

Name of Committee:	Audit Committee
Date of Meeting:	<b>30/04/2019</b>
Relevant Scrutiny Committee:	<b>Corporate Performance and Resources</b>
Report Title:	<b>Head of Audit's Outturn and Opinion Report 2018-19</b>
Purpose of Report:	<b>To provide Members with the final outcome of Audit Performance against the Internal Audit Risk Based Plan.</b>
Report Owner:	<b>Head of Regional Audit Service</b>
Responsible Officer:	<b>Head of Regional Audit Service</b>
Elected Member and Officer Consultation:	<b>No Elected Members have been consulted. Legal Services and Head of Finance.</b>
Policy Framework:	<b>The proposals in this report are in accordance with the policy framework and budget.</b>
Executive Summary:	<ul style="list-style-type: none"> <li>• In order to assist the Audit Committee in ensuring that due consideration is given by the Committee to aspects of their core functions, the regular reporting and monitoring of the progress being made against the Annual Risk Based Plan is one of their key responsibilities.</li> <li>• The actual outturn against the Plan for the period April 2018 to March 2019 is set out in Appendix A and B which provides the detail necessary for the Committee to effectively monitor the Section's achievements. In addition, as this is the final outcome for the Financial Year 2018/19 the report also includes the Head of Audit's Annual Opinion on the Council's overall governance, risk management and internal control environment.</li> <li>• The Section has carried vacant posts throughout the year and therefore it has been necessary to utilise the services of the South West Audit Partnership to assist with the delivery of the 2018/19 Risk Based Plan.</li> </ul>

## **1. Recommendation**

- 1.1** That the Committee Members note the content of the report, having regards to the final outturn position for the financial year 2018/19 and give due consideration to the Head of Audit's overall Annual Opinion for 2018/19.

## **2. Reasons for Recommendations**

- 2.1** To keep the Audit Committee informed and to note the Head of Audit's Annual Opinion on the overall control environment at the Council.

## **3. Background**

- 3.1** In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business risks, operations, programs, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 3.2** The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 1st May 2018. The Plan outlined the assignments to be carried out and their respective priorities.

## **4. Key Issues for Consideration**

- 4.1** The Plan provided for a total of 1,350 audit days to cover the period April 2018 to March 2019. These days were split into those reviews considered to be Priority One and those considered to be Priority Two with the aim of completing the whole Plan by the end of the financial year.
- 4.2** The actual final outturn against the 2018/19 risk based plan is attached at Appendix A. In order to assist with the effective monitoring of the annual risk based plan, further information is attached at Appendix B which details the Section's overall performance and includes the Head of Audit's overall annual opinion. This ensures that the Audit Committee is giving due consideration to this aspect of their core functions as set out in their Terms of Reference and is one of the Committee's key responsibilities.

- 4.3** The Section continues to be based on 14 Full Time Equivalent (FTE) employees; however, it has carried vacancies throughout the year. Despite this, a significant proportion of the overall plan has been completed due to the hard work of officers within the service and the assistance during the year from the South West Audit Partnership who have helped in part to address some of the shortfall.

## **5. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 5.1** The Annual Risk Based Plan contains audit reviews that will be service specific and that will assist in understanding how those services undertake the five ways of working and deliver the well-being objectives.

## **6. Resources and Legal Considerations**

### Financial

- 6.1** There are no resource implications as a direct consequence of this report.

### Employment

- 6.2** None as a direct consequence of this report.

### Legal (Including Equalities)

- 6.3** The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

## **7. Background Papers**

OTNone

## 7.1 HIGH RISK - PRIORITY ONE

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
Carry Forward from 2017/18	Cross Cutting	Assurance	Provision for those assignments which are still ongoing at the end of 2017/18.	20				Complete
2017/18 closure of reports	Cross Cutting	Assurance	To finalise all draft reports outstanding at the end of 2017/18.	10				Complete
Annual Governance Statement 2017-18	Cross Cutting	Governance	The completion of the Council's Annual Governance Statement, submission to the Insight Board and Audit Committee and included with the Draft Statement of Accounts 2017/18 (including the Governance Assurance Statements from Corporate Officers and Senior Management. Deadline date June 2018.	15				Complete
			To make preparations for the production of the AGS for 2018/19				10	
Follow up of Rec's for 2017/18. Recommendation Monitoring	Cross Cutting	Assurance	To ensure that all recommendations made in 2017/18 have been actioned.	15	10	10	10	Complete
			Monitoring the implementation of Internal Audit recommendations in consultation with the service areas which have received these recommendations. During the year, Internal Audit will review the process to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.					
Annual Opinion Report 2017-18	Cross Cutting	Governance	To prepare and issue the Head of Audit's Annual Opinion Report 2017/18. Deadline 1 <sup>st</sup> May 2018.	10				Complete
Annual Opinion							15	

