

Partneriaeth Pen-y-Bont a'r Fro
Bridgend & Vale Partnership
working together - gweithio ar y cyd



**INTERNAL AUDIT SHARED SERVICE
STRATEGY AND DRAFT ANNUAL AUDIT PLAN**

2015 – 2016

Bridgend CBC

1. Introduction

- 1.1 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 Internal Audit Shared Service Risk Based Plan for 2015-2016.
- 1.2 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).
- 1.3 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.
- 1.4 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. Providing Assurance

- 2.1 Internal Audit recognises the necessity to provide management with an on-going level of fundamental “core financial systems” assurance, particularly in light of the need to satisfy the Council’s External Auditors. Internal Audit will continue to work closely with the External Auditor to maximise audit efficiency.

3. Risk Based Approach

- 3.1 Risk based work is also 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.
- 3.2 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.

4. The Risk Assessment Process

- 4.1 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.
- 4.2 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.

5. The Internal Audit Plan

- 5.1 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.
- 5.2 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.
- 5.3 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.

6. Resource Requirement

- 6.1 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 impacts of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce over the last few years. Resources have decreased from 22 staff in 2012/13 to 20 in 2013/14 to a current full establishment of 18.5 staff for 2014/15 and this level of resource continues for 2015/16.

6.2 The resource availability summarised in Table 1 sets out the requirement of 1,296 chargeable / productive days, and is based on a productivity rate for each full time equivalent of 180 days per year.

6.3 Availability is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year.

7. Contingencies

7.1 The internal audit plan needs to be fluid and flexible enough to enable the internal audit service to be reactive, 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. The contingency is set at 40 days.

7.2 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. The time allocated (40 days) is reserved to cover any such eventuality. If the reserve is not required, then this will be re-allocated to any other specific audit tasks.

8. Delivering the Audit

8.1 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.

8.2 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.

8.3 Audit recommendations will be prioritised as follows;

Priority Rating	Current risk	Action Required
Priority 1.	Issues that are fundamental and material to your system of internal control. Internal Audit believe that these issues might mean that you do not meet an objective or reduce (mitigate) a risk.	Immediate Action required
Priority	Issues that have an important / significant effect on	Appropriately

2	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.	timed action required.
Priority 3	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.

8.4 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.

8.5 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.

8.6 A clear, concise and constructive final report will be issued to the relevant manager / chief officer which will follow a standard format, outlining:

- 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 names of the auditor conducting the review and the Head of Audit. All final reports will be issued as PDF documents only and be sent by the Principal Auditor(s).

9. Follow Up Reviews

9.1 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).

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

10.1 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.

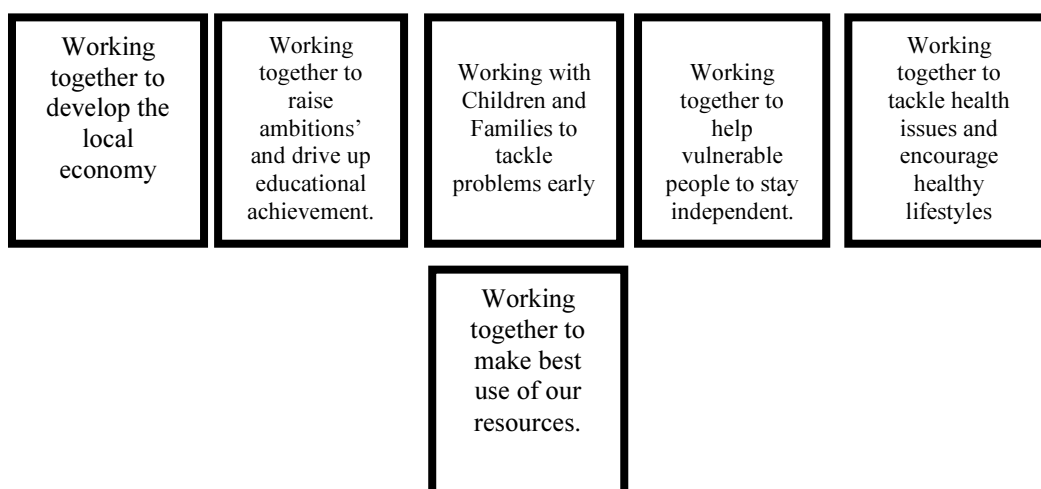
11. Annual Assurance Report.

11.1 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.

12. Improvement Priorities for 2013-17

12.1 Bridgend County Borough Council has identified six improvement priorities; improvements the Council believe matter most to people in the borough. These priorities are as follows:



13. Corporate Risk Register

- 13.1 Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks. 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 programme and budget process.
- 13.2 An up to date Risk Assessment was presented to the Council's Audit Committee on 15th January 2015 which identified 14 corporate risks together with the risk reduction measures, the risk owner and the risk score. The 14 corporate risks are listed below and have been integrated into the Annual Audit Plan for 2015/16.

Risk No.	Risk Description	Risk Owner	Risk Score
RA1	Welfare Reform	Corporate Director Resources	24
RA2	Using resources effectively	Corporate Director Resources	24
RA3	Local Government Reorganisation	Chief Executive	24
RA4	Supporting Vulnerable People	Corporate Director Wellbeing	24
RA5	Supporting Vulnerable Children, young people and their families	Corporate Director Children's	24
RA6	School Modernisation	Corporate Director Children's	24
RA7	The Economic Climate and austerity.	Corporate Director Communities	20
RA8	Disposing of waste	Corporate Director Communities	20
RA9	Healthy Lifestyles	Corporate Director Wellbeing	20
RA10	Maintaining Infrastructure	Corporate Director Communities	20
RA11	Equal Pay Claims	Corporate Director Resources	20
RA12	The impact of Homelessness	Corporate Director Communities	15
RA13	Collaboration with Partners	Assistant Chief Executive – Legal	24
RA14	Educational Attainment.	Corporate Director Children's	16

- 13.3 The above Corporate risk register is used by Internal Audit to inform it's 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.

14. INTERNAL AUDIT SHARED SERVICE DRAFT ANNUAL PLAN 2015 -2016

14.1 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 A to F are the detailed schedules 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 per Directorate.

Table 1–Productive Resource Availability & Utilisation April 2015 to March2016 – Draft Proposals.

Resources Available	Total Days
Total Productive days Available	1,296
Time Allocated to Audit Work	1,296
Resources	355
Legal and Regulatory Services	80
Children (Including Schools)	155
Communities	155
Wellbeing	130
Cross Cutting (including):-	421
• External	
• Contingency – Unplanned	
• Contingency – Fraud and Error	
OVERALL TOTAL	1,296