

BRIDGEND COUNTY BOROUGH COUNCIL

THE HEAD OF INTERNAL AUDIT – FINAL OUTTURN REPORT AND ANNUAL OPINION FOR THE PERIOD APRIL 2014 TO MARCH 2015

2014 -15 ANNUAL INTERNAL AUDIT OPINION

1. Introduction

- 1.1 This Annual Report gives the opinion of the Chief Internal Auditor, as Head of Internal Audit for Bridgend CBC on the adequacy and effectiveness of internal control within the Council. It also summarises the work performed by Internal Audit for the period April 2014 to March 2015.
- 1.2 It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of the system of internal control. This is based on the findings from audit reviews as documented in the Audit Plan and other advice work completed on control systems. The results of investigation work and the work of other internal reviews within Bridgend CBC also informs the opinion.
- 1.3 The Head of Audit's opinion on the adequacy and effectiveness of internal control is used to inform and should be read alongside the wider Annual Governance Statement incorporated in the Council's Statement of Accounts for 2014/15.
- 1.4 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources.
- 1.5 The control environment comprises the organisation's policies, procedures and arrangements in place to:
  - Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
  - Establish and monitor the achievement of the organisation's objectives.
  - Identify, assess and manage the risks to achieving the organisation'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;

1.6 One of the main aims of Internal Audit is to provide assurance on the Council's overall system of internal control. This is achieved in part through the delivery of the Annual Audit Plan which is designed to address:

- Requirements of the Audit Committee;
- Delivery of a scheduled programme of audits on a risk based needs assessment;
- Support the Section 151 Officer in discharging their statutory duties.

## **2. Assurance on Internal Control – Executive Summary**

### **Opinion 2014/15**

2.1 No system of control can provide absolute assurance against material misstatement or loss, nor can internal audit give that assurance. This statement is intended to provide 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 have come to attention during internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.2 In arriving at the overall opinion, the Head of Audit has taken into account:

- The results of all audits undertaken as part of the audit programme - April 2014 to March 2015.
- The results of follow-up action of audits from current and previous years;
- Whether or not "high risk" recommendations have been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives or activities or risk profile;
- Whether any limitations have been placed on the scope of audit;
- Findings of work performed by other assurance providers (e.g. Wales Audit Office, Council's External Auditors and Regulatory bodies – KPMG, CSSIW and ESTYN).

**2.3 Therefore, in the Head of Audit's opinion, taking into account all available evidence, the adequacy and effectiveness of internal control at Bridgend CBC is reasonable. Appendix B attached provides a summary of the internal control environment for the service areas where work has been undertaken in the period under review.**

- 2.4 The objective of the assurance identified by Internal Audit is to provide an overall indication that summarises the results, in control terms, of the findings of Internal Audit. Although reasonable assurance demonstrates good control across the board, it is important that control weaknesses in systems where the assurance level has been rated as Limited or No Assurance are dealt with and given priority by management.
- 2.5 During the period 9 reviews have identified weaknesses in control at a level where only limited assurance and 1 where no assurance could be given and management have given written assurance that the recommendations made will be implemented to address the weaknesses identified (these specific reports have been reported to the Audit Committee and Internal Audit has already revisited five (including the No Assurance audit) of the ten to follow up on progress, and have deemed the overall internal control environment to be reasonable in each follow up review. Internal Audit are in the process of scheduling revisits for the remaining five reviews to ensure that management are addressing the weaknesses identified in the control environment and recommendations are being implemented. These will be reported to the Audit Committee in due course.
- 2.6 As set out in Appendix B, the significant control issues identified during the year have tended to relate to specific service areas rather than an across the board breakdown in controls. The relevant managers have agreed with and are working toward implementing the recommendations made to address the weaknesses identified. Internal Audit will follow up on these issues during 2015-16 to ensure that significant progress is being made.
- 2.7 In addition to these areas the challenge from an audit perspective remains the financial context in which the Council is required to operate. The challenge of delivering the further programme of savings will be substantial and impact on all areas of the business and is predicated on a range of reasonable but ambitious assumptions. Therefore, the scale and pace of required change remains a fundamental risk.
- 2.8 In a Council of this complexity, with its significant saving requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of service delivery, there is a need to ensure that the Council's control environment remains robust, proportionate and is as efficient and effective as possible.
- 2.9 As part of each review, Internal Audit works closely with management to assess what actions can be put in place to address any weaknesses identified. Accordingly, the Head of Audit's overall opinion, as detailed

above, is based on audit findings, implementation/action plans from management and other sources of assurance, including External Audit, Risk Management, the Council's Section 151 Officer and Monitoring Officer.