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
<b>Report 2018-19</b>			Preparation for the production of the 2018-19 Annual Opinion Report					
<b>Audit Planning – 2018 -19</b> <b>Audit Planning 2019 - 20</b>	Cross Cutting	Assurance / Governance / Risk	To prepare and present the annual risk based audit plan for 2018/19. Deadline 1 <sup>st</sup> May 2018	<b>20</b>				<b>Complete</b>
			To prepare and present the annual risk based audit plan for 2018/19. Deadline 1 <sup>st</sup> May 2018				<b>20</b>	
<b>Exemptions to Contract / Finance Procedure Rules</b>	Cross Cutting	Assurance / Governance / Risk	To challenge the use of exemptions to both Contract and Finance Procedure Rules via the waiver procedure. Challenge provided throughout the year.	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>Complete</b>
<b>Adoption Service</b>	Social Services	Assurance / Governance / Risk	To provide assurance to the governance board on the adequacy and effectiveness of the overall control environment including Governance, Risk Management and Internal Control for 2017/18 with testing focusing on Permanency and Placement.  Preparation work for the production of the assurance report for 2018/19	<b>10</b>				<b>Complete</b>
<b>SRS Joint Service</b>	Environment & Housing		Assurance Testing – To provide assurance to the Shared Regulatory Service Board on the systems and processes in place in respect of the overall control environment including governance, risk management and internal control for the 2017-18 Financial Year.  Preparatory work for the production of the assurance work for 2018/19	<b>10</b>			<b>5</b>	<b>Complete</b>
<b>Compliance expenses – /</b>	Cross Cutting		Review of expenses / mileage claims submitted which are over three months	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>Complete</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
<b>mileage claims</b>			old. Ongoing throughout the year.					
<b>Compliance with PSIAS</b>	Cross Cutting	Assurance / Governance / Risk	Review compliance with the Public Sector Internal Audit Standards.	5		5		<b>Complete</b>
<b>Safeguarding</b>	Cross Cutting	Assurance / Governance / Risk	Case management of safeguarding incidents are dealt with in accordance with the Council's safeguarding policies and procedures. This review will also include an annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children for 2017/18. Preparatory work for the 2018/19 review	10				<b>Complete</b>
<b>CRSA</b>	Learning & Skills	Assurance	To undertake the annual controlled risk self – assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules. The objectives of the Control Risk Self-Assessment (CRSA) Questionnaire are to provide a tool for the Internal Audit Section to evaluate the financial and other related controls in operation, help to provide a basis upon which the scope and frequency of audits can be determined and allow Head Teachers to self-assess themselves against potential risks. CRSA is a widely used	10		10		<b>Complete</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
			technique in the both the public and private sectors.					
<b>Audit Committee / Member and CMT Reporting</b>	Cross Cutting	Governance / Assurance / Risk	This allocation covers Member reporting procedures, mainly to the Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Team and the Internal Audit Shared Service Board.	15	10	10	10	<b>Complete</b>
<b>Advice &amp; Guidance Provision of Internal Control / General Advice</b>	Cross Cutting	Assurance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.	5	5	5	5	<b>Complete</b>
<b>Grant Certification Work</b>	Cross Cutting	Assurance	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.	10	10			<b>Complete</b>
<b>Financial Systems</b>	MD & Resources	Assurance	To provide assurances that the financial systems in operation are efficient and effective and that the internal control environment is robust.		25	25	25	<b>Complete</b>
<b>Management of Trees</b>	Environment & Housing	Assurance	To follow up on the recommendations made during 2017/18 to ensure that the management have addressed the weaknesses identified in the overall control environment.			10		<b>Not allocated</b>
<b>Landlord Compliance</b>	Environment & Housing	Assurance	To follow up on the recommendations made during 2017/18 to ensure that the management have addressed the weaknesses identified in the overall control environment.		15			<b>Complete</b>
<b>Additional Learning Needs Bill</b>	Learning & Skills	Assurance	Deferred from 2017/18 – To review the adequacy and effectiveness of early interventions in line with the proposed		10			<b>Complete</b>

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
			Additional Learning Needs Bill and to examine the effectiveness of collaboration.					
Registration Services	MD & Resources	Assurance	Deferred from 2017/18 - To provide the necessary assurance that the procedure and processes are efficient and effective.			10		Complete
Contract & Commissioning – Brokerage etc.	Social Services	Governance / Assurance / Risk	To provide assurance that the contract and commissioning processes and procedures in place within the services areas as listed below are operating effectively. Adult Commissioning Care Team; ACCT/UAP; Residency orders.		10	30	20	Complete
Procurement	MD & Resources	Assurance	This audit will review the procurement framework and a sample of individual procurement activities across the Council in order to evaluate the level of compliance with legislation and the Council's Constitution.	15				Complete
Housing	Environment & Housing	Governance	Deferred from 2017/18 – This review will examine a number of collaboration and partnership arrangements within Housing to ensure that a robust governance framework is clearly evident.		10			Complete
Building Services	Environment & Housing	Assurance	Deferred from 2017/18 – This review will examine the procedures and processes in place for mobile working to ensure compliance.		15			Complete
Housing Renovation Grants	MD & Resources	Assurance	To review the effectiveness of the procedures and processes in place for Renovation Grants to ensure compliance with legislation and guidance.			15		Complete

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
Direct Payments	Social Services	Governance / Assurance / Risk	Review the effectiveness of the procedures and processes in place for Direct Payment to ensure compliance particularly in light of the increase in numbers as a result of the SS& WB Act.		15			Complete
Reshaping Services	Cross Cutting	Assurance / Governance	To gain assurance that high risk projects are being managed under the Reshaping Services Agenda are delivering the savings required.	15	15	15	15	Complete
Emerging Risks / unplanned	Cross Cutting	Contingency	To enable Audit Services to flexibly respond to provide assurance activity as required.	10	10	10	10	Complete
External Audit Liaison	Cross Cutting	Governance	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	5	5	5	5	Complete
Fraud / Error / Irregularity	Cross Cutting	Contingency	<b>Irregularity Investigations</b> - Reactive work where suspected irregularity has been detected.	15	10	10	10	Complete
		Fraud & Error	<b>Anti-Fraud &amp; Corruption</b> – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud. Also to develop awareness sessions; e-learning; policies and procedures.  <b>National Fraud Initiative</b> - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers. Review of the Council's Anti-Fraud & Bribery Policy		10	10		

