

Bridgend and Vale Internal Audit Service: Head of Internal Audit's Annual Opinion Report April 16 to March 17 Vale of Glamorgan Council

Executive Summary

This report provides a summary of the work completed by the Bridgend and Vale Internal Audit Shared Service for the Financial Year 2016 - 2017 and provides the Head of Audit's annual opinion on the Council's framework of governance, risk management and internal control. Therefore, based on our work carried out, my overall opinion is that the Council's framework of governance, risk management and internal control is satisfactory.

Introduction

The delivery of an Internal Audit Service is provided under a shared service agreement with Bridgend County Borough Council and the Vale of Glamorgan Council. The Vale of Glamorgan Council is the host authority and therefore the service is provided internally. The aim of the Shared Service is to help both Councils meet high standards of service delivery. 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. The Shared Service supports the Audit Committees in discharging their responsibilities for:

- Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2015 as amended from time to time.
- Supporting the Head of Finance with her delegated responsibility for ensuring arrangements for the provision of an adequate and effective internal audit.
- Monitoring the adequacy and effectiveness of the Internal Audit Shared Service and Director's / Heads of Service responsibilities for ensuring an adequate control environment.

- Supporting the Council Leader and the Managing Director in their annual certification of the Annual Governance Statement.
- Supporting the Head of Finance in discharging her statutory responsibilities under Section 151 of the Local Government Act 1972.
- Ensuring that the Council's External Auditor in relation to our work on the main financial systems audits can place reliance on this.

Definition of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Source:- Public Sector Internal Audit Standards).

Statutory Framework

Internal Audit is a statutory requirement for local authorities. There are two principal pieces of legislation that impact upon internal audit in local authorities; these are:-

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
- Section 5 of the Accounts and Audit (Wales) Regulations 2015 states that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

All principal local authorities subject to the Accounts and Audit (Wales) Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

Audit Committee

It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In addition, Internal Audit provides a key source of assurance to the Committee as to whether controls are operating effectively.

External Audit

The Council's External Auditor examines the work of Internal Audit on an annual basis in order to place reliance on this work when undertaking their audit work on the Council's Financial Statement of Accounts. The Council's External Auditors are the Wales Audit Office (WAO).

Public Sector Internal Audit Standards (PSIAS)

The Standards the Internal Audit Shared Service works to are the Public Sector Internal Audit Standards. These standards set out:

- The definition of internal auditing;
- Code of ethics.

- International standards for the professional practice of internal auditing. These standards cover the following areas:
 - Purpose, authority and responsibility.
 - Independence and objectivity;
 - Proficiency and due professional care;
 - Quality assurance and improvement programme;
 - Managing the internal audit activity;
 - Nature of work;
 - Engagement planning;
 - Performing the engagement;
 - Communicating results;
 - Monitoring progress;
 - Communicating the acceptance of risks.

The PSIAS apply to all internal audit service providers, whether in-house or outsourced. It is important to note that there is a requirement within the PSIAS for an external assessment to be undertaken once every five years. The PSIAS came into effect from 1st April 2013 and therefore the Internal Audit Shared Service must be externally assessed before the 31st March 2018. The Council's Audit Committee have resolved that an External Assessment be undertaken by a relevant professional body such as the Institute of Internal Auditors during this Financial Year 2016/17. As a consequence and following a procurement exercise, the Chartered Institute for Public Finance and Accountancy were commissioned to undertake the assessment. The external assessment commenced on 30th January and

concluded on the 3rd February. The outcome of the assessment concluded that there were no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. All auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added. The outcome of the assessment will be reported under separate cover to the Audit Committee. There have been some recommendations and lower priority suggestions made to improve the service and these have been set out in an action plan which will be monitored by the Council's Audit Committee to ensure these actions are addressed.

Internal Audit Coverage – April 2016 to March 2017

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides.

Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit Plan for 2016/17 is based, to a large extent, on the Council's Corporate Risk Register. This was complemented by:

- Priorities identified by Corporate Directors;
- Heads of Service key risks,
- The requirements of the Council's Section 151 Officer;
- External Audit and
- Those concerns / issues raised by Internal Audit in previous audits and our knowledge of potentially high-risk areas.