- 2.10 The volume of Internal Audit recommendations accepted by management was 100% and further information is given in section 4. The level of detailed implementation/ action plans received from management identifies how control deficiencies will be rectified and increases the level of assurance the Head of Audit has in the overall internal control environment.

### 3. Audit Planning / Monitoring

- 3.1 The Audit Plan covering the period April 2014 to March 2015 was submitted and approved by the Audit Committee on 10<sup>th</sup> April 2014. The Audit Plan outlined the assignments to be carried out, their respective priorities, an estimate of resources needed and differentiated between assurance and other work. The plan was based on an establishment of 7.5 full time equivalents (FTE) equating to 1,310 productive days.
- 3.2 The plan is monitored on an on-going basis and all changes to work included in the plan are based on an assessment of risk at the time. A summary of the plan together with the actual outturn is shown in Table 1 below:

**Table 1 – Internal Audit Plan April 2014 to March 2015.**

<b>Resources Available</b>	<b>Total Plan Days</b>	<b>Actual Days Achieved</b>
Total Productive days Available	<b>1,310</b>	<b>1,226</b>
<b>Time Allocated to Audit Work</b>	1,310	1,226
Resources (Including ICT & Property)	365	457
Legal and Regulatory Services	85	71
Children (Including Schools)	215	131
Communities	125	143
Wellbeing	125	47
Cross Cutting	255	231
External	20	20

Contingency - Unplanned Work	70	93
Contingency – Fraud & Error / Internal Investigations.	50	33
<b>OVERALL TOTAL</b>	<b>1,310</b>	<b>1,226</b>

- 3.3 As can be seen from the table above the actual outturn for the Section shows that a total of 1,226 productive days has been achieved. This is 84 days less than originally planned.
- 3.4 The reviews provide an assurance of the adequacy of the systems and enable the Council's external auditors to rely on the work carried out. The outturn for the period April 2014 to March 2015 together with the overall audit opinion are listed in Appendix B as extracted from the Audit Planning and Control Environment (APACE) management system.
- 3.5 Table 2 below provides a breakdown of the total number of reviews completed for the year analysed across the functions covered.

Function	Total Reviews	Total No. Opinion Significant / Reasonable	Total No. Opinion Limited / No Assurance	Total No No Opinion Given / Carried Forward.
Assurance	82	57	7	18
Anti-Fraud & Corruption	3	1		2
Governance	7	4		3
Risk and Performance	3	1	1	1
Contingency - Unplanned	18	9	2	7
<b>Totals</b>	<b>113</b>	<b>72</b>	<b>10</b>	<b>31</b>

**Table 2**

- 3.6 A total of 113 reviews have been undertaken during the year and of this, 64% have been closed with either a substantial or reasonable assurance opinion level. 10 of the reviews undertaken have identified weaknesses in the internal control environment as stated in Paragraph 2.5 above. Of the remaining 31 reviews, 5 are ongoing and therefore have been carried forwarded to 2015/16 and the balance of 26; although necessary, they did not culminate in an overall audit opinion.
- 3.7 The objective of the average opinion score identified by Internal Audit is to provide an overall indication that summarises the results, in

control terms, of the findings of Internal Audit. For the year and based on the scores identified on the reviews where an overall opinion has been given; the adequacy and effectiveness of the internal control environment is deemed to be reasonable.

#### 4. Implementation of Recommendations

- 4.1 Following each audit, report recipients are asked to complete an action /implementation 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. For the year, Internal Audit has made a total of 102 recommendations, of which management has given written assurance that all of these will be implemented.
- 4.2 Although Merits Attention (Priority Three) recommendations are made where it is deemed appropriate to do so; by their very nature they relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. To this end, these recommendations are not included on the Management Implementation Plan or logged on the Internal Audit Management Information system. Therefore a formal written response is not required from the client or included in the table below.

