

**A virtual meeting of the CENTRAL SOUTH CONSORTIUM JOINT EDUCATION SERVICE will be held on Thursday, 17th March, 2022 at 9.00 am**

**7. INTERNAL AUDIT REPORTS**

To receive an update from the Deputy Managing Director of the Central South Consortium.

**(Pages 3 - 26)**

**To:** Members of the Central South Consortium Joint Education Service Joint Committee

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**CENTRAL SOUTH CONSORTIUM  
REPORT FOR JOINT COMMITTEE**

**17<sup>TH</sup> MARCH 2022**

**JOINT EDUCATION SERVICE**

**REPORT OF THE MANAGING DIRECTOR – 2021/22 INTERNAL AUDIT  
REPORT (2020/2021 GRANT FUNDING)**

**Author: Louise Blatchford, Deputy Managing Director**

**1. PURPOSE OF REPORT**

- 1.1 To consider the Internal Audit report issued by Rhondda Cynon Taf County Borough Council's Internal Audit Service to the Central South Consortium during 2021/22.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Review the Internal Audit Report issued during 2021/22 and determine whether there are any matters of governance or an internal control nature that require further action or attention.

**3. BACKGROUND INFORMATION**

- 3.1 The Central South Consortium is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of those functions.
- 3.2 One aspect of governance is the system of internal control and Rhondda Cynon Taf County Borough Council's Internal Audit Service undertake audit work each year to independently assess the adequacy of this area from a financial administrative perspective. This work is undertaken in line with the Legal Agreement for the Central South Consortium.

- 3.2 Members will be aware the Central South Consortium is also responsible for undertaking an assessment of its governance arrangements each year, including the system of internal control, the findings from which are set out in an Annual Governance Statement (AGS). The conclusions from Internal Audit’s work during 2021-22 will form part of the AGS for this period (with the AGS being reported to the 24<sup>th</sup> May 2022 Joint Committee meeting).

#### **4. INTERNAL AUDIT REPORT ISSUED IN 2021/22**

- 4.1 For the 2021/22 financial year, Rhondda Cynon Taf County Borough Council’s Internal Audit Service reviewed two grant claims made by Central South Consortium as per the requirements of the respective terms and conditions of the grant. Details of the outcome of the reviews are set out in Table 1 and a copy of the respective reports are included at Appendix 1.

Table 1 – Internal Audit Report Issued in 2021/22

<b>Internal Audit Report Issued</b>	<b>Conclusions</b>	<b>Number of Recommendations Reported</b>	<b>Number of Recommendations Implemented</b>
Regional Consortia School Improvement Grant (RCSIG) claim for 2020/2021	Substantial Assurance	0	0
Pupil Development Grant (PDG) claim for 2020/2021	Substantial Assurance	0	0

#### **5. CONCLUSIONS**

- 5.1 Internal Audit play an important role in providing independent assurance on the systems of internal control operating within the Central South Consortium.
- 5.2 Based on the work undertaken by Rhondda Cynon Taf County Borough Council’s Internal Audit Service during the year, no recommendations for improvement were deemed necessary in respect of the Consortium’s internal control arrangements.



**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**17<sup>th</sup> MARCH 2022**

**CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE**

**List of background papers**

Freestanding matter

Officer to Contact:

Louise Blatchford  
Tel no. 01443 281400

**CENTRAL SOUTH CONSORTIUM  
REPORT FOR JOINT COMMITTEE**

**17<sup>TH</sup> MARCH 2022**

**JOINT EDUCATION SERVICE**

**REPORT OF THE MANAGING DIRECTOR – 2021/22 INTERNAL AUDIT  
REPORT**

**Author: Louise Blatchford, Deputy Managing Director**

**1. PURPOSE OF REPORT**

- 1.1 To consider the Internal Audit report issued by Rhondda Cynon Taf County Borough Council's Internal Audit Service to the Central South Consortium during 2021/22.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Review the Internal Audit Report issued during 2021/22 and determine whether there are any matters of governance or an internal control nature that require further action or attention.

**3. BACKGROUND INFORMATION**

- 3.1 The Central South Consortium is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of those functions.
- 3.2 One aspect of governance is the system of internal control and Rhondda Cynon Taf County Borough Council's Internal Audit Service undertake audit work each year to independently assess the adequacy of this area from a financial administrative perspective. This work is undertaken in line with the Legal Agreement for the Central South Consortium.