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
			<b>Sub Totals Priority One</b>	235	185	190	205	
<b>HIGH RISK – PRIORITY TWO</b>								
Vale Art Strategy	Learning & Skills	Governance	Deferred from 2017/18 – Review the effectiveness of the Vale Art Strategy including overarching governance arrangements for any regional working.			10		Not allocated
Risk Management	Cross Cutting	Risk	Review of evidence to ensure that the council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives.			10		Complete
Performance Management Framework	MD & Resources	Risk	To review the performance management arrangements paying particular attention to the accuracy of the performance information collected and reported.			10		Complete
Highways Potholes -	Environment & Housing	Assurance	To review the procedures and processes in operation within the Councils Highways Routine Maintenance – specifically potholes to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust.	10				Complete
PCI – DSS (Payment Card Industries – Data Security Standards)	MD & Resources	Assurance / Risk	To review the procedures and processes in operation relating to PCI - DSS to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust.			10		Due to service moving to new provision this work was not undertaken
Schools	Learning & Skills	Assurance	To undertake a number of school based reviews in accordance with	10	10	10	10	

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
			Internal Audit's risk based schools assessment.  To undertake cross-cutting projects to ensure compliance across all schools.	10	10	10	10	Complete
Safer Recruitment	MD & Resources	Assurance	To provide assurances that safer recruitment is operating effectively across the Council.	10				Complete
Equalities	MD & Resources	Assurance	To review the Council's Strategic Equality Plan to provide assurance that it is fulfilling its duties in respect of the Equality Act 2010 (as amended from time to time) and specific duties in Wales.				10	Complete
Intake & Family support	Social Services	Assurance / governance	Compliance with legislation regarding Child Protection measures; Integrated - Family Support to prevent care intervention; Review referral, assessment and wellbeing outcome processes.		10	10		Due to external inspection this review was not undertaken
Business Continuity Planning	MD & Resources	Assurance / Risk	To evaluate the Council's Business Continuity Plan to provide assurances that it sets out how the Council will operate following an incident and how it expects to return to 'business as usual' in the quickest possible time afterwards, that roles and responsibilities are clearly defined and understood and that all relevant stakeholders are fully aware of the Plan and its content.	10		10		Complete
Use of Mobile Communications	Cross Cutting	Risk	The Council has recognised the growth of mobile communications which can be demonstrated a number of ways including: the introduction of a				10	Complete

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
			smartphone app to improve access to services together with the creation of integrated self-service opportunities via the Council website focussed on services which have high volume, low complexity transaction. The review will evaluate the effectiveness of the Council's use of Mobile Communications for its community having regards to any appropriate legislation, guidance and internal policies.					
SRS Work	Environment & Housing	Assurance	To review the procedures and processes in operation relating to the Shared Regulatory Service determine if the control environment is robust.		10	10		Complete
Telecare	Social Services	Assurance	To review the procedures and processes in operation relating to Telecare to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust.				10	Not allocated
Waste Management	Environment & Housing	Governance / Assurance / Risk	To review collection performance, arrangements in place for increasing levels of recycling, how customer complaints are dealt with, as well as monitoring costs and collecting income (trade waste).		10			Complete
Garage Services	Environment & Housing	Risk / Assurance	To review the processes and procedures in place relating to garage services to provide assurances that the internal control environment is robust. The review will focus the MOT system and controls within the TRANMAN system.			10		Complete

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
Highways	Environment & Housing	Risk / Assurance.	To review progress against the three year highway resurfacing plan focusing on the use of contractors and compliance with Council's policies and procedures.  Highways Construction Team (HCT) – to evaluate a number of capital funded schemes managed by the HCT to ensure compliance with contract / financial procedure rules.			10	10	Complete
Occupational Health	MD & Resources	Risk	To review the processes and procedures in place for Occupational Health and to provide the necessary assurances on the effectiveness of the control environment.			10		Not allocated
Facilities Management	MD & Resources	Assurance	The audit will critically review the management and control of the Council's Office Accommodation Budget, (Facilities Management Budget).			10		Complete
Parent Pay	Learning & Skills	Assurance	To review the processes and procedures in place for the administration of Parent Pay and provide assurances on the overall robustness of the control environment.		10			Complete
Access to records – GDPR	Cross Cutting	Governance / Assurance / Risk	To ensure that the GDPR are being implemented and embedded throughout the Council		10			Complete
Catering	Learning & Skills	Governance / Assurance / Risk	To provide assurances as to the robustness of the overall governance structure within the Catering Service.		15			Not allocated
Stores	Environment & Resources	Assurance	To review the procedures and process in place for the administration of the stores department within the			15		Complete

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
			Directorate of Environment & Housing and provide assurance as to their effectiveness.					
Supplier Management	Cross Cutting	Assurance	To undertake a trend analysis identifying the spend profile of the Council to ensure that policies and procedures are being adhered to.			10		Not allocated
Asset Management	Cross Cutting	Risk / Assurance	To ensure that the disposal of assets is in accordance with Council policy, rules and regulations.				10	Not allocated
Organisational Development Policy Compliance	MD & Resources	Assurance / Governance	To ensure that policies and procedures are being administered consistently across the organisation.			15		Complete
Project Management	Cross Cutting	Governance / Assurance / Risk	To undertake a review of the procedures and processes associated with a number of Projects / Programme. Particular emphasis will be placed on compliance to the Council's Rules and Regulations and Project Management Methodology.	10	10	10	10	Complete
ICT Audit	Cross Cutting	Governance / Assurance / Risk	ICT systems reviews will be undertaken across Directorates ICT systems to ensure robust controls are evident and operating effectively.		20		20	Complete
ICT – Social Services	Social Services	Governance / Assurance / Risk	Provide Assurances on the implementation of WCCIS / Dewis and ongoing update of systems.			15		Complete
Complaints / Representations & Advocacy – Social Services	Social Services	Governance / Assurance / Risk	Review complaints process within Social Service to provide assurance as to its effectiveness and compliance with set targets.  To provide assurances that the	10			10	Complete