<b>Recommendation Priority</b>	<b>No. Made</b>	<b>No. Agreed / Implemented</b>
<b>Fundamental</b> (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	5	5
<b>Significant</b> (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	97	97
<b>Total</b>	<b>102</b>	<b>102</b>

Table 3

- 4.3 The recommendations made are graded according to their importance (Fundamental and Significant – Priority One and Two). In addition, each recommendation will be grouped by risk. The risk categories are as follows:

A – Accomplishment of Objectives;  
 C – Compliance;  
 E – Value for Money;  
 R – Reliability and Integrity of Information;  
 S – Safeguarding Assets;  
 X – Governance.

- 4.4 Table 4 below details the number of recommendations made grouped by risk.

**Table 4**

Description	Number of Fundamental Recommendations	Number of Significant Recommendations
A – Accomplishment of Objectives		16
C - Compliance	2	30
E – Value for Money		7
R – Reliability and Integrity of Information		23
S – Safeguarding Assets	3	7
X – Governance		8
Y – Corporate Impact		5
Z – Self Audit		1
<b>Total</b>	<b>5</b>	<b>97</b>

## 5. Audit Client Satisfaction Questionnaires

- 5.1 At the completion of each audit, all recipients of reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire ranging from a score of 1 for very satisfied to a score of 5 very unsatisfied. The results are summarised in Table 5 below and compared with last year's overall results:

**Table 5**

No.	Question	Average Score of Responses March 2014	Average Score of Responses March 2015
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.420	1.360
2	Appropriateness of scope and objectives of the audit.	1.450	1.450
3	Timelines of audit.	1.490	1.690
4	Response of Officer to any requests for advice and assistance.	1.300	1.240
5	General helpfulness and conduct of Auditor (s)	1.150	1.170
6	Discussion of findings / recommendations during or at the conclusion of the audit.	1.000	1.000
7	Fairness and accuracy of report.	1.600	1.360
8	Practicality and usefulness of recommendations	1.570	1.460
9	Standard of report.	1.380	1.290
10	Client agreement with overall audit opinion.	1.560	1.310

5.2 The survey results are excellent. Whilst we will continue to aim to sustain this high level of customer satisfaction throughout the forthcoming year, we will also continue to improve on the response rate which for this year is 60% compared to 54% for last year. In addition to the above, a number of clients have commented separately on the professionalism and helpfulness of the Auditors they have dealt with.

## 6. Performance

6.1 The Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2013/14 have been reported previously to the Audit Committee. The table below provides a comparison of performance with the overall average for the responding authorities.

**Table 6**

Performance Indicator	IASS Performance For BCBC 2013/14	Overall Average Performance 2013/14
% of planned audits completed	96%	80%
Number of Audits completed	133	126
% of audits completed within planned time	92%	71%
% of directly chargeable time, Actual versus planned	99%	94%
Average number of days from audit closing meeting to issue of draft report.	10 days	9.5 days
% of directly chargeable time Versus total available.	68%	68%
% of staff leaving during the Financial Year	0%	22%

6.2 As can be seen from the table above, the Section is performing well. This, together with our overall performance indicators for the service provided to the Vale places us in the top quartile. It is appreciated that these figures are now out of date; however, the 2014/15 benchmarking exercise has not, as yet, been completed.

## 7. The Effectiveness of Internal Audit Services (Quality Assurance and Improvement Programme).

7.1 During 2013/14 both Audit Committees endorsed the adoption of the new Quality Assurance and Improvement Programme (QAIP); the aim of which is to:-

Drive Improvements;

Ensure that the activities of Internal Audit are in accordance with Public Sector Internal Audit Standards (PSIAS);  
 Assess the efficiency and effectiveness of Internal Audit;  
 Provide for a mechanism by which the performance of staff can be measured;  
 Identification of Training needs.

7.2 The assessment process included within the QAIP has been in operation since November 2013; the results of which are listed below in Table 7:

**Table 7**

<b>Definition</b>	<b>Score</b>	<b>No of Assessments Completed</b>
All key criteria met and exceeded expectation by identifying areas of improvement in terms of efficiency and effectiveness and has identified measurable savings for the client (VFM).	5	15
Achieved key criteria, budget achieved or reduced and report issued in a timely manner.	4	138
Achieved key criteria but budget exceeded for no valid reason and/or report untimely.	3	23
Elements of the key criteria have been met but significant number of review points.	2	4
None of the key criteria have been achieved. Scope and objectives either not understood by the Auditor or not met, Over budget, poor quality working papers, insignificant testing and poor feedback from client.	1	
<b>TOTAL</b>		<b>180</b>

7.3 As can be seen from the table above, the majority of post audit assessments completed (representing 77%) have identified that staff are producing work of a high standard whereby: - the scope and objectives of the review have been met; working papers and evidence are of a good standard and relevant; testing supports the findings and conclusion drawn; the report produced is of a good standard, timely and accurate and finally the appropriate assurance level has been applied.

