

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



**INTERNAL AUDIT SHARED SERVICE
DRAFT ANNUAL AUDIT PLAN FOR THE DIRECTORATE OF RESOURCES**

2015 – 2016

Bridgend CBC

1. Introduction

1.1 The Resources Directorate’s primary function is to support the rest of the organisation in the delivery of its priorities. The Directorate is responsible for the effective planning and management of all the Council’s resources including finance, people, information technology and assets. In addition they are responsible for the administration of council tax and housing benefit payments, customer services and communications and marketing.

1.2 The Directorate will continue to support other directorates in the delivery of the Bridgend Change Programme and the Medium Term Financial Strategy, whilst also continuing to deliver its own improvement objectives and budget reduction requirements. The Directorate’s overall aim is to continue to provide the best support it can over the coming year, focusing on their efforts on making best use of limited resources at all times.

1.3 Between 2015-16 and 2018-19, the Council is expecting to have to make budget reductions of up to £49 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about what services can be maintained and what cannot. The Resources Directorate will have a key role to play in fulfilling this aim, both in terms of its own activity but also in supporting others to ensure that the Council are continually striving to reduce its cost base by increasing efficiency and productivity, eliminating waste and duplication and developing new, more cost effective models of service delivery.

2. Improvement Priorities for 2015-17

2.1 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:

Working together to develop the local economy	Working together to raise ambitions’ and drive up educational achievement.	Working with Children and Families to tackle problems early	Working together to help vulnerable people to stay independent.	Working together to tackle health issues and encourage healthy lifestyles	Working together to make best use of our resources.
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3. Corporate Commitments

Improvement Priority (IP)	Commitment Objective	Resources - Commitments (Actions)
IP2 – WORKING TOGETHER TO RAISE AMBITIONS AND DRIVE UP EDUCATIONAL ACHIEVEMENT	Continue to improve the learning environment by modernising the school estate.	Progress delivery of the School Modernisation Programme, including implementation of projects within the capital programme
IP4 – WORKING TOGETHER TO HELP VULNERABLE PEOPLE TO STAY INDEPENDENT.	Work with service users, carers and partners, including the third sector, to develop services in a way which support people to remain independent for longer and only access statutory services when absolutely necessary.	Mitigate the impacts of UK Government Welfare Reforms.
IP5 – WORKING TOGETHER TO TACKLE HEALTH ISSUES AND ENCOURAGE HEALTHY LIFESTYLES.	Support Health & Wellbeing of Employees.	Identify and promote new initiatives that support the health and wellbeing of employees. Protect and promote the health, safety and wellbeing of our employees.
IP6 – WORKING TOGETHER TO MAKE THE BEST USE OF OUR RESOURCES.	Achieve the savings identified in the Medium term Financial Strategy.	Implement the planned Directorate budget reductions identified in the 2015-16 budget. Implement staff restructures to deliver required budget reductions.
	Maximise the use of our assets and technology.	Further rationalise the Council's operational estate to reduce accommodation costs. Pursue asset disposal strategy with the aim of securing capital receipts of at least £6 million. Introduce a compliance tracking system to support effective facilities management. Progress the delivery of the Parc Afon Ewenny Scheme.

		<p>Implement the Asset Management Plan (AMP) 2014-15 actions, including energy and carbon reduction measures.</p> <p>Improve efficiency by rationalising and maximising the use of ICT systems and software applications.</p>
IP6 - Continued	Develop a stronger organisational development function to increase the skills of employees and allow greater flexibility.	<p>Extend E-Learning opportunities for staff to develop the skills and flexibility of the Council's workforce.</p> <p>Improve managers' confidence and skills in having difficult and/or challenging conversations and managing employees.</p> <p>Provide advice and support to the Council in reducing the levels of sickness absence.</p>
	Improve our communication with Citizens to understand their needs and improve their access to services	<p>Develop proposals to provide citizens with more self-service options for accessing Council services.</p> <p>Further develop mechanisms to enhance customer feedback.</p>

4. Corporate Risks

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Improvement Priorities, provide services as planned and fulfil its statutory duties. The following high risks are owned by the Directorate – Resources and are shown under each improvement priority.

Risk Ref.	Risk	Risk Description	Inherent Risk Score	Residual Risk Score
CR1	Welfare Reform	The UK Government is introducing a number of significant welfare reforms over the next four years. There is still great uncertainty about the implications of the changes on citizens and staff as well as concern that the changes will put extra demands on council services and budgets that support vulnerable people	24	24
CR2	Using Resources Effectively	The Provisional Local Government Settlement was announced on 8 th October, and the proposed funding for Bridgend was a reduction of -3.4%. However, this did not recognise		

		<p>the transfer in of funding for social care, which was previously funded through grant, giving a real reduction of -3.6%. Again, no indicative figures were provided for 2016-17 to 2018-19.</p> <p>The revised savings targets are: 2015-16 : £11.225m 2016-17 : £13.566m 2017-18 : £12.263m 2018-19 : £11.763m</p> <p>Not all the planned savings for 2014-15 will be achieved and this has increased the savings requirement for future years. The final Local Government Settlement for 2015-16 may impact on the level of savings required in future years.</p> <p>Directorates are currently developing alternative achievable savings proposals based on a number of scenarios for 2016-17 onwards.</p>	24	24
CR11	Equal Pay Claims	The result of the Abdulla Group case involving former employees of Birmingham City Council means that there is a risk of further equal pay claims against the Council.	20	16
	Increase employee costs potentially leading to increased levels of redundancy	Recent changes in legislation have determined that all hours worked will attract holiday pay, and other related benefits with a monetary value.		
	Increased employee costs potentially leading to increased levels of redundancy.	The Welsh Government is promoting the introduction of the Living Wage which would lead to an increase in the pay bill.		

