



CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL

COMMITTEE SUMMONS

C Hanagan
Service Director of Democratic Services & Communication
Rhondda Cynon Taf County Borough Council
The Pavilions
Cambrian Park
Clydach Vale, CF40 2XX

Meeting Contact: Hannah Williams - Council Business Unit, Democratic Services
(01443 424062)

YOU ARE SUMMONED to a virtual meeting of **AUDIT COMMITTEE** to be held on **MONDAY, 22ND MARCH, 2021** at **5.00 PM**.

Non Committee Members and Members of the public may request the facility to address the Committee at their meetings on the business listed although facilitation of this request is at the discretion of the Chair. It is kindly asked that such notification is made to Democratic Services by Thursday, 18 March 2021 on the contact details listed above, including stipulating whether the address will be in Welsh or English.

AGENDA

**Page
No's**

1. DECLARATION OF INTEREST

To receive disclosures of personal interest from Members in accordance with the Code of Conduct

Note:

1. Members are requested to identify the item number and subject matter that their interest relates to and signify the nature of the personal interest: and
2. Where Members withdraw from a meeting as a consequence of the disclosure of a prejudicial interest they must notify the Chairman when they leave.

2. MINUTES	
To receive the minutes of the previous meeting of the Audit Committee held on 1 st February 2021.	3 - 8
3. STRATEGIC RISK REGISTER UPDATE - WORKFORCE PLANNING	
Officer presentation to follow.	
4. PROCEDURE RULES UPDATE	
• Contract Procedure Rules – Officer Presentation	9 - 24
5. INTERNAL AUDIT CHARTER 2021/22	25 - 50
6. FINALISED AUDIT ASSIGNMENTS	51 - 66
7. AUDIT COMMITTEE DEVELOPMENT AND SUPPORT	67 - 76
8. URGENT BUSINESS	
To consider any items, which the Chairman, by reason of special circumstances, is of the opinion should be considered at the meeting as a matter of urgency.	

Service Director of Democratic Services & Communication

Circulation:-

County Borough Councillors:

Councillor G Davies, Councillor K Jones, Councillor G Caple, Councillor J Cullwick, Councillor M Adams, Councillor M Powell, Councillor M Norris, Councillor D Owen-Jones, Councillor S Rees, Councillor S Powell, Councillor E Webster, Councillor R Yeo, Councillor L De Vet and Councillor J Harries

Lay Member: Mr C Jones



RHONDDA CYNON TAF COUNCIL AUDIT COMMITTEE

Minutes of the virtual meeting of the Audit Committee held on Monday, 1 February 2021 at 5.00 pm

County Borough Councillors:

Councillor G Davies	Councillor G Caple
Councillor K Jones	Councillor J Cullwick
Councillor M Adams	Councillor M Norris
Councillor D Owen-Jones	Councillor S Rees
Councillor S Powell	Councillor E Webster
Councillor R Yeo	Councillor L De Vet
Councillor J Harries	

Lay Member: Mr C Jones

Officers in attendance

Mr A Wilkins, Director of Legal Services
Mr P Griffiths, Service Director – Finance & Improvement Services
Ms L Cumpston, Group Audit Manager
Mr D Powell, Director of Corporate Estates
Mr D Williams, Head of Corporate Design
Ms S Davies, Head of Finance
Mr C Rees, Audit Wales

21 Welcome and Apology for Absence

The Chair welcomed attendees to the meeting and an apology for absence was received from County Borough Councillor M. Powell.

22 Declaration of Interest

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

23 Minutes

It was **RESOLVED** to approve the minutes of the 2nd November 2020 as an accurate reflection of the meeting.

24 Matters Arising

Minute No. 16 – The Audit Committee resolved to refer the matter of school attendance and 6th form attendance to the Children and Young People Scrutiny Committee to consider in greater detail and receive feedback in due course.

25 Strategic Risk Register Update - Delivery of the 21st Century School Programme

The Service Director – Finance and Improvement Services provided brief

context to this item, noting that following approval of the 2019/20 Annual Governance Statement, one of the recommendations included within the document related to the need to strengthen Audit Committee's visibility of the Council's risk profile. The Service Director added that in line with this recommendation, a programme of Strategic Risk Register updates have been scheduled for reporting to the Audit Committee, with the Director of Corporate Estates and Head of Corporate Design attending this meeting to provide the Committee with information on *'Risk 23 - If projects are not delivered on time and/or on budget then this could impede the delivery and intended (positive) impact of the 21st Century Schools Band B Programme within the Council'*.

With the aid of a PowerPoint presentation, the Director of Corporate Estates and the Head of Corporate Design provided the Committee with a detailed overview of the risks and subsequent actions in place to ensure the successful delivery of the 21st Century Schools Programme.

During the presentation, the officers set out the governance and project management arrangements in place, and the range of officer experience and expertise within the Council. The Director of Corporate Estates informed Members that a robust process is in place to compile project business cases for consideration by Cabinet and, if approved, onward reporting to Welsh Government to secure necessary funding. The Director went on to inform Members of the project delivery phase, with each 21st Century Schools Project Team comprising officers from various areas of the Council such as Procurement, Drainage, Education, Legal and Energy/Maintenance. The Director added that depending on the project value, duration and complexity, various approaches were adopted including the use of external expertise.

Members were informed of the typical employer risks during project delivery and the mitigations in place to eliminate these risks, such as risk workshops, risk management tools, issue logs and a RAG (Red, Amber, Green) system to risk rate actions and progress. The Director of Corporate Estates also explained that project teams meet on a regular basis as part of managing project delivery and associated risks.

In addition to the PowerPoint presentation, Audit Committee were shown video footage of a 'walk-through' of the new Hirwaun Primary School, which was the first completed 21st Century Schools Band B project. The Director provided a running commentary to aid Members understanding and were informed that the next phase of the project would be to demolish the former building to create more external space for pupils.

The Chair thanked the officers for the detailed presentation and acknowledged the amount of work undertaken to mitigate risks and ensure successful project delivery.