7.4 It is also pleasing to note that 15 assessments (8%) have scored 5 whereby the Auditor(s) have, as a result of their work, also identified areas of improvement in terms of efficiency and effectiveness resulting in measurable savings for the client.

## 8. Resources, Qualifications and Experience

- 8.1 The Head of Internal Audit requires appropriate resources at their disposal to undertake sufficient work to offer an independent opinion on the Council's internal control environment. This is a fundamental part of Bridgend County Borough Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in April 2014; based on a provision of 1,310 productive days.
- 8.2 The Vale of Glamorgan Council leads the Bridgend and Vale Internal Audit Shared Service and provides all internal audit services to its partner Bridgend County Borough Council. As at the 31<sup>st</sup> March 2015 the staffing structure is listed in the table 8 below.

**Table 8**

<b>2014-15 Staffing Structure</b>	<b>FTE</b>
Chief Internal Auditor (Head of Audit)	1
Principal Auditor	2
Group Auditor	2
Group Auditor (Information Systems)	1
Auditor (Three posts are vacant at present)	10
Trainee Auditor	1
Trainee Auditor (Information Systems)	1
Administrative Assistant	0.5
<b>Total</b>	<b>18.5</b>

- 8.3 The total resource of 18.5 Full Time Equivalent (FTE's) provides for a comprehensive Internal Audit Service. The Head of Audit aims to achieve best practice but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work.
- 8.4 During 2014/15; the team has been affected by long term sickness absence and maternity leave. In addition and as reported to the Audit Committee; the service is carrying three vacant posts at present.
- 8.5 Despite the staffing issues encountered during the year; the Service has managed to deliver 93.5%; of the overall planned productive time available being achieved for BCBC.
- 8.6 In accordance with the Public Sector Internal Audit Standards; the Head of Audit must ensure that Internal Auditors possess the knowledge, skills and competencies needed to perform their individual responsibilities. Internal Auditors are therefore encouraged to study for and obtain professional qualifications. In addition, it is a requirement of the standard that the Head of Audit must hold a professional qualification and be suitably experienced. The following information

outlined in table 9 and 10 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

## Experience

**Table 9**

<b>Auditing Experience</b>	<b>All Auditing</b>	<b>%</b>	<b>In Local Government</b>	<b>%</b>
<b>Up to 1 year</b>	<b>1</b>	<b>5.5%</b>	<b>1</b>	<b>5.5%</b>
<b>1 to 2 years</b>	<b>2.5</b>	<b>13.5%</b>	<b>0</b>	<b>0%</b>
<b>2 to 5 years</b>	<b>4</b>	<b>27%</b>	<b>4</b>	<b>27%</b>
<b>5 to 10 years</b>	<b>3</b>	<b>27%</b>	<b>4.5</b>	<b>35%</b>
<b>Over 10 years</b>	<b>5</b>	<b>27%</b>	<b>6</b>	<b>32.5%</b>
<b>Total Staff</b>	<b>15.5</b>		<b>15.5</b>	

## Qualifications

**Table 10**

<b>Professional Qualification</b>	<b>No of Staff.</b>
Accountants (CIPFA; FCCA; ICAEW)	<b>3</b>
Certified Information Systems Auditor (CISA)	<b>1</b>
Institute of Internal Auditors – full membership	<b>0</b>
Institute of Internal Auditors – practitioner level; part qualified or audit certificate	<b>2</b>
Association of Accounting Technicians (AAT)	<b>4</b>
Studying (AAT, IIA, CIPFA etc.)	<b>3</b>
<b>Total</b>	<b>13</b>