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Final Outcome 2018/19
			Council's policies and procedures are aligned to the National Approach to Statutory Advocacy for Children and Young People being introduced.  Provide assurance that procedures and processes are in accordance with the Golden Thread Advocacy Programme for Adults.			10		
Youth Offending Service (YOS)	Social Services	Governance / Assurance / Risk	This is a statutory Service and this has not been audited for some time. Review to provide assurances on the early intervention and prevention schemes and young people transferred to secure estate.				10	Complete
Looked After Accommodated Children	Social Services	Governance / Assurance / Risk	As a result of the SS & WB Act, new regional strategy and guidance has been developed for care leavers. The review will provide assurance that regional care and support plans for looked after children have been developed in accordance with the requirements of the Act.		15			Due to external inspection this review was not undertaken
CIV Processes	Social Services	Assurance	To review and provide assurances as to effectiveness of CIV in accommodating and dealing with data collection, dealing with referrals and signposting as a result of the changes brought about by the implementation of the SS & WB Act.		10			Complete
<b><i>Sub Total Priority Two</i></b>				70	150	195	120	
				305	335	385	325	

**Bridgend and Vale Internal Audit Service:  
Head of Internal Audit's Performance Report April 2018 to March 2019  
Vale of Glamorgan Council.**

### **Section 1 - Introduction**

The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 1<sup>st</sup> May 2018. The Plan outlined the assignments to be carried out and their respective priorities. The information summarised below provides the outcome of the work undertaken by Internal Audit for the Financial Year 2018/19.

### **Section 2 – Core Financial Systems – C/F from 2017/18**

The following reviews of core financial systems were carried forward from 2017/18 and concluded during the first quarter of the 2018/19 Financial Year. It should be noted that all testing undertaken was based on transactions in 2017/18.

**Table 1.**

Core Financial System Description	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
Banking	✓				
Accounts Payable / Creditors		✓			1
<b>Total Audits (2)</b>	<b>1</b>	<b>1</b>	<b>0</b>		<b>1</b>

Recommendations have been agreed and Management Implementation Plans have been received.

### Section 3 – Other Reviews

The following other reviews have been undertaken and completed during the Financial Year 2018/19:-

**Table 2**

Other Reviews	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
C/F Energy Management Carbon Reduction Certificate	√				
Purchasing Cards		√			5
Mayor's Office Financial Management		√			
Illegal Money Lenders Grant	√				
Supporting People Programme Grant Verification		√			
SRS Financial Control & Governance	√				
Bus Services Support Grant		√			1
Cowbridge Comprehensive		√			
Education Improvement Grant Verification		√			
IA Benchmarking		√			
Adoption Collaboration Annual Certification	√				
Enable Grant 2016/17		√			3
Registrars		√			5
Landlord Compliance		√			2
Safer Recruitment		√			1
Council Tax		√			
Performance Indicators		√			1
Enable Grant – 17/18		√			1
Main Accounting & Budgetary Control	√				1
C/F Leisure Contract		√			
Supporting People Grant 2017/18		√			2
Welsh for Adults Grant 2017/18		√			
Ysgol y Ddraig School		√			3
Housing & Partnership / Collaboration	√				
GDPR		√			1
ICT Business Continuity			√		3
E-Procurement Follow Up			√		6

Other Reviews	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
Facilities Management			√		4
Equalities		√			6
Treasury Management		√			2
C1V Processes		√			
Renovation Grants / DFG's		√			8
Cyber Security Risk Management		√			2
CRC Verification	√				
GCSx Accounts		√			1
Direct Payments			√		17
WCCIS			√		3
Youth Offending Service	√				
Stores		√			3
Building Services Responsive Repairs		√			3
Highways Maintenance (Potholes)		√			2
SRS Taxi Licensing		√			1
Parent Pay		√			4
School Meals Income Collection			√	1	3
Holton Road Primary			√		7
ALN Bill		√			
CRSA's		√			
Colcot Primary School			√		15
Whitmore High School	√				1
Pencoedtre High School		√			3
Finalising 17/18 Reports		√			9
Mileage Expense Claims over 3 months		√			
Exemptions / Waivers		√			
Directorate Advice & Guidance		√			
Contract Management		√			
Complaints / Representations			√		5
Advocacy		√			2
Garage Services		√			1
Mobile Communications		√			5
Risk Management Follow Up		√			
<b>Total Audits (60)</b>	<b>9</b>	<b>42</b>	<b>9</b>	<b>1</b>	<b>142</b>
Complaint Stage 2	n/a	n/a	n/a		

Other Reviews	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
6th Form & Adult Ed Return 17-18	n/a	n/a	n/a		
<b>Total Audits (62)</b>					

#### Section 4 – Reports with Limited Assurance Opinions

**Table 3**

Audit	Objective	Weaknesses
<b>ICT Business Continuity</b>	Evaluate the Council's ICT Business Continuity Plan to determine how the Council will operate following an incident and how it expects to return to 'business as usual' in the quickest possible time afterwards. Provide assurance that roles and responsibilities are clearly defined and understood and that all relevant stakeholders are fully aware of the Plan and its content.	<p>There has been no formal collation of business impact assessments across the Council and thus critical applications have been assigned solely on the best efforts of staff members within ICT Services.</p> <p>The majority of plans for the Council's critical applications were last checked in 2015 and thus the Council's ICT Service/Business Continuity Plan requires update in order to maintain its usability in a disaster scenario.</p> <p>The Council was, at the current time, unable to perform a full failover test including the changes to relevant network details.</p>
<b>E-Procurement Follow Up</b>	Ensure that adequate steps have been taken by the department to implement the agreed recommendations made in the Limited Assurance' Audit Report.	Of the six recommendations made in the previous report, three related to the roll out of the Basware project and as a consequence, the Auditor has recognised that the correspondence from Welsh Government stating that the support contracts for e-Bravo and Basware were due to expire on 11th January 2019, has in itself created difficulties in establishing a fixed project plan. Progress has been made since the previous audit, but the Council needs to make a decision on how best to proceed at the earliest practical