The Chair requested clarity on if there was one significant risk associated with the delivery of the 21st Century School Programme, which would be critical to successful project delivery. The Director fed back the importance of an effective and robust procurement process to determine the most suitable contractor, in line with the tender criteria, and also the importance of setting out clear 'project scopes' from the outset.

A Member raised concerns in respect of the potential for hidden defects on projects, that had occurred on previous projects, and could result in long-term

cost implications to the Council. The Director acknowledged the Member's concerns and explained that the issues previously encountered were as a result of a main contractor going into administration and the Director of Corporate Estates assured Members that appropriate arrangements are put in place to mitigate and protect the Council from such situations, as far as is reasonably practicable. The Director added that as part of the overall arrangements, an Aftercare Team is in place to ensure defects are identified and rectified. The Member requested that the Director provide confirmation to Audit Committee of the process in place to mitigate future defect issues arising from projects, to which the Director agreed.

Another Member questioned why there was a lack of storage space in new buildings, compared to former buildings. The Director of Corporate Estates informed Members that the design and construction of buildings funded in whole or part by Welsh Government are required to comply with specific regulations as set out in Building Bulletin 98 and Building Bulletin 99, with these covering amongst other things storage space requirements. The Director added that the Council ensures compliance with these requirements.

One Member sought clarity on the time afforded to public consultation, acknowledging that the 21st Century Schools Programme is of great public interest. The Director of Corporate Estates explained that statutory consultation is undertaken by the Council's Education and Inclusion Services Directorate as part of the planning process for 21st Century School projects, with the Council having a track record of successfully undertaking public consultation and taking into account public feedback as part of these processes.

The Chair again took the opportunity to thank the officers for their time and commented that the 21st Century School Programme provides fantastic facilities for the young people of RCT.

26 Audit Wales - Management Letter 2019-2020

Audit Wales provided the Audit Committee with its Management Letter for the audit of Rhondda Cynon Taf County Borough Council's 2019/20 Statement of Accounts. Members were informed that the report before them was an addendum to the Audit of Accounts report, which was presented to Council on the 25th November 2020.

The report set out the following recommendations to improve procedures, which had arisen from the audit of the 2019/20 Accounts:

- Confirmation of Interests for Members and Senior Officers who are leaving the Council; and
- Incomplete Declarations of Interests for Members.

Audit Wales noted that, overall, the findings were positive and took the opportunity to thank the Council's Final Accounts Team for their work and co-operation during the challenging year.

The Service Director – Finance and Improvement Services confirmed that the Audit Wales recommendations had been reviewed and accepted by the Council's Management, and will further reinforce the robust arrangements already in place.

One Member noted that the process of declaring an interest is subject to the

individual Member's opinion on whether it is pertinent and questioned how Members could be supported in this regard. The Service Director – Finance and Improvement Services indicated that the Council's Legal Services Directorate provide guidance to elected Members in this area and where there is uncertainty, Members should seek advice.

One Member noted the requirement for Elected Members to update any changes to their declarations of personal interests, for inclusion in the public Register of Members' Interests, within 28 days of any change and questioned the implications of a Member not complying. The Director for Legal Services commented that it is incumbent on the Member to update any declarations in accordance with the timescales and explained that should a Member not do so they risk the matter being referred by any individual or body to the Public Services Ombudsman For Wales for investigation.

The Chair thanked Audit Wales for the update and was pleased to note the positive audit, despite the challenges presented through the year.

27 Internal Audit Performance (incorporating an update in respect of the Regional Audit Service)

The Group Audit Manager presented the Internal Audit Performance as at 18th January 2021.

The Group Audit Manager spoke of the additional pressures placed upon Council services through the financial year, as a result of the Covid-19 pandemic, and explained that the Internal Audit Service had adopted a flexible approach and adapted to new ways of working that included the use of Microsoft Teams and reviewing documents digitally to undertake audit testing and obtain assurance. The Group Audit Manager added that there are currently a number of audit assignments 'in progress' and some audits are taking longer to complete as a result of the challenges posed by the pandemic and the on-going development of new ways of working.

The Group Audit Manager went on to highlight the unprecedented challenges the pandemic had had on the Internal Audit Service. Members were informed that one team member had been seconded to work within the Track, Trace Protect Team and a further two staff members had been absent from work for a significant part of the year due to long term sickness. The Group Audit Manager added that despite the unprecedented challenges, good progress was being made to deliver the Audit Plan and additional external capacity had been secured to undertake a small number of audits.

The Group Audit Manager spoke of the new audit software system (MK Insight), which had been procured for the Regional Service and would become operational in April 2021. It was explained that whilst the system was already in place for Rhondda Cynon Taf Council audits, it would allow for a more consistent approach across the Regional Audit Service.

It was reported that the Internal Audit Plan currently includes 27 individual audit assignments and that 6 had been completed to final report stage, 5 had been completed to draft report stage, 1 was awaiting manager review and a further 13 audit assignments were in progress. The remaining 2 are still in the planning process.

One Member took the opportunity to thank officers and acknowledged the challenges placed upon the service as a result of the pandemic.

Following consideration of the report, it was **RESOLVED** to acknowledge the information provided.

28 2019/20 Annual Governance Statement Recommendations - Progress Update

The Service Director – Finance and Improvement Services provided the Audit Committee with an update on the status of the recommendations within the 2019/20 Annual Governance Statement. Members were reminded that the Annual Governance Statement relating to the 2019/20 financial year was reported to and approved by Audit Committee at its meeting held on 20th July 2020.

The Service Director referred Members to the 4 recommendations detailed at Appendix A of the report and provided a progress update on each.

Following consideration of the report, it was **RESOLVED** to acknowledge the information provided.

29 Audit Committee Development and Support

The Service Director – Finance and Improvement Services provided the Audit Committee with the report setting out the questionnaire feedback of Audit Committee Members to inform the development of a learning and development plan for the Committee.