The Plan was submitted and approved by the Council's Audit Committee on 25th April 2016. The plan provided for a total commitment of 1,287 productive days for the year. **Table 1** below provides the outturn for the service for the year and further detail is provided in Appendix B. The current structure for the Shared Service comprises of 18 Full Time Equivalent employees (FTE's), which provides for a comprehensive Internal Audit Service to both the Vale of Glamorgan and Bridgend County Borough Councils. 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. At the commencement of this financial year, the service was carrying 4 vacant FTE posts; unfortunately this has now increased to 9 FTE vacant posts representing 50% of the establishment.

Table 1 – Productive outturn for the period April 2016 to March 2017

Directorate	2016/17 Full Year Plan Days	2016/17 Actual Days Achieved
Managing Director / Resources	305	381
Social Services	115	101
Environment & Housing	119	187
Learning and Skills	125	82
Cross Cutting – (including Fraud and Error)	623	537
Total	1,287	1,288

As can be seen from the table above, the actual outturn shows that the overall productive days originally planned have been achieved. The Table further shows that the proportion of productive days achieved vary slightly from that expected by Directorate activity.

A total of 111 reviews have been completed, 25 of which, although necessary, did not culminate in an overall opinion and 8 of the reviews were as a result of a specific investigation and will be incorporate into a separate annual fraud and error report. Of the remaining 78 reviews, 61 (78%) have been closed with either a substantial or reasonable assurance opinion level. 10 (13%) of the reviews completed have identified weaknesses in the internal control environment to such an extent that the overall audit opinion was limited and the remaining 7 are ongoing reviews and have been carried forward into 2017/18.

The Audit Committee have received regular updates throughout the year on the 10 reviews where weaknesses have been identified as well as updates on the progress being made on the 2015/16 limited reports which were being followed up. The table below provides the status of all these reviews as at the end 2016/17.

Table 2: Review Status

Year	Review Title	Status	Action taken
2016/17	Cash handling and Stock Control.	Awaiting response from management	This will be included in 2017/18 as part of a much wider review within waste.
2015/16	Firewall follow up	First identified in 2015/16 as limited. First	Second follow up visit undertaken and significant

and 2016/17		follow up it remained limited.	improvements identified. Reasonable Assurance given.
2015/16 and 2016/17	Social Media follow up	First identified in 2015/16 as limited. First follow up it remained limited.	Second follow up visit undertaken and significant improvements identified. Reasonable Assurance given.
2015/16 and 2016/17	Fire and 1 st Aid Payments follow up	First identified in 2015/16 as limited. First follow up it remained limited.	Second follow up visit undertaken and significant improvements identified. Reasonable Assurance given.
2016/17	Deprivation of Liberties.	Limited Status	Included on the Council's Corporate Risk Register and a follow up will be undertaken during quarter 1.
2016/17	Food and Feed Law Enforcement	Limited Status	The Food Standards Agency are in the process of undertaking an inspection therefore any follow up work will be undertaken in 2017/18 having regards to the outcome of the inspection.
2015/16 and 2016/17	Landlord Compliance	First identified in 2015/16 as limited. Follow up in 2016/17 remained limited.	Second Follow up visit has just been concluded and the report is under review; however, early indications suggest that improvements have been made with a reasonable assurance level.
2016/17	Management of Trees	Limited Status	See below
2016/17	Management of Trees – follow up		First follow up has just been completed and this remains limited.
2015/16 and 2016/	Contract Management – Waste and Cross – Cutting Directorate Contract Managment	Limited Status. Included in the Council's Annual Governance Statement for 2015/16.	Significant improvements have been made with all contracts now in place. A Contracts Register is being maintained. Training provided on procurement, contract and project management. Corporate oversight from the outset which continues. Included in 2017/18 Audit Plan to keep an oversight of continues improvement.

Our overall opinion on a system is based on both the materiality and impact of the system and our opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in **Table 3** below:

Table 3.