Audit	Objective	Weaknesses
		opportunity. Following this decision, a full project plan can be implemented to ensure compliance with EU Directives and subsequent criteria set by the UK Government and/or Welsh Government. The Head of Finance has provided a response to the three remaining recommendation indicating that two were implemented immediately and one gave a target date of April 2019 and therefore we are confident that a further follow up will evidence sufficient progress to increase the assurance to Reasonable.
<b>Facilities Management</b>	Critically review the management and control of the Council's Office Accommodation budget, (Facilities Management Budget). A number of strengths and areas of good practice were identified and included, experienced and knowledge staff who continue to deliver the service within budget despite increasing financial constraints and the efforts being made to create a monitoring system for compliance and non-compliance contracts across the portfolio directly managed by Facilities.	The key issues that were identified and need to be addressed relate to no service level agreement being in place and therefore a lack of clarity regarding the role and duties of Facilities Management and the Corporate Compliance Team and areas of non-compliance identified in relation to public building legislation. As stated, the audit identified a number of strengths and areas of good practice and management have responded positively to the recommendations made.
<b>Direct Payments</b>	To assess the adequacy of the controls and procedures in place for Direct Payments. The review of this area was instigated due to the implementation of the Social Services and Well-Being Act 2014, which came into effect in 2015. Since the implementation of the Act, there has been an increase in the amount of Service Users using Direct Payments to support their care packages	Quarterly financial monitoring of Service Users was found to be behind, due to a shortfall in staff resource within the Direct Payments team. This was evidenced during sample testing and identified in discussion with the Direct Payment Development Officer. Recently a new part-time Direct Payment Assistant has been recruited to conduct financial monitoring and bring this area back up to speed. DBS records kept by the Direct Payment team were found to be lacking the information required to identify whether all Service User Personal Assistants had been subject to DBS checks in accordance with regulation. During the review, it was clear that Social Service policies and procedures were out of date – including that for the Direct Payments service. The Direct Payment policy had not been reviewed since

Audit	Objective	Weaknesses
		<p>March 2015 and although it took the Social Services and Well-Being Act 2014 into consideration along with other relevant legislation, it did not fully reflect the current procedures used by the service and excluded policy surrounding ending a User's Direct Payments and assignment of a Suitable Person where the Service User does not have capacity to manage their package. Furthermore, the Social Services pages were reviewed, and some Social Care guidance was found to be out of date as well as missing specific guidance around eligibility and signposting of individuals with complex care needs.</p> <p>It was found that there are no reconciliation checks being completed on funding calculation proformas which are used to calculate a User's personal budget, nor on the payment spreadsheets prior to release of funds.</p> <p>The Operational Manager – Commissioning and Information has provided the Auditors with an update on progress being made to implement the recommendations and whilst this demonstrate good progress, a follow up audit will be scheduled for early in the 2019/20 financial year.</p>
<b>Welsh Community Care Information System (WCCIS)</b>	To assess the adequacy of the controls and procedures in implementing the Welsh Community Care Information System (also known as "WCCIS").	<p>The Council should conduct a 'Lessons learnt' review of the WCCIS implementation project, jointly with the CareWorks Ltd Project Management team, to ensure that essential learnings from this project are used to enhance procedures in the future.</p> <p>Issues in implementing WCCIS system training, both before and after implementation.</p> <p>Print functionality issues within assessment forms caused by an inadequate version of the current Active Directory Federation Servicer (ADFS) environment; and implementing movement to Cloud-based servers.</p> <p>This has already been identified as a significant risk and as such has been included within the Council's Corporate Risk Register.</p>

Audit	Objective	Weaknesses
<b>School Meals Income</b>	Review the processes and procedures in place for the administration of school meal income collection in the absence of ParentPay and provide assurances on the overall robustness of the control environment.	Generally processes & procedures at schools were found to be effective. However at one school no reconciliations were being undertaken of money received to the money banked, leading to banking shortfalls being identified by the Auditor.  This school also has a high level of school meal income arrears (£905.32) and coin loader machine is currently not easily accessible to parents meaning the majority of its use is by the School Administrator.
<b>Holton Road Primary</b>	The objectives of the audit were to review the school's governance arrangements; check that child protection policies were being applied; that all orders and payments were being processed correctly; and finally that all income is being recouped by the Council for school meals and other activities.	The following key issues were identified during the audit which need to be addressed:  Incorrect use of the Non Order facility.  Incorrect use of the unofficial school fund to bank after school income and absence of reconciliations to attendance registers when banking after school income.  Not all key policies are available and up to date.
<b>Colcot Primary</b>	The objectives of the audit were to review the school's governance arrangements; check that child protection policies were being applied; that all orders and payments including purchasing card payments were being processed correctly; the school's unofficial fund is maintained properly, that all school meal income is being recouped for school meals and a complete inventory is in place.	The following key issues were identified during the audit which need to be addressed:  There was no 'Delegated Authority' statement at the school to show the approved delegated financial limits.  Records for the unofficial fund were unclear.  Processes in respect of orders and payments and purchasing cards need to be tightened to improve controls  School meal income arrears have increased to £905.32 at the school.