- 3.2 Members will be aware the Central South Consortium is also responsible for undertaking an assessment of its governance arrangements each year, including the system of internal control, the findings from which are set out in an Annual Governance Statement (AGS). The conclusions from Internal Audit’s work during 2021-22 will form part of the AGS for this period (with the AGS being reported to the 24<sup>th</sup> May 2022 Joint Committee meeting).

**4. INTERNAL AUDIT REPORT ISSUED IN 2021/22**

- 4.1 For the 2021/22 financial year, Rhondda Cynon Taf County Borough Council’s Internal Audit Service reviewed one core financial system in line with its approved Annual Audit Plan. Details of the outcome of the review are set out in Table 1 and a copy of the full report is included at Appendix 1.

Table 1 – Internal Audit Report Issued in 2021/22

<b>Internal Audit Report Issued</b>	<b>Conclusions</b>	<b>Number of Recommendations Reported</b>	<b>Number of Recommendations Implemented</b>
General Ledger	Substantial Assurance	0	0

**5. CONCLUSIONS**

- 5.1 Internal Audit play an important role in providing independent assurance on the systems of internal control operating within the Central South Consortium.
- 5.2 Based on the work undertaken by Rhondda Cynon Taf County Borough Council’s Internal Audit Service during the year, no recommendations for improvement were deemed necessary in respect of the Consortium’s internal control arrangements.



**LOCAL GOVERNMENT ACT 1972**

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**17<sup>th</sup> MARCH 2022**

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Officer to Contact:

Louise Blatchford  
Tel no. 01443 281400

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## Internal Audit Draft Report




# CENTRAL SOUTH CONSORTIUM (CSC) GENERAL LEDGER RCT 2021/22

<b>Report Issue Date</b>	<b>7<sup>th</sup> March 2022</b>
<b>Report Authors</b>	<b>Huw Griffiths – Auditor Lisa Cumpston – Manager</b>
<b>Report Distribution</b>	<b>Craig Flynn - Senior Accountant Alyson Price - Business Manager</b>



**REGIONAL INTERNAL AUDIT SERVICE /  
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL**



AUDIT OPINION	RECOMMENDATION SUMMARY	
	High Priority	0
	Medium Priority	0
	Low Priority	0
	Total	0
<p><b>SUBSTANTIAL ASSURANCE</b></p> <p>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>		
<p><b>STRENGTHS &amp; AREAS FOR IMPROVEMENT</b></p>		
<p>During the audit a number of key strengths and areas of good practice were identified as follows:</p> <ul style="list-style-type: none"> <li>• Wales Audit Office (WAO) sign off the Annual Statement of Accounts for the CSC.</li> <li>• Annual budgets are set and accurately uploaded to Financials.</li> <li>• Financials accurately shows income and expenditure transactions for both revenue and capital codes.</li> <li>• Financials shows transactions in 'real time' as data is entered onto the system.</li> <li>• End of year carried forward balances are accurately brought forward into subsequent financial years.</li> <li>• Access/ability to undertake journals/transfers is appropriately restricted.</li> <li>• Financials has built in system restrictions which do not allow transactions to be coded to invalid financial codes.</li> <li>• New financial codes are only able to be created by designated officers of the Income &amp; Financials Team with Administrator level access.</li> <li>• Financials automatically generates a unique reference number/ID for all transactions.</li> <li>• The ability to create and or remove financial codes is restricted to small number of designated staff only.</li> </ul> <p>No issues were identified during the audit which need to be addressed.</p>		

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## 1. INTRODUCTION & BACKGROUND

An audit of CSC – General Ledger was undertaken in accordance with the Internal Audit Plan 2021/22.

This report sets out the findings of the audit and provides an opinion on the adequacy and effectiveness of internal control, governance and risk management arrangements in place. Where controls are not present or operating satisfactorily, recommendations have been made to allow Management to improve internal control, governance and risk management to ensure the achievement of objectives.

The CSC Joint Education Service comprises of the 5 Local Authorities of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf, and Vale of Glamorgan working in partnership to deliver ambitious new arrangements for school improvement.

The Consortium has been in operation since September 2012 and covers the needs of all schools and pupils in the region. The purpose of the Consortium has been defined as to raise standards and build upon success through purposeful collaboration between Local Authorities, effective partnership with schools and a rigorous pursuit of excellence.