		MATERIALITY AND IMPACT		
		HIGH	MEDIUM	LOW
	SYSTEM CONTROL			
1	Satisfactory	Moderate	Minimal	Minimal
2	Reasonable	Moderate	Moderate	Minimal
3	Limited – Significant Improvements required	Of Concern	<i>Moderate</i>	Moderate
4	No Assurance – Fundamental weaknesses identified.	Significant	Of Concern	Moderate

Therefore, having regards to the reviews completed, the overall opinions given, the responses received from the Chief Officers, the follow up work undertaken and the overall improvement in contract management arrangements, my overall opinion is the Council’s overall internal control arrangements are considered to be **Satisfactory**, with a “**Medium**” level of risk.

Audit Recommendations – 2016/2017

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 180 recommendations, of which management has given written assurance that all of these will be implemented.

From time to time and where it is deemed appropriate to do so, Merits Attention recommendations will be made. 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 table 4 below.

Table 4: Recommendations Summary

2016 -17 Recommendation Priority	No. Made	No. Agreed	No. Implemented	No. not Yet due To be actioned	No. Over due action date		One / Two months overdue Target date	Three or more months overdue target date
			Complete	Pending	Outstanding		Amber	Red
Fundamental (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	7	7	3	2	2		1	1
Significant (Priority Two) Rating – C (+ to -) Action – Implementation within 6–12 months	173	173	111	48	14		10	4
Total	180	180	114	50	16		11	5

Internal Audit – Successes

Some of our successes so far this year include:

- Internal Audit Plans for 2015/16 were delivered in accordance with expectations
- Internal Audit Plans for 2016/17 have been approved by both Audit Committees and Corporate Management in a timely manner.
- We continue to provide an excellent internal audit provision to both Bridgend County Borough Council and the Vale of Glamorgan Council, so much so that both Audit Committees have supported the proposal to extend the Shared Service Partnership Agreement until 31st January 2018, which has been approved by both Cabinets.
- We continue to support staff in obtaining professional qualification including CIPFA - Corporate Governance, Institute of Internal Auditors (IIA) and the Association of Accounting Technicians (AAT) as well as continuing professional development (CPD).
- We continue to build on our excellent working relationship with Members, Chief Officers and staff within both Councils.
- The outcome of the External Assessment has been positive.

Resources, Qualifications and Experience

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 the Vale of Glamorgan Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in April 2016, based on a provision of 1,287 productive days.

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 1st April 2016 the staffing structure is listed in table 5 below.

Table 5: Establishment

2016-17 Staffing Structure	FTE
Operational Manager Audit - Head of Audit	1
Principal Auditor (one vacant)	2
Group Auditor	2
Group Auditor (Information Systems - Vacant)	1
Auditor (5 posts are vacant at present)	9.5
Trainee Auditor (Vacant)	1
Trainee Auditor (Information Systems) (vacant)	1
Administrative Assistant	0.5
Total	18

The total resource of 18 Full Time Equivalents (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. At the commencement of this financial year the Section was carrying 4 vacant posts, and this has recently increased to 9 vacant full time equivalent posts. During the year a recruitment exercise was undertaken but this proved to be unsuccessful and therefore the Section continues to carry these vacancies. Discussions are underway as to how the gap in resources can best be resolved. The lack of resources is considered to be a key risk for the service moving forward into 2017/18

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 6 below demonstrates the experience and qualification mix for the Internal Audit Shared Service. Without question the levels of skills and competencies within the Service has been adversely affected by the number of vacancies.

Experience and Qualifications

Table 6: Experience and Qualifications Summary

EXPERIENCE				PROFESSIONAL QUALIFICATIONS	No of Staff.
No of Years Experience	No of years in Auditing	No of Years In Local Government			
Up to 1 year	0	0		Accountants (CIPFA; FCCA; ICAEW)	2
1 to 2 years	0	0		Certified Information Systems Auditor (CISA)	1
2 to 5 years	0	0		Institute of Internal Auditors – full membership	0
5 to 10 years	4	4		Institute of Internal Auditors – practitioner level; part qualified or audit certificate	3
Over 10 years	5	5		Association of Accounting Technicians (AAT)	0
				Part Qualified AAT	0
				Prince2 Practitioner Level	0
				Bachelor Degree - Honors	1
Total Staff	9	9		Total	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. Staff are also encouraged to study for relevant professional qualifications such as the Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA), at present we are supporting two members of staff to study CIPFA.