Audit	Objective	Weaknesses
<b>Complaints &amp; Representations</b>	To assess the adequacy of the controls and procedures in place for Social Service Complaints and Representations.	<p>There are instances of Welsh Government prescribed timescales being exceeded.</p> <p>Complaints refresher training modules have not been made available to Social Service staff for approximately two years, and we were unable to confirm whether mandatory training modules were completed as expected during audit testing.</p> <p>The Complaints Policy was found to be out of date. As such it was lacking consideration of the recent General Data Protection Regulations ("GDPR") 2018. There were also no considerations denoted within the Policy regarding the recording, retention or storage of complaint information.</p> <p>The structure of the central spreadsheet used to record complaint information should be promptly revised.</p> <p>Quarterly performance and statistical reports have not been produced for Senior Management to consider for over a year.</p> <p>The Operational Manager – Safeguarding and Service Outcomes has responded positively to the recommendations made. We are therefore confident that the service area are actively addressing the control issues raised.</p>

## Section 5 – Counter Fraud Work

The following counter fraud work including irregularity reviews have been carried out during the period.

**Table 4**

Counter Fraud & Corruption Work	Assurance Opinion	Recommendations Raised	
		Fundamental High	Significant Medium
National Fraud Initiative	No opinion – user administration only – report to follow. New data sets have been received and work on the matches is on-going	n/a	n/a
Safeguarding of Assets	No Assurance – Custodial Sentence	n/a	n/a
Overtime Claim	Limited Assurance – Claim adjusted	n/a	n/a
Email Usage	Complete - Referred to Determining Officer	n/a	n/a
Email Usage	Complete – Referred to Determining Officer	n/a	n/a
Petrol Usage	Limited Assurance - Complete – Referred to Determining Officer	n/a	1
Safeguarding	Complete - Referred to the Determining Officer	n/a	n/a
Safeguarding	Complete – Referred to the Determining Officer	n/a	n/a
Whistle Blowing – Cosmeston Village	Complete – N/A		3
Civic Ceremony / Twinning	Limited Assurance – Referred to Determining Officer		
Use of PCards Tourism	Reasonable Assurance - Complete		1
Asbestos / Procurement	Complete – N/A		
Missing Money	Limited Assurance – Report issued to Headteacher		7
Use of Sub-Contractors	Limited Assurance – Complete report issued.		
Whistle Blowing - Alps	Carried Forward into 2019/20		
<b>Total Audits (15)</b>			<b>12</b>

A separate report will be presented to the Audit Committee in accordance with their Forward Work Programme in relation to Corporate Fraud.

**Section 6 – Other Planned and Completed Work****Table 5**

<b>Title</b>	<b>Description</b>
School Planning	This is a job that is raised in order for time to be allocated to planning the school programme of work and job allocation to staff. Therefore providing an opinion is not applicable to this job.
Audit Planning	This is a job that is raised in order to undertake the annual planning process which is considered to be a productive job. It is also used during the year to monitor progress against the plan. Therefore providing an opinion is not applicable to this job.
External Audit Liaison	This is used for all meetings with the Council's External Auditors. Providing an opinion is not applicable to this job.
Internal Audit Shared Service Monitoring	This is a job that is raised in order to undertake monitoring of the Service against the agreement and is considered a productive job. Meetings are held with the Board and therefore any work that is necessary in preparation for these meetings is accounted for.
Audit Committee / CMT	This is a job that is raised in order to undertake work necessary to support the Audit Committee and the Council's Corporate Management Team.

**Section 7 – Carried Forward into 2019/20****Table 6**

<b>Carried Fwd into 2019/20</b>	<b>Position</b>
Reshaping Services	To be completed in the first quarter of 2019/20
Housing Benefit	Work is well underway and will be completed within the first quarter of 2019/20
Payroll      Overtime      & Excessive Hours	Work is well underway and will be completed within the first quarter of 2019/20
Accounts Receivable	To be completed in the first quarter of 2019/20
Creditors	To be finalised during the first quarter of 2019/20

**Section 8 – SWAP work completed for 2018/19**

**Table 7**

<b>Title</b>	<b>Description</b>
Additional Learning Needs Bill	<p>To provide assurance that reasonable preparatory work has been undertaken by the Council for the upcoming Additional Learning Needs Bill and Transformation Programme.</p> <p>Completed – Reasonable Assurance provided on the overall control environment.</p>
Direct Payments	<p>This Direct Payment audit review has been performed to assess the effectiveness of the procedures and processes for Direct Payments to confirm the suitability of the control framework in place, particularly considering the increase in numbers as a result of the Social Services and Well-Being Act (2014).</p> <p>Completed – Limited Assurance provided on the overall control environment (see Section 4 – Control Issues)</p>
Reshaping Services	<p>The objective of the audit is to conduct a broad review of the Reshaping Services Programme and provide assurances against the effectiveness of the Strategy, governance arrangements, of how corporate and services projects are managed and whether overall targeted income generation and savings are realistic, adequate and being achieved.</p> <p>Field work completed and report being formulated and agreed</p>
Project Management – Including Waste Management and Highways Resurfacing	<p>The Objective of the audit is to ensure the Council is procuring and managing its key contracts in an efficient and effective manner; in compliance with relevant legislation.</p> <p>Completed – Reasonable Assurance provided on the overall control environment.</p>
ICT – Social Services (WCCIS)	<p>To provide assurances as to effectiveness of the implementation and ongoing update and development of WCCIS.</p> <p>Completed – Limited Assurance provided on the overall control environment (see Section 4 – Control Issues)</p>
Complaints and Representations	<p>To ensure that complaints are managed to a high standard, dealt with appropriately and results/feedback are utilised to improve services.</p> <p>Completed – Limited Assurance on the overall control environment has been assessed (see Section 4 – Control Issues).</p>