The Service Director reminded Members of the decision to approve an action plan to support the ongoing development and effectiveness of the Committee, at its last meeting held on 2nd November 2020. Members were informed that following the last meeting, officers had engaged with the Chair and Vice-Chair of the Audit Committee to develop a training needs analysis questionnaire that took account of both the CIPFA publication ‘Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition’ and the Committee’s Terms of Reference.

The Service Director drew Members’ attention to Appendix 1 of the report, which detailed the feedback received from twelve Members following their completion of an on-line training needs analysis questionnaire, which had been made available to Audit Committee Members between 23rd December 2020 and 15th January 2021.

The Service Director noted that the feedback provided by Members indicated an overall sound base of knowledge and experience, and also areas for learning and development covering:

- Audit Committee Role and Functions;
- Internal Audit;
- External Audit;

- Financial Management and Accounting;
- Risk Management;
- Counter Fraud; and
- Values of Good Governance.

The Service Director advised that subject to the Committee's approval, Officers would draft a learning and development plan for consideration at the next meeting of the Audit Committee. It was explained that officers would be flexible with the programme and consider whether elements of the training would be delivered internally or externally and dependent on Member needs, consider whether to deliver elements of the training in short summarised sessions, detailed overviews or one to one support sessions.

One Member proposed that it would be beneficial for training on areas such as Financial Management and Accounting, Risk Management, Counter Fraud, and Values of Good Governance to be open to the Finance and Performance Scrutiny Committee for good practice, to which the Service Director agreed.

The Audit Committee **RESOLVED** to approve the areas for learning and development and instruct officers to draft a learning and development plan for consideration by Audit Committee at its next meeting.

This meeting closed at 6.10 pm

**Councillor G Davies
Chairman.**

Rhondda Cynon Taf C.B.C.

Contract Procedure Rules

Craig Evans
(Data & Systems Manager)



STRONG HERITAGE | STRONG FUTURE
RHONDDA CYNON TAF
TREFADAETH GADARN | DYFODOL SICR

Today's Presentation

Overview of:

- CPR requirements & functionality
- Aims & key messages
- Key processes & procedures
- Governance & monitoring arrangements.

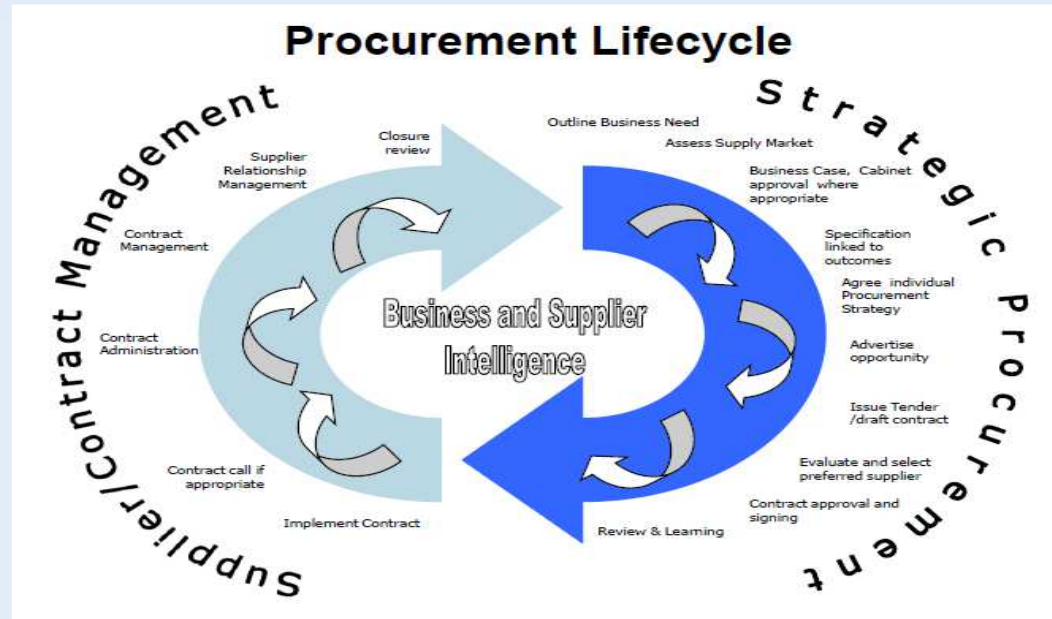
What is Procurement?

RCT CBC spends over **£187m** on goods, services & works with over 5,000 suppliers.

The Procurement process spans the whole life cycle from **identification of needs, acquiring goods/services** through to the **end of a contract**.

All service areas depend on external orgs. The Council has a duty to ensure:

- This spending represents VFM.
- The best possible services have been procured on most economically advantageous terms.
- External orgs are selected in a way that ensures **accountability & compliance with legislation**.
- **Economic, social, environmental & cultural wellbeing opportunities** are delivered.



What is Procurement?

It involves **specifying needs & requirements, seeking competition, options appraisal** and some of the following activities:

Obtaining **tenders / quotations**



Entering into **contracts**



Placing official **orders**



Managing **supplier relationships**



What are Contract Procedure Rules?

- They are the Council's procedural **rules for buying goods and services** for the Council.
- Form part of the Council's Constitution.
- Section 135 of the Local Government Act 1972 requires **formal procedures** to be made by every Local Authority.
- The rules set a framework for **ensuring competitiveness and achieving value for money**.
- They set out governance arrangements for the way procurement should be performed.

CPR Aims

- To **achieve VFM** for the Council in the market.
- To demonstrate **accountability** at all levels.
- To ensure **proper and fair procedures** are followed for the involvement and selection of contractors.
- To ensure **compliance** with EU Procurement Directives and Public Contract Regulations.
- To ensure robust, adequate and **effective contracts** are established that meet Council priorities and objectives.

What are the Legal requirements?

- **Key items of legislation** setting out how Local Authorities should procure goods, services or works.
- All Public Procurement governed by **Public Contract Regulations**.
- **Public Contract Regulations** set out procedures for ensuring public purchases are made in the most **rational, transparent and fair manner**.
- Underpinned by particular safeguards that aim to **prevent preferential treatment and facilitate competition**.
- Council has an obligation to comply with this Legal Framework.