5. The Risk Assessment Process

5.1 The information which has been used to prepare the risk assessment and proposed internal audit plan for the Directorate of Resources has been collected and collated from a number of different sources including the information contained above. 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, Directorate's Business Plan, 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.

5.2 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.

6. Proposed Internal Audit Plan for the Directorate of Resources 2015-16

DIRECTORATE – RESOURCES

Area	Identified Risk(s)	Audit Scope	Total Days
Core Financial Systems	<p>Loss of key members of staff.</p> <p>New banking provider.</p> <p>Failure by External Audit to be able to place reliance on work.</p>	<p>Full system and compliance audits to provide assurance over the effectiveness of the Council’s Core Financial Systems that are material to the production of the Council’s accounts and are assessed as high priority and External Audit will place reliance on our work to inform their audit. The Core systems include:</p> <ul style="list-style-type: none"> • Taxation – Council Tax & Business Rates • Benefit Administration, • Creditor Payments/Accounts Payable, • Debtors/Accounts Receivable, • Cash Control, • Budget Setting, Monitoring & Reporting, • Treasury Management, • Main Accounting. <p>(this list is not exhaustive)</p>	90
Banking Contract	<p>Enforced change in working practices brought about by new contract causing potential change in current controls.</p>	<p>The Council entered into a new banking contract from 5th January 2015. This has meant new processes have been put in place regarding BACS, Financial Director system, Civica, reconciliations etc. This review is intended to provide an overall assurance that all processes and procedures are working effectively.</p>	25

ICT		<p>Virtualisation – To ensure that business critical systems are included within Business continuity and that all local virtualisation in scope includes key systems.</p> <p>Business Continuity and Disaster Recover – to examine and test the procedures and processes in place in relation to the link to RCT are efficient and effective.</p> <p>COA application – To examine and test the robustness of the controls within this business critical system.</p> <p>Revenues and Benefits Application – To examine and test the robustness of the controls within this business critical system.</p> <p>Back-ups – To evaluate the back-up infrastructure to provide the necessary assurances on the control environment.</p> <p>Firewalls / End-Point Security – To examine and test the security arrangements surrounding the end-point devices, this will include USB drive controls, anti-virus software (including Firewalls)</p>	85
Human Resources	<p>Loss of a number of key staff.</p> <p>Failure by External Audit to be able to place reliance on work.</p> <p>Reliance being placed on a recently introduced system (E Bulk).</p>	<p>Payroll – To review the operation, efficiency and effectiveness of the Council’s payroll system. A systems based approach will be utilised considering key risk exposure and controls. The review will examine HR records to ensure the completeness and accuracy of the establishment, HR records and contractual evidence surrounding Starters and Leavers. The approach will include continuous auditing of key controls throughout the year using techniques such as data mining.</p> <p>To undertake a review of absence management to ensure that policies, procedures and processes are being followed, consistency of application is across all Directors and key triggers are being dealt with in accordance with set procedures.</p> <p>An audit of overtime payments, standby payments and premium rates across the Council. This review will focus on providing assurance that controls are operating effectively, that all payments are necessary and are made in accordance with the Council’s policies and procedures. The review will also focus on establishing any correlation between the overtime payments being made and the impact of JE.</p> <p>To assess the operational controls in place relating to DBS to ensure they are efficient and effective and in accordance with the policies and procedures set out, including whether arrangements provide documentary evidence that DBS disclosures have been obtained where appropriate and results appropriately evaluated. This will review will provide an overall health check to ensure compliance.</p>	70

Property	Failure to provide necessary external assurance.	<p>To examine and evaluate the robustness of the valuations and disposals strategy which is now an enhanced programme ensuring that the procedures and processes in place are efficient and effective.</p> <p>The Council's School Modernisation programme is a fundamental improvement objective; this review will focus on examining the procedures and processes in place to manage such an extensive programme in order to ensure that sound governance arrangements are in place.</p> <p>To provide audit assurance on the Carbon Reduction Certification process.</p>	25
Built Environment	Changes in key personnel and responsibilities resulting in weakened controls.	<p>To review the impact on the control environment as a result of Business support being centralised. The review will examine whether processes and procedures remain robust and that there are clear division of duties evident.</p> <p>To undertake a follow up review of Building Maintenance to ensure that controls continue to operate effectively.</p>	60
		Overall Total – Resources	355

NOT INCLUDED WITHIN THE 2015-16 ANNUAL AUDIT PLAN

Area not included	Identified Risk(s)	Audit Areas to be considered if capacity available	Total Days
Welfare Reform	Not Audited	To review the systems and processes for the delivery of Universal Credits.	
Re-structures	Not Audited	To evaluate the impact on the Directorate's control environment as a result of re-structures within specific back office functions.	
Health & Safety	Severe implications of breach of health and safety policies and procedures for clients, public and staff.	To determine adherence to requirements on compliance testing on key areas, e.g. Fire and DSE. We will also consider the development of appropriate policies on Health and Safety and training delivered in accordance with policy. (This could be considered as a cross-cutting review)	

Counselling Service	Not Audited	Review the procurement arrangements for the provision of a Counselling Service to ensure compliance with the Council's Financial and Contract Procedure Rules.	
Impact of employment legislative changes	Not Audited	To review the overall impact on the Council's budget and the measures taken to mitigate the impact.	