Title	Description
Advocacy	<p>To provide assurances that the Council's advocacy provisions are in line with statutory requirements.</p> <p>Completed – Reasonable Assurance has been provided on the overall control environment.</p>
Youth Offending Service - Grant Review	<p>To achieve the objective of the audit, we assessed the Council's compliance with the key stipulations set out in the Welsh Government Offer Letter. Specifically, whether the Council adheres to its obligations and to use the funding solely for the purposes its provision was intended for. To ensure that all declarations made to the Welsh Government are based on complete and accurate information.</p> <p>Completed – Substantial Assurance has been provided on the overall control environment.</p>
Youth Offending Service Financial Compliance -	<p>To ensure that the systems and controls surrounding the financial transactions of the Youth Offending Service are operating in accordance with the Council's Financial Procedure Notes and where applicable, Contract Procedure Rules.</p> <p>Final report issued in January 2019 – no management response required as overall opinion is substantial assurance.</p>
C1V Processes	<p>To provide assurances as to the effectiveness of the recently implemented C1V ("Contact One Vale") Team and the Adult Social Care Intake and Assessment Team structure for accommodating and dealing with data collection, signposting to Council services and dealing with referrals.</p> <p>Completed – Reasonable Assurance has been provided on the control environment.</p>

### Section 9 - Audit Recommendations – 2018/19

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 Financial Year 2018/19, Internal Audit has made a total of **156** 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 8 below.

**Table 8**

2018 – 19 Recommendation Priority	No. Made	No. Agreed	No. Implemented	No. not yet due to be actioned	No. overdue action date
			Complete	Pending	Outstanding
<b>Fundamental (Priority One) – Immediate Action</b>	1	1	1	0	0
<b>Significant (Priority Two) – Action within 6 – 12 months</b>	155	155	61	81	13
<b>Total</b>	<b>156</b>	<b>156</b>	<b>62</b>	<b>81</b>	<b>13</b>

**Table 9 - Analysis of Overdue Recommendations**

Analysis of Overdue Implementation of Recommendations for 2018-19	No. Overdue	One / Two months overdue Target date	Three or more months overdue target date
		Amber	Red
<b>Fundamental (Priority One)</b> Rating - D and E (+ to -) Action – Immediate Implementation	0		
<b>Significant (Priority Two)</b> Rating – C (+ to -) Action – Implementation within 6 – 12 months	13	13	
<b>Total</b>	<b>13</b>	<b>13</b>	

### Section 10 – Key Performance Measures - Benchmarking

The Internal Audit Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2017/18 have recently been received and are as shown in Table 10 below:

**Table 10**

Performance Indicator 2017/2018	IASS Performance VOG 2017/18	WCAG Average Performance 2017/18	IASS Performance for VOG 2016/17	WCAG Average Performance 2016/17
Percentage of Planned Audits Completed	95%	86%	95%	84%
Percentage of Audits Completed in Planned Time	63%	73%	81%	69%
No of audits completed	74	69		
Percentage of directly chargeable time, actual versus planned	63%	86%	71%	69%
Average no. of days from response to draft report to issue of final report	3 days	3 days		
Average number of days from audit closing meeting to issue of draft report.	9.5 days	6 days	9.5 days	8 days
No of Audit Staff	6.5	7		
% of staff leaving during the Financial Year	35%*	12%	30.6*	10%

\*combined figure for the shared service

It should be noted that 15 of the 22 Councils returned their performance figures this year representing a return rate of 68%. It is clear from the figures provided that the Section's performance has dipped when compared with that of 2016/17 and therefore there is room for improvement particular in respect of audits completed within planned time.

### **Section 11 – Key Performance Measures – Client Satisfaction Questionnaires**

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 for the period April to March 2019 are summarised in Table 11 below.

**Table 11**

No.	Question	Average Score of Responses to March 2019	Average Score of Responses to March 2018
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.300	1.080
2	Appropriateness of scope and objectives of the audit.	1.400	1.130
3	Timelines of audit.	1.300	1.200
4	Response of Officer to any requests for advice and assistance.	1.400	1.130
5	General helpfulness and conduct of Auditor (s)	1.400	1.130
6	Discussion of findings / recommendations during or at the conclusion of the audit.	2.000	1.000
7	Fairness and accuracy of report.	1.600	1.290
8	Practicality and usefulness of recommendations	1.500	1.140
9	Standard of report.	1.400	1.130
10	Client agreement with overall audit opinion.	1.400	1.200

In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey.

## Section 12 – Key Performance Measures – Staff Training

We continue to invest in the development of staff and recognise that, whilst the overall audit budget continues to reduce, the need for high quality assurance services does not. Indeed, with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.

In terms of professional training, we have 1 member of staff who is currently studying for the Chartered Institute of Public Finance and Accountancy qualification. The member of staff has successfully completed the Professional Certificate stage of the qualification and has now moved on to the Professional Diploma stage.

Staff are encouraged to attend courses and seminars that develop their skills, develop skills for the shared service and also further develop network opportunities. Listed below are a number of training courses that staff have either attended or are scheduled to attend during the coming months:-

- Financial Systems refresher training (ORACLE / COA);
- IT Governance Principles ;
- Best Practices in threat intelligence for threat containment ;
- Use of IDEA software;
- Safeguarding;
- General Data Protection Regulations training;
- Wales Audit Office – Finance for the future;
- Institute of Internal Auditors (IIA) Wales Conference;
- CIPFA Procurement and Contract Audit Summit; and
- Domestic Abuse and Sexual Violence
- Armed Forces Covenant
- Cyber Security Enterprise Risk Management
- Challenges and Opportunities for Public Sector Data Centre Modernisation.