CPRs and their functionality

- CPRs in place to help the Council and Officer's involved in procurement **comply with Legislation and best practice.**
- Help to ensure **efficient use of public funds, best value** is achieved, **competition** is kept open (locally & EU) and **Council priorities** are met.
- ***Non-discrimination, transparency*** and ***fairness*** principles should always be considered.
- Failure to comply could result in **non compliance with the Law** – potential for legal challenge if proper procedures not applied (financial & reputational damages)!
- The CPRs along with further information and guidance can be found on the 'Procurement' inform (intranet) pages.

CPRs and their functionality

- CPRs kept under continuous review to ensure they reflect changes in contracting, best practice & support the delivery of Council priorities.
- Main changes relate to the procurement centralisation initiative (+£15k). Decision endorsed by SLT and applies to all new contracting activities from 1st April 2017.
- Above this value, Officers must consult with Procurement who will advise on the process to be followed (ongoing supplier arrgts +£15k must also be notified). Intended outcomes:
 - **Increased transparency** of all procurement activity / spend.
 - All procurement undertaken by Officers that have skills & knowledge to deliver **compliant contracts**.
 - **Challenge of contract requirements** (need, necessity, compliancy, securing best value etc).
 - Strengthens the Council's ability to develop, maintain & report an **accurate Contracts Register**.
 - **Improved contract management**.

Key Messages

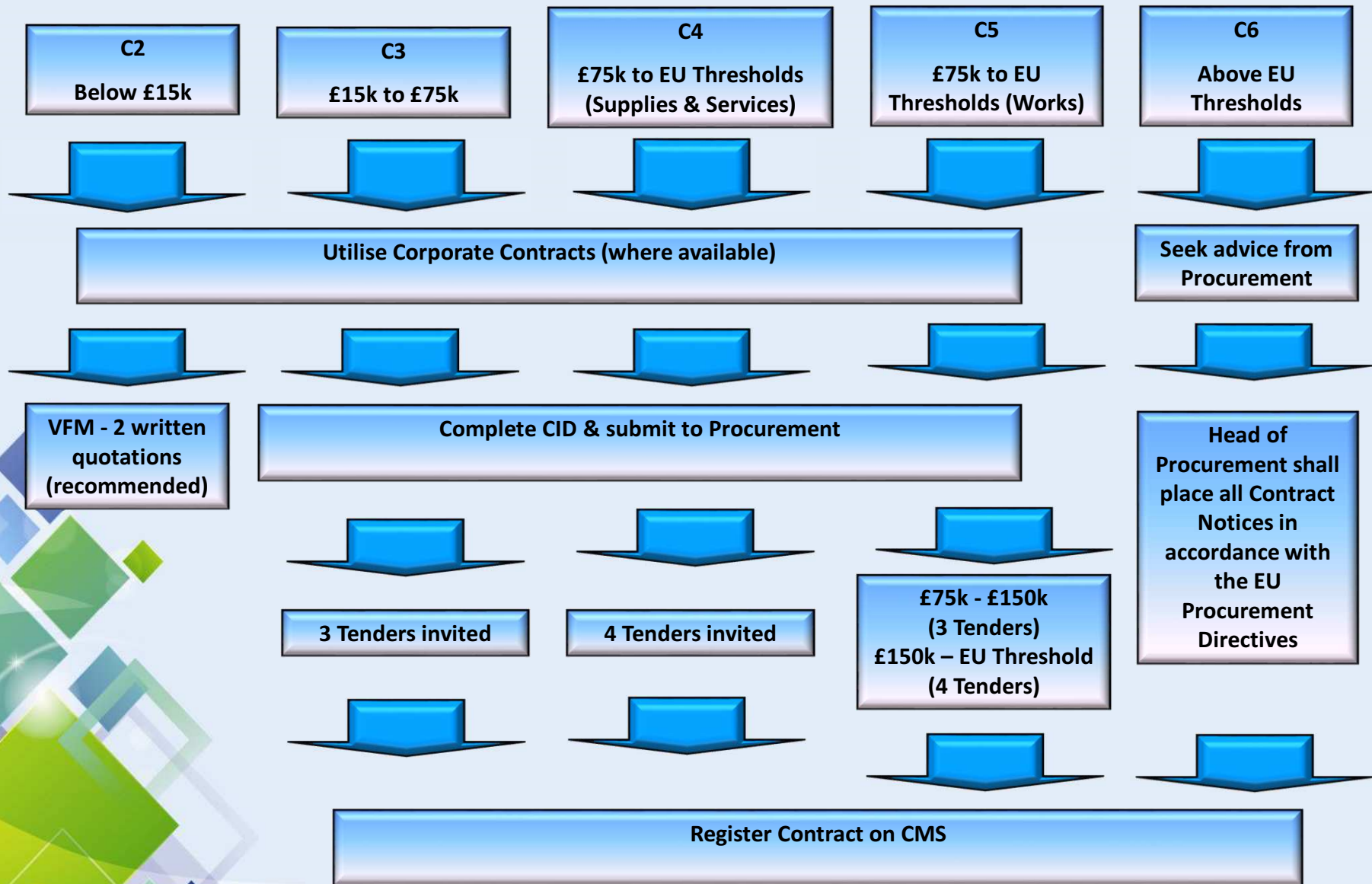
- Any Officer with **delegated responsibility** for procurement of goods / services / works are affected by the rules.
- All procurement should be **conducted in accordance with the principles of Public Procurement Law**.
- Emphasis on +£15k procurements – Officers must consult with the Procurement Service via CID process (all spend subject to monthly spend monitoring, including reporting to SLT).
- **Corporate Contracts** available for use – list available via Inform (various arrangements in place covering different needs & requirements).
 - Utilising Corporate Contracts saves time and effort in conducting a procurement process.
 - If needs not met by Corporate Contracts, other contracts / frameworks available for use (National, Regional etc).