This Internal Audit review focussed on the General Ledger. The CSC uses financial systems which are hosted by RCT CBC. The purpose of the General Ledger system is to record all financial transactions and provide information for the preparation of Management Accounts, Final Accounts and Financial Returns. In order to maintain proper financial control and protect the integrity of the Ledger, it is essential that adequate accounting routines are in operation.

## 2. OBJECTIVES & SCOPE OF THE AUDIT

The purpose of the audit is to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of CSC - General Ledger.

The checklist for the CSC - General Ledger comprises of 30 standards. In accordance with the agreed Internal Audit Plan for financial year 2021/22 audit testing was carried out on a sample of these standards for transactions undertaken in 2021/22.

Internal Audit testing was undertaken remotely using video conferencing (e.g. Microsoft Teams) and digital solutions as a basis for meetings and sharing documentation.

The primary purpose of the audit review is to provide management with an opinion on the adequacy and effectiveness of the internal control systems operating within the CSC - General Ledger. The objective of the review is to:

- Assess the standards set out in the checklist and conclude on the adequacy and effectiveness of the controls in operation.

### 3. AUDIT APPROACH

Fieldwork took place following agreement of the audit objectives.

A draft report has now been prepared and provided to Management for review and comment with an opportunity given for discussion or clarification.

The final report will incorporate Management comments together with a Management Action Plan for the implementation of recommendations.

Governance & Audit Committee will be advised of the outcome of the audit and may receive a copy of the Final Report.

Management will be contacted and asked to provide feedback on the status of each agreed recommendation, once the target date for implementation has been reached.

Any audits concluded with a no assurance or limited assurance opinion will be subject to a follow up audit.

### 4. ACKNOWLEDGMENTS

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

The work undertaken in performing this audit has been conducted in conformance with the Public Sector Internal Audit Standards.

The findings and opinion contained within this report are based on sample testing undertaken. Absolute assurance regarding the internal control, governance and risk management arrangements cannot be provided given the limited time to undertake the audit. Responsibility for internal control, governance, risk management and the prevention and detection of fraud lies with Management and the organisation.

Any enquires regarding the disclosure or re-issue of this document to third parties should be sent to the Head of the Regional Internal Audit Service via [cmthomas@valeofglamorgan.gov.uk](mailto:cmthomas@valeofglamorgan.gov.uk).

5. FINDINGS

CSC - GENERAL LEDGER

**Control Objective:**  
**Assess the standards set out in the checklist and conclude on the adequacy and effectiveness on the controls in operation.**

***Output from the Ledger is Controlled, Secure, Timely and Appropriate***

***Strengths:***

- WAO sign off the Annual Statement of Accounts for the CSC. The accounts for 20/21 were prepared and signed off by WAO in the meeting of the 22<sup>nd</sup> September 2021 of the Joint Committee.
- Annual budgets are set and accurately uploaded to Financials. The budget setting for 2021/22 financial year was agreed by the Joint Committee in the meeting of the 16<sup>th</sup> December 2020. The original budget was uploaded to the Financials System on the 12<sup>th</sup> May 2021. Following the meeting of the Joint Committee on the 22<sup>nd</sup> September 2021 amendments to the budget were agreed and the revised budget was subsequently re-uploaded to the system on the 27<sup>th</sup> September 2021. The Grants element of the CSC budget was uploaded to the system on the 14<sup>th</sup> December 2021.
- Financials accurately shows income and expenditure transactions for both revenue and capital codes. The system is used for Creditor and Debtor payments which are ultimately fed automatically into the revenue and capital financial codes.
- Financials shows transactions in 'real time' as and when data is entered onto the system thus ensuring the system is as accurate as possible for budget monitoring purposes.
- End of year carried forward balances are accurately brought forward into subsequent financial years. This is done as part of the overall end of year closing process and ensures that end of previous year's balances are accurately carried forward (rolled forward) into the new financial year.
- Access/ability to undertake journals/transfers is appropriately restricted to designated officers working in the CSC allowing for accountability and control.



- Financials has built in system restrictions which do not allow transactions to be coded to invalid financial codes, this is indicated by the incorrect code being highlighted red to confirm the error.
- New financial codes are only able to be created by designated officers of the Income & Financials Team with Administrator level access. A formal proforma is completed and signed off by Finance Manager to submit to the Financials Team for the creation of new codes.
- Financials automatically generates a unique reference number/ID for all transactions. These reference numbers are / can be used to find any specific transactions quickly if required.
- The ability to create and or remove financial codes is restricted to small number of staff only. Members of the Income & Financials Team are the only officers who have 'Administrator' level access and therefore are the only ones who have the access permissions to create and therefore delete financial codes when required.

