42 reviews culminating in an overall opinion have been completed, 40 (95%) of which have been closed with either a *Substantial* or *Reasonable Assurance* opinion level. 2 reviews (5%) were given a *Limited Assurance* opinion which identified significant weaknesses in the overall control environment, and these have been summarised in Section 3 above.

Therefore, an opinion of **Reasonable Assurance** can be given on internal control.

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Head of Internal Audit Opinion Statement 2025/26

From the work undertaken during the financial year 2025/26 and taking into account other sources of assurance, such as Head Teacher and Chair of Governor Assurance Statements, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2025/26 is:

“Reasonable Assurance”

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

Many Council staff are continuing to work remotely, and systems & processes have had to be adjusted to cater for the new ways of working. Similarly, Internal Audit has worked remotely, conducting audits and obtaining evidence digitally. Each audit has considered the potential impact of remote working to ensure adequate controls and governance arrangements remained in place.

The recommendations made to improve governance, risk management and control have been accepted and are at various stages of implementation.

Andrew Wathan CPFA
Head of Regional Internal Audit Service
May 2026