Threshold Values

- Different rules of procedure apply at different levels of contract value / thresholds (**Section 3 of rules – Procedures**).
- **Council Threshold Values:**
 - **Below £15k:** Lowest threshold value changed (from £25k) – **2 written quotations.**
 - **£15k - £75k:** 3 tenders required (CID process before any competitive procurement process takes place).
 - **£75k - Thresholds:** 3/4 tenders – additional threshold for Works contracts.
 - **Above Procurement Thresholds.** Tender must be published via the 'Find a Tender' system:

» Works	£4,733,252
» Supplies & Services	£189,330
» Social & Other specific services	£663,540

Overview



Contract Management System

- Primary place for undertaking tenders & recording **all contracts over £15k** (Council's central Contracts Register).
- A secure & controlled environment for issuing, receipting, opening & evaluating tenders (complete audit trail).
- Used to manage contract **before** (tender / RFQ process etc) and **after** contract award (contract reviews, contract management processes etc).
- Transparency of all procurement activity + robust contract register + better forward planning.

Info requirements

- Info to be captured on Contract Management System:
 - Details of any **planned procurement activities over £15k** = early engagement + better decision making + better forward planning.
 - Details of **all current contracts valued over £15k** (new purchases / contracts + ongoing supplier arrgts).
- Tenders should normally be processed using the Contract Management System.
- Retain complete and accurate records of quotations, tenders and contract documentation (add to CMS).
- Timescales: Allow sufficient time for the process to be conducted (lead in times, specification options, tender development, legal timescales etc).

Governance arrangements

- **Category Management** approach (strategic management of key areas of Council spend).
- **Spend analytics** – monthly monitoring of Council wide spend (trend / compliance monitoring / +£15k spend / SLT escalation).
- **E-procurement tools** – CMS, e-Proc System, Pcards (use of compliant contracts, catalogues, efficient tendering & purchasing processes).
- **Creditor creation** monitoring & challenge.
- **Standardised documentation** and best practice guidance available via Intranet.

Thank you for your time

Any questions?



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020/21

<p>AUDIT COMMITTEE</p> <p>22nd March 2021</p>	<p>AGENDA ITEM NO. 5</p>
<p>REPORT OF THE HEAD OF THE REGIONAL AUDIT SERVICE IN CONSULTATION WITH THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</p>	<p>INTERNAL AUDIT CHARTER 2021/22</p>

Author: Mark Thomas (Head of Regional Internal Audit Service) & Lisa Cumpston (Group Audit Manager)

1. PURPOSE OF THE REPORT

1.1 The purpose of this report is to present to Members the Regional Internal Audit Service Charter for 2021/22.

2. RECOMMENDATION

It is recommended that Members:

2.1 Consider and approve the Regional Internal Audit Service Charter for 2021/22 as attached as **Appendix A** to this report.

3. REASONS FOR RECOMMENDATION

3.1 To keep the Audit Committee informed, and to ensure compliance with the Public Sector Internal Audit Standards (PSIAS).

4. BACKGROUND INFORMATION

4.1 The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit's activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

- 4.2 The purpose of this Regional Internal Audit Service (RIAS) Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Shared Service across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. The Charter is consistent with the objectives of the Regional Shared Service, including eliminating duplication and application of best practice.
- 4.3 The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.
- 4.4 The Head of Internal Audit is responsible for reviewing the Charter and presenting it to each Council's Audit Committee annually for review and approval in line with the PSIAS.
- 4.5 The PSIAS are applicable to all areas of the United Kingdom public sector and are based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework.
- 4.6 The RIAS is committed to meeting the standards laid down in the PSIAS Framework and any significant deviations from the Standards will be reported to Audit Committee.
- 4.7 The Charter is split into the following sections:
- Purpose, Authority and Responsibility;
 - Independence and Objectivity;
 - Proficiency and Due Professional Care; and
 - Quality Assurance and Improvement Programme.
- 4.8 The Charter has two annexes containing a Glossary of Terms and the Code of Ethics.
- 4.9 The roles of the Audit Committee in relation to internal audit are to:
- Oversee its independence, objectivity, performance and professionalism;
 - Support the effectiveness of the internal audit work process; and
 - Promote the effective use of internal audit within the assurance framework.
- 4.10 One of the key roles which demonstrates the Audit Committee's oversight is the approval of the Internal Audit Charter.

5. INTERNAL AUDIT CHARTER 2021/22

- 5.1 The PSIAS requires the Head of Internal Audit to review the Charter periodically but final approval resides with the Audit Committee.

- 5.2 The Regional Internal Audit Shared Service Charter for 2021/22 is attached at Appendix A. It has been reviewed and updated to ensure it continues to reflect the requirements of the PSIAS and is applicable to all four Councils involved in the Shared Service.

6. EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

7. CONSULTATION

- 7.1 There are no consultation implications as a result of the recommendations set out in the report.

8. FINANCIAL IMPLICATION(S)

- 8.1 There are no financial implications as a result of the recommendations set out in the report.

9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 9.1 The provision of an adequate and effective Internal Audit Function is a legal requirement under the Accounts and Audit (Wales) Regulations as amended from time to time.

10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020-2024 'Making a Difference', in particular 'The Way Ahead' through ensuring that appropriate internal controls are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 The Sustainable Development Principles, in particular Prevention, can be applied to the work of Internal Audit in providing assurance or otherwise that risks to the achievement of objectives are being managed.

11. CONCLUSION

- 11.1 The Internal Audit Charter is the document that defines the purpose, authority and responsibility of Internal Audit services to be delivered by the RIAS on behalf of Rhondda Cynon Taf County Borough Council.
- 11.2 In line with the PSIAS, the RIAS has drafted an Internal Audit Charter for Audit Committee's consideration, and if deemed appropriate, approval for the 2021/22 financial year.

Other Information:-

Relevant Scrutiny Committee
Not applicable.