Internal Audit – Other Activities

- **Anti-Fraud** – the Internal Audit Shared Service continues to assist in promoting an anti-fraud and corruption culture. We have ensured that staff are made aware; via StaffNet; of any recent scams and frauds that have occurred in both the public and private sectors.
- **National Fraud Initiative** – The Council, via Internal Audit, has again participated in the National Fraud Initiative (NFI) as part of the statutory external audit requirements. This brings together data from across the public sector including local authorities, NHS, other government departments and other agencies to detect “matches” i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.
- **Advice and Guidance** – Internal Audit continues to provide advice and guidance both during the course of audits and responding to a wide range of ad-hoc queries.
- **Attendance at and contribution to, working groups etc.** - The Section continues to contribute to the development of the Council and ensuring that we are up to date with best practice by attending the following:-
 - Audit Committee;
 - Scrutiny Committees (as required);
 - Cabinet (as required);
 - Corporate Management Team (as required);
 - Corporate Improvement Group.
 - Insight Board.
 - The Welsh Chief Auditors Group and all its sub-groups (including South Wales Computer Audit Group; South East Wales Education Audit Group; Social Services Audit Group).
- **Investigation Work** – We continue to support Senior Management in providing resources and expertise in investigating allegations of fraud and misappropriation.

Internal Audit – Review of Performance Management and Quality Assurance Framework

The Public Sector Internal Audit Standards requires that the Head of Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The section has a “Quality Assurance and Improvement Programme (QAIP) that has been presented to, and approved by, the Audit Committee.

- 1. Performance Management** – the section’s key performance indicators are set out in the section below.
- 2. Quality Assurance** – each individual audit report and supporting working papers / documents are reviewed by either a Principal Auditor or the Head of Audit. Appropriate standards have been set by the Head of Internal Audit in accordance with the Standards. The file reviews ensure the audits comply with the Section’s internal processes and procedures and the overall Public Sector Internal Audit Standards. Where necessary corrective action is taken.

Internal Audit – Performance Indicators

The Section has one key indicator as follows: **The Percentage of Audits Completed in Planned Time**

Justification of this performance indicator: to ensure that Internal Audit provides sufficient coverage to ensure that the requirements of the Council’s Section 151 Officer and External Audit are met and that Internal Audit can give sufficient assurance to the Audit Committee regarding the Council’s system of internal control, risk management and governance arrangements.	
Target: 89.7%	2016 – 17 performance April to March 2017 Achievement: 80.6% Vale – 62.5% BCBC Overall Achievement: Number of Audit Completed = 162 Number completed within planned time = 119 Overall percentage achieved = 73.46%
Therefore from the number of audits completed for the financial year 2016/17 combined for both Councils; the target has not been achieved. ☹️	
The Section started the year with 4 vacant posts and this has now increased to 9.	

From the table above we can see that our performance has slipped and we have fallen quite short of our target of 89.7% of audits completed within planned time. Having reflected on the results, it can be determined that this is a combination of the changing expectations of the role of audit, together with the diminishing skills and competencies within the section.

The Section also participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2015/16 are as outlined in table 7 below together with a comparison over the years:

Table 7: Benchmarking Summary

Performance Indicator 2015/2016	IASS Performance For the Vale 2015/16	Overall Average Performance 2015/16	Overall Average Performance 2014/15	Overall Average Performance 2013/14
Percentage of Planned Audits Completed	99%	85%	84%	80
Number of Audits Completed	135	96	111	126
Percentage of Audits Completed in Planned Time	93%	68%	71%	71%
Percentage of directly chargeable time, actual versus planned	103%	90%	88%	94%
Average number of days from audit closing meeting to issue of draft report.	9.5 days	7.3 days	8.2 days	9.5 days
% of staff leaving during the Financial Year	3%	10%	11%	22%

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 Bridgend places us once again in the top quartile. It should be noted that the overall average performance for 2015/16 is only based on 64% of the Welsh Chief Auditors Group returning their performance figures (8 councils have failed to return their data sets). We will once again be participating in the benchmarking exercise for 2016/17.