**DEFINITIONS**

<b>AUDIT ASSURANCE CATEGORY CODE</b>	
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

<b>RECOMMENDATION CATEGORISATION</b>	
Risk may be viewed as the chance, or probability, one or more of the systems of governance, risk management or internal control being ineffective. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:	
<b>High Priority</b>	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
<b>Medium Priority</b>	Action that is considered necessary to avoid exposure to significant risks.
<b>Low Priority</b>	Action that is considered desirable and should result in enhanced control.

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## Internal Audit Draft Report



# REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT (RCSIG) 2020/21 CONSOLIDATED STATEMENT

<b>Report Issue Date</b>	<b>20<sup>th</sup> December 2021</b>
<b>Report Authors</b>	<b>Andrew Hopkins – Principal Auditor Lisa Cumpston – Review Manager</b>
<b>Report Distribution</b>	<b>Alyson Price – CSC Business Manager Paul Griffiths - Service Director, Finance and Improvement Services. Stephanie Davies - Head of Finance, Education and Financial Reporting</b>



**REGIONAL INTERNAL AUDIT SERVICE /  
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL**



## AUDIT OPINION



### SUBSTANTIAL ASSURANCE

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

## SUMMARY

An audit of the Regional Consortia School Improvement Grant (RCSIG) claim for 2020/2021 was undertaken by Internal Audit as per the requirements of the Grant Terms and Conditions.

A total of £43,501,336 was received from the Welsh Government (a total of four funding letters received between July 2020 and March 2021).

This funding was distributed to Councils / CSC as follows:-

<b>Council / CSC</b>	<b>£</b>
Cardiff Council	12,009,649
Rhondda Cynon Taf	8,306,884
The Vale of Glamorgan	4,881,572
Bridgend	4,958,286
Merthyr Tydfil	2,154,014
CSC	11,183,527
CSC (Direct to Schools)	7,404
<b>Total</b>	<b>43,501,336</b>

## FINDINGS

- Each Council has submitted their Local Authority Statement of Expenditure to the grants officer in the CSC.
- Authorised signatories of each Local Authority and Internal Audit Section have signed each Local Authority Statement of Expenditure.
- The Consolidated statement to be returned to WG accurately reflects the funding received / incurred by each Council and the CSC.

## CONCLUSION

Based on the findings, substantial assurance can be placed on the control environment.

## RECOMMENDATION

No recommendations have been made following this audit.

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## Internal Audit Draft Report



# PUPIL DEVELOPMENT GRANT (PDG) 2020/21 CONSOLIDATED STATEMENT

<b>Report Issue Date</b>	<b>20<sup>th</sup> December 2021</b>
<b>Report Authors</b>	<b>Andrew Hopkins – Principal Auditor Lisa Cumpston – Review Manager</b>
<b>Report Distribution</b>	<b>Alyson Price – CSC Business Manager Paul Griffiths - Service Director, Finance and Improvement Services. Stephanie Davies - Head of Finance, Education and Financial Reporting</b>



**REGIONAL INTERNAL AUDIT SERVICE /  
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL**



## AUDIT OPINION



### SUBSTANTIAL ASSURANCE

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

## SUMMARY

An audit of the Pupil Development Grant (PDG) claim for 2020/2021 was undertaken by Internal Audit as per the requirements of the Grant Terms and Conditions.

A total of £34,093,962 was received from the Welsh Government (funding letter received July 2020).

This funding was distributed to Councils / CSC as follows:-

<b>Council / CSC</b>	<b>£</b>
Cardiff Council	13,425,941
Rhondda Cynon Taf	9,215,526
The Vale of Glamorgan	3,317,915
Bridgend	5,135,377
Merthyr Tydfil	2,228,898
CSC	770,303
<b>Total</b>	<b>34,093,962</b>



## FINDINGS

- Each Council has submitted their Local Authority Statement of Expenditure to the grants officer in the CSC.
- Authorised signatories of each Local Authority and Internal Audit Section have signed each Local Authority Statement of Expenditure.
- The Consolidated statement to be returned to WG accurately reflects the funding received / incurred by each Council and the CSC.

## CONCLUSION

Based on the findings, substantial assurance can be placed on the control environment.

## RECOMMENDATION

No recommendations have been made following this audit.

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