Contact Officer – Mark Thomas

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

22nd March 2021

INTERNAL AUDIT CHARTER 2021/22

**HEAD OF REGIONAL AUDIT SERVICE IN CONSULTATION WITH THE DIRECTOR
OF FINANCE AND DIGITAL SERVICES (RCTCBC)
SERVICES**

Author: Mark Thomas (Head of Regional Internal Audit Service) & Lisa Cumpston
(Group Audit Manager)

Item: 5

Background Papers

None.

Officer to contact: Mark Thomas

DRAFT

Internal Audit Charter 2021/22

Bridgend County Borough Council



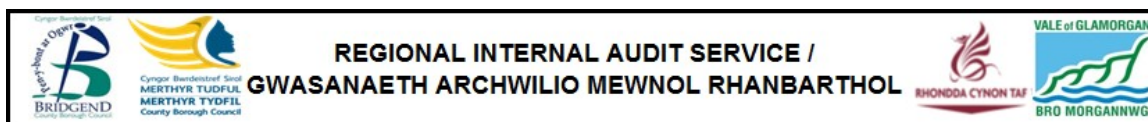
Merthyr Tydfil County Borough Council



Rhondda Cynon Taf County Borough Council



Vale of Glamorgan Council



March 2021

Review and Approval of the Internal Audit Charter

This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service.

The Internal Audit Charter is defined within the Public Sector Internal Audit Standards as follows:

The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

A professional, independent and objective Internal Audit Service is one of the key elements of good governance, as recognised throughout the UK Public Sector.

The purpose of this Regional Internal Audit Shared Service Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Shared Service (RIASS) across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils.

The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.

The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Governance & Audit Committee annually for review and approval.

The Public Sector Internal Audit Standards sets out the Mission of Internal Audit (what internal audit aspires to accomplish within an organisation) and the definition of Internal Auditing.

Mission of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Auditing

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.

- A. In each of the four Councils, the role of the Board, as defined within the Public Sector Internal Audit Standards, will be the responsibility of each Council's Governance & Audit Committee and any reference made throughout this document relating to the Governance & Audit Committee assumes the responsibilities of the Board as defined and referred to within the Standards.
- B. The Public Sector Internal Audit Standards require that the internal audit charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:
- Board – The internal audit activity is established and defined by the Board, (hereafter referred to as the Governance & Audit Committee) which has responsibility for overseeing the work of Internal Audit.
 - Chief Audit Executive – The role of the Chief Audit Executive is undertaken by the Head of the Audit Service.
 - Senior Management – Senior Management is defined as those officers designated as Chief Officers as set out in each Council's Constitution.
- C. The Public Sector Internal Audit Standards became effective from the 1st of April 2013 and were updated in March 2017. The Public Sector Internal Audit Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Conformance with the Standards, the Definition of Internal Auditing and Code of Ethics is mandatory.

The RIASS is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Governance & Audit Committee.

D. The Charter is split into the following sections;

1. Purpose, Authority and Responsibility;
2. Independence and objectivity;
3. Proficiency and due professional care;
4. Quality assurance and improvement programme.

1. Purpose, Authority and Responsibility (Standard 1000)

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to management and Members on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives.
- 1.2 It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.3 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 issues.
- 1.4 In addition, the other objectives of the function are to:
 - Support the Chief Finance Officer in each Council to discharge their Section 151 duties;
 - Contribute to and support the organisation with the objective of ensuring the provision of, and promoting the need for, sound financial systems;
 - Investigate allegations of fraud or irregularity to help safeguard public funds in consultation with relevant Council Services;
 - Support the work of the relevant Governance & Audit Committees; and
 - Provide an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.5 These objectives will be delivered through maintaining a high quality RIASS function that meets the needs of each Council, supporting the relevant Section 151 Officers and the Governance & Audit Committees in discharging their responsibilities and meeting the requirements of the Public Sector Internal Audit Standards.
- 1.6 Internal Audit is a statutory service. Part 3 of The Accounts and Audit (Wales) Regulations 2018 concerns financial management and internal control. Regulation 5 (responsibility for internal control and financial management) of Part 3 directs that:

'The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes:

*Arrangements for the management of risk, and (b)
Adequate and effective financial management.'*

1.7 Regulation 7 (Internal Audit) of Part 3 directs that:

'A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.'

1.8 The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

1.9 Section 151 of the Local Government Finance Act 1972 requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In each Council it is the Chief Finance Officer/Head of Finance/Director of Finance or equivalent.

Scope

1.10 The scope for Internal Audit work includes the control environment comprising risk management, control and governance.

1.11 This effectively means that Internal Audit has the remit to independently review all the Council's operations, resources, services and processes in place to:

- Establish and monitor the achievement of Council objectives;
- Identify, assess and manage the risks to achieving 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 assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting.

1.12 All the Council's activities, funded from whatever source, and indeed the entire control environment fall within the remit of Internal Audit.

1.13 Internal Audit will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to

confirm that management have taken all necessary steps to achieve these objectives.

- 1.14 The scope of Internal Audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will necessarily be reviewed, but that all will be included in the audit needs assessment and hence considered for review following the assessment of risk. The Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 1.15 It is not the remit of Internal Audit to challenge the appropriateness of Policy decisions. However, Internal Audit is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed.
- 1.16 The Public Sector Internal Audit Standards provide the following definitions for assurance and consultancy work:
- Assurance Services
An objective examination of evidence for the purpose of providing an independent assessment on **governance, risk management and internal control** for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements. **This work will usually result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
 - Consulting Services
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's **governance, risk management and internal control** without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. The nature of Consulting Services provided includes acting as a 'critical friend' on Project Boards. This work **will not normally result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
- 1.17 The core aim of the work undertaken is to establish a risk based annual Internal Audit Plan that is balanced and covers the control environment of the Council as far as is practicable. In order to undertake a balanced workload, Internal Audit plans to complete a mix of assurance and consultancy work, the outcomes of which contribute to the Internal Audit Annual Report where it concludes with an opinion on the Council's overall risk, governance and control environment. The Head of Internal Audit should share information, coordinate

activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

- 1.18 In Internal Audit has right of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities, including those of partner organisations. Internal Audit staff shall have unrestricted access to all Council activities and records (whether manual or computerised systems), personnel, cash, stores, other assets and premises, including those of partner organisations and have authority to obtain such information and explanations as considered necessary to fulfil Internal Audit's responsibilities.