- 8.7 All staff are encouraged to attend relevant courses and seminars to support their continual professional development. All staff have the opportunity to attend courses run by the Welsh Chief Auditors Group on a diverse range of topics. Individuals keep records of their continuing professional development based on their professional body requirements.
- 9. Conformance with the Public Sector Internal Audit Standards (PSIAS).**
- 9.1 The Chief Internal Auditor carried out a self-assessment against the key elements of the PSIAS. The Internal Audit Shared Service is fully compliant with all relevant parts of the Standards. However, in relation to Standard 1312 - “External Assessment”; two responses have attracted negative answers. These can only be addressed once the Internal Audit Shared Service has agreed a timetable for being externally assessed; as these questions relate specifically to agreeing a scope for the external assessment. The Standard stipulates that an external assessment must be carried out, at least once, every five years. As the Standards became effective from 1<sup>st</sup> April 2013; the

Section must therefore ensure that an assessment is undertaken before the end of March 2018.

- 9.2 All staff were introduced to the ethics requirements (as described in the PSIAS) in relation to the professional role of an auditor. While the basis of this remains the same as in previous years, staff were additionally required to read and sign a document confirming they had read and understood what was required of them. All staff provided an annual declaration of interests for consideration to enable management to ensure that there was sufficient information to address any potential conflicts of interest which may arise during audit activities. Staff remained obliged to raise any conflicts or issues with their line managers during the year.

## **10. Anti-Fraud & Corruption Arrangements**

- 10.1 Internal Audit has responsibility for raising awareness of the Council's Anti-Fraud & Bribery and Whistle-blowing Procedures. Anti-Fraud & Bribery and Whistle-blowing information is on the Council's Intranet and the Website, where information is available so that the public and staff can raise concerns easily.
- 10.2 A total of 33 productive days has been spent on Anti-Fraud & Corruption work against a planned allocation of 50. No organisation can guarantee that it will be free from fraud or financial irregularity, the extent of which can be a measure of the effectiveness of internal controls. Apart from the work undertaken on the National Fraud Initiative; Internal Audit were also requested to provide some assistance on an investigation relating to inappropriate IT usage. The Benefits and Financial Assessments Manager continues to have responsibility for the Team who investigate potential Housing Benefit and Council Tax Benefit fraud. Regular updates have been provided to the Audit Committee during the year and will continue in 2015/16.
- 10.3 Internal Audit has continued to act as the key contact for the National Fraud Initiative. This is a mandatory exercise and it is important that data is supplied promptly, and work to ensure that the potential irregularities that the output identifies are dealt with quickly and in a way that is proportional to the value and likelihood of the risks identified.

## **11. The Role of the Internal Audit Shared Service at the Council**

- 11.1 Internal Audit is an independent assurance function that provides objective opinion to the Council on the control environment comprising risk management, internal control and governance, by evaluating its effectiveness in achieving the organisation's objectives. It independently and 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.

11.2 The control environment comprises the organisation's policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisation's objectives.
- Identify, assess and manage the risks to achieving the organisation'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 organisation's assets and interests from losses of all kind, including those arising from fraud, irregularity or corruption.

11.3 One of the main aims of the Section is to provide assurance on the Council's overall system of internal control. This is achieved in part through the delivery of the Annual Audit Plan which is designed to address:-

- Requirements of the Audit Committee;
- Delivery of a scheduled programme of audits on a risk based needs assessment;
- Support the Chief Executive as Head of Paid Service and the Corporate Director of Resources as the Section 151 Officer in discharging their statutory duties.

11.4 Internal Audit Shared Service also investigates any potential or identified internal frauds and irregularities that may arise within the Shared Service.

11.5 The service is delivered by the Bridgend and Vale Internal Audit Shared Service (IASS) which is part of a joint collaboration between Bridgend County Borough Council (BCBC) and the Vale of Glamorgan Council (VOG) under a partnership agreement. The Vale of Glamorgan Council is the host authority which provides an internal audit service to Bridgend. This gives the service an opportunity to network, benchmark and discuss best practice to ensure the service can provide the Councils with the best advice.

## **12. Update on the Internal Audit Shared Service Arrangements**

12.1 2014-15 has proved to be another successful year for both Internal Audit Partners. The Partnership has enabled each Council to call upon a far wider base of skills and knowledge and provides audit staff with a unique opportunity to use their particular expertise at both Councils and to assist their professional development and broaden their knowledge and skills base.