Audit Client Satisfaction Questionnaires

At the completion of each audit, all recipients of our 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 for this Financial Year are summarised in table 8 below and show a comparison over time.

Table 8: Responses to Questionnaires

<i>No.</i>	<i>Question</i>	<i>Average Score of responses 2016/17</i>	<i>Average Score of responses 2015/16</i>	<i>Average Score of responses 2014/15</i>	<i>Average Score of responses 2013/14</i>
1.	Where appropriate, briefing of client and usefulness of initial discussion.	1.430	1.270	1.350	1.410
2.	Appropriateness of scope and objectives of the audit.	1.410	1.400	1.330	1.410
3.	Timeliness of audit.	1.630	1.420	1.460	1.550
4.	Response of Officer to any requests for advice and assistance.	1.350	1.220	1.280	1.250

5.	General helpfulness and conduct of auditor (s).	1.230	1.210	1.170	1.210
6.	Discussion of findings / recommendations during or at the conclusion of audit.	1.000	1.000	1.000	1.000
7.	Fairness and accuracy of report.	1.540	1.480	1.500	1.410
8.	Practicality and usefulness of recommendations.	1.600	1.570	1.510	1.460
9.	Standard of report.	1.460	1.400	1.380	1.350
10.	Client agreement with overall audit opinion.	1.690	1.430	1.420	1.410

The survey results are excellent and we hope to sustain this level of customer satisfaction moving forward into 2017/18. In addition to the above, a number of clients have positively commented separately on their experiences during the course of the Audit undertaken.

Governance Arrangements

Corporate governance is essential to the provision of high quality public services and in raising public trust. It describes how organisations direct and control what they do in a way that demonstrates accountability, openness and honesty. Councils also have a role in governing and leading their communities. Effective local government relies on public confidence in elected members and officers.

The Vale of Glamorgan Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance for the last six years. The Code of Governance is based upon the six principles as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Society of Local Authority Chief Executives (SOLACE) and incorporates the “Making the Connections” governance principles and values as set out by the Welsh Government. A draft Code of Corporate Governance will be presented to Cabinet in April 2017, the new draft Code has been reviewed to ensure that the Council’s Governance Framework meets the requirements of the new CIPFA publication / delivering good governance in local government framework 2016, is aligned to the Council’s values of “Ambitious, Open, Together and Proud” as well as incorporating the five things that public bodies need to think about to show that they have applied sustainable development principles introduced as a statutory duty by the Well-being of Future Generations (Wales) Act.

One of the main issues raised and highlighted over the last few years has been the ability of the Council to carry on meeting its service objectives and delivering positive outcomes for its customers and clients in the light of continued reductions in Welsh Government Funding.

The Council recognises that it is facing unprecedented challenges with continuing year on year reductions in Council funding and the impact this has on the services delivered. At the same time the Council is dealing with increasing expectations and demands on

services. The Council has already identified approaching £45 million in savings since 2010 yet, the challenges continue. With diminishing funding impacting on how the Council delivers its services, embarking on an ambitious programme of transformational change makes planning for the future difficult.

The Council addressed this by undertaking regular Budget reviews and putting in place a financial strategy for the Council which presently runs until 2020. The purpose of this is to ensure:

- A sustainable budget is achieved within predicted funding levels,
- The budget is aligned to the Council's priorities as set out in the Corporate Plan,
- Best value for money is being obtained, i.e. identifying efficiency savings, opportunities for income generation and better use of external grants and.
- Collaborative initiatives and options for alternative service delivery are considered.