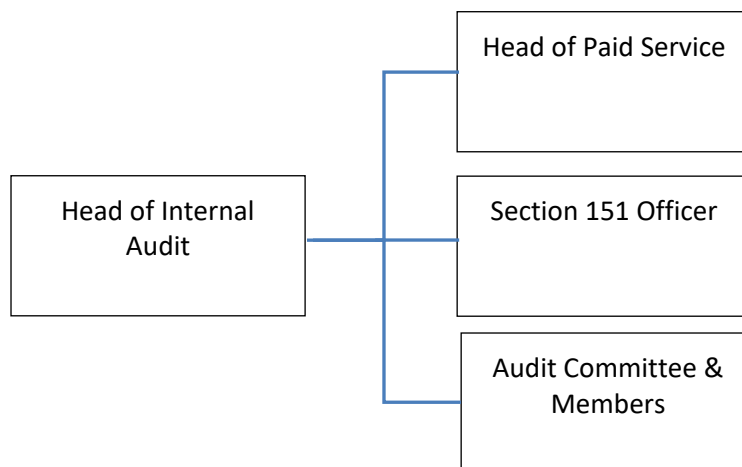
Rights of Access

- 1.19 All staff are required to give complete co-operation to Internal Audit staff to enable the undertaking of an audit.
- 1.20 All partners/agents contracted to provide services on the Council's behalf are also required to co-operate with Internal Audit staff and make available all necessary information. Rights of access to other bodies funded by the Council should be set out in conditions of funding or contract documents.

2. Independence and Objectivity (Standard 1100)

- 2.1 The main determinant of the effectiveness of Internal Audit is that it is seen to be independent and that Internal Auditors must be objective in performing their work. To ensure this, Internal Audit operates within a framework that allows:
- The Head of Internal Audit has direct access to the Chief Executive/ Managing Director, the Section 151 Officer and Monitoring Officer;
 - Unrestricted access to Directors, Heads of Service, Managers and Staff;
 - Unrestricted access to Members (including the Leader, Cabinet Members and Governance & Audit Committee);
 - Unrestricted access to Audit Wales (i.e. the Council's External Auditor);
 - Reporting in its own name; and
 - Internal Audit is free from interference when determining the scope of audit reviews, performing the work and communicating the results.
- 2.2 This is achieved through a reporting relationship in each Council as shown in Figure 1 below:

Figure 1 – Internal Audit reporting arrangements



Section 151 Officer

- 2.3 The Section 151 Officer has overall responsibility for the proper administration of the Council’s financial affairs. Internal Audit assists the Officer by providing an opinion on the overall control environment and by regular assurance testing of the key financial systems.

Audit Committee

- 2.4 The Council operates a Governance & Audit Committee that meets on a cyclical basis. It monitors the performance of Internal Audit in relation to productivity, efficiency and quality. It receives regular reports from Internal Audit including progress in delivering the Annual Audit Plan and is attended by the Head of Internal Audit¹ as well as Officers from the Council.
- 2.5 In addition, the Governance & Audit Committee receives the Internal Audit Annual Report that provides a summary of all assurance and consultancy work undertaken and concludes by giving an opinion on the overall control environment within the Council. If a qualified or unfavourable annual internal audit opinion is issued, the reasons to support this will be stated within the Internal Audit Annual Report.
- 2.6 The Head of Internal Audit has unrestricted access to the Chair of Governance & Audit Committee.

¹ Head of Internal Audit – denotes the Head of the Regional Internal Audit Shared Service

Senior Management

- 2.7 Each Council is divided into various Services and it is the role of the Chief Executive/Managing Director and each Director, Head of Service or equivalent to ensure delivery and operation of the service areas falling within their remit.

Relationships with key stakeholders and Service Managers

- 2.8 The Internal Audit Service develops constructive working relationships with Managers at all levels within the Council in terms of:
- Planning work;
 - Carrying out audit assignments; and
 - Agreeing action plans arising from the work undertaken.
- 2.9 Whilst maintaining its independence, the Internal Audit Service recognises that it must work with Managers to agree improvements that are deemed necessary.

External Auditors

- 2.10 The aim of the relationship between internal and external auditors is to achieve mutual recognition and respect, leading to a joint improvement in performance and to avoid, wherever possible, duplication of work.
- 2.11 The Head of Internal Audit liaises regularly with Audit Wales to consult on audit plans, discuss matters of mutual interest and to seek opportunities for co-operation in the conduct of audit work.

Elected Members

- 2.12 The Head of Internal Audit will aim to have sound working relationships and channels of communication with Elected Members and in particular, Governance & Audit Committee, Cabinet and Scrutiny Committees.

Internal Audit Standards

- 2.13 There is a statutory requirement for Internal Audit to work in accordance with the “proper audit practices”. These are set out in the Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1st April 2013 and updated in March 2017.
- 2.14 Internal Audit Staff will;
- Comply with relevant auditing standards;
 - Comply and promote compliance throughout the Council with all Council rules and policies;
 - Be expected at all times to adopt a professional, reliable, independent and innovative approach to their work; and

- It is essential that Internal Audit staff are seen to be impartial. All Internal Audit staff are required to complete an annual declaration of their interests and must be kept up to date. This is reviewed as part of the annual appraisal and is in line with professional ethics. The Head of Internal Audit is responsible for ensuring that audit staff are not assigned to operational areas or investigations that could compromise their independence (including previous and / or secondary employment elsewhere in the relevant Council or organisation being audited).
- 2.15 The RIASS has adopted the CIIA's Code of Ethics. Where members of the RIASS have attained membership with other professional bodies such as: CIPFA or the Institute of Chartered Accountants in England and Wales (ICAEW), those officers must also comply with their relevant bodies' ethical requirements.
- 2.16 Each member of the Team will receive a copy of the Code of Ethics (included at Annex 2) and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as Councils standards and policies such as the Codes of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

Shared Service

- 2.17 Internal Audit is delivered through a shared regional service between Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. The host authority for the delivery of the RIASS is the Vale of Glamorgan Council. The governance of the provision of the shared regional service is carried out by the Regional Board. This is made up of the Chief Financial Officers of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.
- 2.18 The activities of the Regional Board shall include but not be limited to:
- determining the strategic direction of the RIASS;
 - monitoring and reviewing standards;
 - determining the Authority Charging Rate on the basis of reasonable information provided by the Head of Internal Audit;
 - providing general supervision of the provision of the Service; and,
 - Resolving conflicts between competing interests amongst the authorities collectively and individually relating to RIASS, the Regional Board and / or the Service.
- 2.19 The Governance & Audit Committee for each Council reviews the performance and effectiveness of audit activity, including that of the RIASS.