12.3 For 2014/15 both Risk Based Plans have been presented to and approved by the relevant Audit Committees with a commitment to deliver 1,478 productive days for the Vale and 1,310 for Bridgend.

12.4 In relation to the final outturn for the year the Section has achieved 101% of the Vale's expected plan days and 93.5% of Bridgend's. The loss of three members of staff during the year has had an effect on the delivery of the service. The Internal Audit Shared Service (IASS) formal Partnership Agreement has been in effect since February 2013 and therefore the Service has been fully operational for 24 months. The IASS Board oversee the governance arrangement of the Partnership and meet regularly to ensure an efficient and effective service delivery is being provided.

### **13. Organisational Independence and Objectivity of the Internal Audit Shared Service.**

13.1 In accordance with the Public Sector Internal Audit Standards (PSIAS) the internal audit activity must be independent and internal auditors must be objective in performing their work. An interpretation of independence can be described as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Head of Audit has direct and unrestricted access to senior management and the Audit Committee.

13.2 The Council's Constitution, Financial Procedure Rules, Audit Charter and the positioning of the Internal Audit Shared Service within the Council demonstrates the independence of the Service along with the practical application of its independence within the organisation.

### **14. Financial / Governance Arrangements**

14.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controls its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

14.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

- 14.3 Good Governance is about doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.
- 14.4 The Council approved and adopted on the 28<sup>th</sup> June 2011 a Code of Corporate Governance (COCG) which comprehensively describes the Council's commitment to and understanding of Corporate Governance and outlines the arrangements that it has put in place to ensure ongoing effective implementation and monitoring.
- 14.5 The COCG describes how the Council will meet and demonstrate its commitment to good corporate governance by following the six principles as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 14.6 The COCG also makes provision for a joint commitment by Members and Officers to the principles it contains, as well as a statement of assurance jointly signed by the Leader of the Council and the Chief Executive. This helps to ensure that the principles of good governance are not only fully embedded but also cascade through the Council and have the full backing of the Leader of the Council and elected Members, as well as the Chief Executive and the Corporate Management Board.
- 14.7 As part of the 2014/15 annual Internal Audit Plan, a review of corporate governance, in particular the Council's Code of Corporate Governance, was undertaken. The Auditors were able to evidence good governance arrangements across the Council; as a result, an overall opinion of substantial assurance could be provided.
- 14.8 Internal Audit recommendations and advice strive to support a robust corporate governance framework. Delivering the Internal Audit Risk Based Annual Plan in addition to any reactive work performed during the year, are essential elements in mitigating the risk of losses arising from error, irregularity and fraud. The work of the Internal Audit Shared Service represents a fundamental function in delivering the Council's Corporate Governance responsibilities.
- 14.9 For the 2013/14 year, the Head of Internal Audit's Annual Opinion stated that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's internal control environment. The report also highlighted the significant governance issue surrounding the unavailability of the Council's Section 151 Officer and the imminent departure of the Deputy Section 151 Officer. These issues were addressed by the Chief Executive both on an Interim basis in the short term and more permanently with the new appointment of the Head of Finance and ICT.

- 14.10 The Internal Audit reviews undertaken this year have identified internal control weaknesses in ten areas examined; nine of which only limited assurance could be placed on the internal control environment and one where no assurance could be provided. As set out in Appendix B, the significant control issues identified have tended to relate to specific service areas rather than an across the board breakdown in controls. The relevant managers have agreed with and are working toward implementing the recommendations made to address the weaknesses identified. Follow up reviews in these areas have already been completed for five (including the no assurance area) and significant progress has been made culminating in reasonable assurance on all five areas follow up. The remaining five are either in the process of being followed up or are scheduled to be followed up in the next few weeks.
- 14.11 In addition to this; the Council has proactively responded to central government's austerity drive that has created a period of unprecedented financial pressures in the public sector. Substantial savings are necessary and the latest Medium Term Financial Strategy estimates this to be in the region of £50million for the next four years on top of the £11.2million already identified for 2014/15.
- 14.12 It is clear that the scale of the challenges to come will mean that "business as usual", however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. Therefore, as the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery; there is a need to ensure that the control environment; including governance and risk management; remains robust, proportionate and is as efficient and effective as possible.
- 14.13 Fundamental to the Council's success in delivering the Medium Term Financial Strategy through to 2016-17 is wholly dependent on strong financial leadership and effective management.