Separate financial strategies have been established for funding education and schools, social services and other services having regard to the relative risks and priorities of each. In total over the next 3 years to 2019-20 savings of £18.772M minimum will need to be achieved as set out in the Final Revenue Budget Proposals for 2017/18. In accordance with the financial strategies agreed, savings targets together with areas for savings have been identified. In addition, the Council continues its Reshaping Services programme in order to fundamentally review the need for and methods of service delivery across all Council services. It is anticipated that a large proportion of the required savings will be found through the programme and a number of specific services have been identified in three tranches for delivery from this Financial Year onwards. Further work will be required to ensure that all necessary action has been taken to mitigate any potential impact upon service delivery and clients e.g. consultation and scoping/completion of equality impact assessments.

The Head of Audit's Annual Opinion report was presented to the Audit Committee at their meeting held on 25th April 2016. The overall opinion provided reasonable assurance on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control with a moderate risk level. Significant issues were identified and reported to Audit Committee which related to the Internal Audit reviews undertaken within Waste Management and Contract Management across the Council. As a consequence it was considered appropriate that this matter was reflected in the Council's Annual Governance Statement for 2015/16. Internal Audit concluded all their work on contract management during the early part of 2016/17. It was clear from these reviews that contract management was a key issue throughout the Council and one that was taken very seriously by the Managing Director and the Corporate Management Team. Since last reporting, significant improvements have been made to the overall control environment; the Council has published and implemented Contract Management Guidance and Toolkit, the Managing Director and the Council's Section 151 Officer have continued to receive fortnightly progress reports to ensure that actions are being addressed and a programme of Senior Management Training has been delivered covering procurement, contract management and project management and Internal Audit have

concluded a number of follow up audits which evidences the improvements made. In addition, update reports have been produced and presented to the Council's Audit Committee. Therefore, as a consequence of the significant amount of work that has been undertaken, which has been fully supported by Corporate Management Team, to address the governance issues as identified in the 2015/16 Annual Governance Statement, this is no longer considered a significant risk for 2016/17. However, Contract Management across the Council will be included in the 2017/18 audit plan.

Early in 2016/17, the Council received its Corporate Assessment report. The corporate assessment is designed to answer on key question; whether as a local authority the Council is capable of delivering the priorities we have set ourselves and improved outcomes for Vale citizens. In this respect the report is glowing.

The WAO concluded that: *"The Council has a clear vision of what it wishes to achieve and is making positive changes which should ensure it is well place to continue securing improvements"*.

The report is further evidence that, despite increasing pressures on budgets and demands on services, the Council is performing better than ever.

The WAO also found that:

- The Council's vision reflects local needs and national priorities and that senior political and officer leadership is engaging effectively with staff to support change and planning for the future;
- The change agenda is supported by effective leadership, and there are clear lines of responsibility which are securing improvement.
- Effective governance arrangements have secured improvements and that scrutiny arrangements have been refined to evaluate outcomes, with information about the Council's performance being readily available; and
- The human resources service and extensive staff engagement is supporting Council priorities and the change agenda.

At present, the WAO are in the process of following up on the Corporate Assessment with the main study question being "is the Council making effective progress against the proposals for improvement issued in the Corporate Assessment Report (August 2016)?" The draft report is expected in May 2017.

In addition to these areas the challenge from an audit perspective, as recognised by corporate and senior management, continues to be the financial context in which the Council is required to operate. The impact of delivering the further programme of savings will be substantial, will impact on all areas of the business and is predicated on a range of reasonable but ambitious assumptions. There has been extensive planning and ongoing consultation on the budget proposals and efficiency targets have been set out in directorate plans and encompassed within the Council's Reshaping Services programme. Whilst the Council is well placed to respond to this challenge, and the Section 151 Officer is of the opinion that the savings whilst extremely challenging are achievable, the scale and pace of required change continues to remain a fundamental risk. Of significant issue for the Internal Audit Shared Service is the current lack of resource and this will have an impact on the 2017/18 Audit Risk Based Plan? Carrying over 50% of its resource in vacant posts is unsustainable and without doubt it is going to be a very difficult year for the service. Discussions are underway as to how the gap in resources can best be resolved.

In addition, Internal Audit is very mindful of the fact that in a Council of this size and complexity, with its significant savings 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.