### Section 13 – Annual Opinion Statement 2018/19

This statement of opinion is underpinned by:

#### **Internal Control Framework**

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

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

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Council Tax, Treasury Management etc.) or generally in the reviews undertaken in respect of directorate systems. Due to the resourcing issues within the Internal Audit Shared Service, audit work was commissioned from the South West Audit Partnership (SWAP) who undertook a number of specific reviews, primarily within Social Services on our behalf.

The Council's External Auditors have advised that their work for the 2018/19 Financial Year is well on track and that they have completed the majority of their planning work and interim testing. This includes:

- A high level assurance of the financial systems and the wider control environment – this work is designed to detect any material risk to the accounts;
- Testing of the income and expenditure transactions made by the Council during 2018/19.

Whilst their work is continuing during April 2019, to-date, there are no significant issues arising from their work that should be referenced within my opinion.

In addition, the Managing Director, each of the Corporate Directors, the Monitoring Officer and the Council's Section 151 Officer have completed an Annual Assurance Statement for 2018/19; as well as Head Teachers and Chairs of Governors. All their responses have been taken into account when forming the Head of Audit's annual opinion. Furthermore, the detailed Council's Annual Self-Assessment dated March 2019 has been a key reference document to support the assurance statement.

### Risk Management

Effective Risk Management forms a key aspect of assurance and governance. An organisation that can demonstrate and operate under a structured and active risk management approach is far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.

The review of Risk Management was assigned a green RAG rating because of the strong control framework in place in relation to Risk Management.

### Governance Arrangements

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

Governance arrangements have been reviewed and found to be effective. The review of the Council's Code of Corporate Governance has concluded that there is a strong and robust control framework in place in relation to Corporate Governance.

### Internal Control

I have based my opinion on the internal audit work during the year. A total of 89 assignments were raised during the year.

- 5 were carried forwarded into 2019/20
- 7 were closed not requiring an opinion
- 15 related specifically to investigations
- 62 resulted in opinions being given

Of the 62 opinions given:

- 53 (86%) have been closed with either substantial or reasonable assurance opinion levels.
- 9 (14%) of the assignments were given an opinion of limited assurance due to weaknesses in the internal control environment and have been summarised in Section 4 above.

In addition, I have taken into consideration the responses to the Annual Assurance Statements completed by Corporate Management Team for 2018/19 and the detail as contained within the Council's Annual Self-Assessment March 2018.

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 12 below:

**Table 12**

	<b>SYSTEM CONTROL</b>	<b>MATERIALITY AND IMPACT</b>		
		<b>HIGH</b>	<b>MEDIUM</b>	<b>LOW</b>
1	<b>Satisfactory</b>	Moderate	Minimal	Minimal
2	<b>Reasonable</b>	Moderate	Moderate	Minimal
3	<b>Limited (Significant Improvements required)</b>	Of Concern	Moderate	Moderate
4	<b>No Assurance (Fundamental Weaknesses identified)</b>	Significant	Of Concern	Moderate

Therefore, having regard to the work undertaken as described above, my overall opinion is the Council's overall internal control arrangements are considered to be **reasonable**, resulting in a "**moderate**" level of risk.

### OPINION SUMMARY

In providing my annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2018/19 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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

- The results of all internal audits undertaken during the year ended 31<sup>st</sup> March 2019
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities.

From the work undertaken during the financial year 2018/19 and taking into account other sources of assurance, **the Head of Audit opinion is of "Reasonable Assurance"** on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

## Section 12 - 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 eight years. The Council's Code of Corporate Governance was reviewed during 2016/17, with the amendments made being based upon the "Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016)". The Framework positions the attainment of sustainable economic, societal and environmental outcomes as a key focus of good governance processes and structures. The focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term.

The Vale of Glamorgan Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Vale of Glamorgan Council sees Corporate Governance as doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Strong, transparent and responsive governance enables the Vale of Glamorgan Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain "citizens" confidence, these mechanisms must be sound and be seen to be sound.

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 £55 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 2021/22. 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 2021-22 savings of between £13.5m and £17.8m will need to be achieved. 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. In future years a higher proportion of the required savings will have to be found through the programme. 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.

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, impacting 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. A significant issue for the Internal Audit Shared Service is the continuing lack of resources and the impact this has had on delivering the 2018/19 Audit Risk Based Plan. During the whole of the year, the Shared Service has carried vacancies and as a consequence the services of the South West Audit Partnership were commissioned to help address the shortfall. 2018/19 has continued to be a challenging year for the Shared Service and as predicted, South West Audit Partnership have once again assisted with the delivery of the 2018/19 Risk Based Plan. In addition, work is well underway in developing the Shared Service into a Regional Service with the two more Councils joining the partnership. The new Regional Service commenced on the 1<sup>st</sup> April 2019 and therefore some latitude will be required during 2019/20 to facilitate this transitional period from all parties concerned.

As set out in the Sections above, based on the work completed by the Internal Audit Shared Service for the Financial Year ending March 2019 and the contribution to the Audit Plan made by the South West Audit Partnership, no cross cutting control issues have been found. However, as reported to Audit Committee in February, there are a number of reviews that have now been completed and finalised that have identified significant control weaknesses. These are mainly concentrated within the Directorate of Social Services and the details of which are outlined in Section 4 of this report. In addition, there is an issue within Learning & Skills relating to one Primary School where the control environment is particularly weak and a full audit was undertaken in March, as a consequence we were only able to provide limited assurance on the overall control environment.

Notwithstanding the above issues, 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.