3. Proficiency and Due Professional Care (standard 1200)

- 3.1 Directors, Heads of Service and Service Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Service including the risk of fraud and corruption.
- 3.2 The Head of Internal Audit is required to manage the provision of a RIASS to each Council which will include reviewing the systems of internal control operating throughout each Council, and will adopt a combination of system based, risk based, regularity, computer and contract audit approaches in addition to the investigation of fraud.
- 3.3 In discharge of this duty, the Head of Internal Audit will:
- Prepare an annual strategic risk based audit plan for approval and ratification by the relevant Governance & Audit Committee; and
 - The Annual Audit Plan will be regarded as flexible and may be revised to reflect changing services and risk assessments; elements of the annual plan are also based on items within Corporate or Strategic Risk Registers.

Resources and Proficiency

- 3.4 For the RIASS to fulfil its responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively developed and deployed to achieve the approved risk-based plan. The Head of Internal Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS.
- 3.5 The Head of Internal Audit must hold a full professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics. They must have sufficient skill, experience and competencies to work with Directors, Heads of Service, and other Managers and the Audit Committee to influence the risk management, governance and internal control of the Councils.
- 3.6 Each job role within the RIASS structure details the prerequisite skills and competencies required for that role and these will be assessed annually in line with Council policy and the PSIAS. Any development and training plans will be regularly reviewed, monitored and agreed with officers.
- 3.7 All Auditors are also required to maintain a record of their continual professional development in line with their professional body.

Due Professional Care

- 3.8 Internal Auditors must exercise due professional care by considering the:
- Extent of work needed to achieve the assignment objectives;
 - Relative complexity, materiality or significance of matters to which assurance procedures are applied;
 - Adequacy and effectiveness of governance, risk management and control processes;
 - Probability of significant error, fraud, or non-compliance;
 - Cost of assurance in relation to potential benefits; and
 - Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

Relationships

- 3.9 All stakeholders will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner.

Internal – Our main contacts are with:

- Elected Members;
- Chief Officers (as defined in the Council's Constitution)
- Corporate Directors and Section 151 Officers
- Heads of Service and Headteachers;
- Group Managers / Operational Managers and line supervisors;
- Front line employees delivering services to the public; and
- Back office support staff, in particular Financial Services, Legal Services, ICT and HR.

External – Our main contacts are with:

- The Council's External Auditors.
Internal and External Audit work together to ensure audit resources are used to best advantage for the benefit of the Council. The External Auditors have regard to the work performed by Internal Audit when undertaking their final accounts audit.
- Various Government Agencies and Inspectorates.

4. Quality Assurance and Improvement Programme (Standard 1300)

- 4.1 To enable the Head of Internal Audit to assess the RIASS's activities with conformance to the PSIAS and to aid in the annual assessment of the RIASS's efficiency and effectiveness and identify opportunities for improvement, a

Quality Improvement and Management Programme (QIMP) has been developed.

- 4.2 The QIMP includes both internal and external assessments in accordance with the Standards.
- 4.3 Assessment against QIMP forms part of the annual assessment of the effectiveness of internal audit (as contained within the Head of Internal Audit's Annual Opinion Report) which is presented to the relevant Governance & Audit Committee.
- 4.4 Where there are instances of non-conformance to the PSIAS this will be reported to the Governance & Audit Committee and the Regional Board with any significant deviations being detailed within the Annual Governance Statement.

Internal Assessment

- 4.5 All Auditors have access to up to date business processes, working instructions, the Internal Audit Charter, Council policies, the PSIAS, journals, publications and other relevant articles and electronic training material and websites. Where staff are members of bodies such as CIPFA and/or CIIA further guidance is available.
- 4.6 To maintain quality, work is allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised. Work is monitored for progress, assessed for quality and to allow for coaching and mentoring.
- 4.7 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team. Audit targets and performance indicators will be agreed with the Regional Board and reported to the relevant Audit Committee.
- 4.8 In addition to the QIMP, progress made against the annual audit plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the relevant Audit Committee.
- 4.9 Ongoing assessment of individuals is carried out through regular on-going reviews, one to one meetings, feedback from clients via the Client Satisfaction Surveys and formally in the annual personal development review process.

External Assessment

- 4.10 In compliance with the PSIAS, external assessment will be carried out once every five years by a qualified, independent assessor or assessment team from outside of the RIASS Councils. The External Assessment of the previous

Shared Service between Bridgend CBC and the Vale of Glamorgan Council took place during in 2017 and in the other respective Councils in 2018/19. The next external assessment will take place in 2022.

Annex 1 - Glossary of Terms

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the chief audit executive may vary across organisations. In the context of the RIASS this is the Head of Internal Audit.

Code of Ethics

The Code of Ethics of the Chartered Institute of Internal Auditors (CIIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services.

The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values;

- Management's philosophy and operating style;
- Organisational structure;
- Assignment of authority and responsibility;
- Human resource policies and practices; and
- Competence of personnel.

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Public sector definition: Governance Statement

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Internal Auditing

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.

Overall Opinion

The rating, conclusion and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Annex 2 - Code of Ethics

Public sector requirement

Internal Auditors in UK public sector organisations (as set out in the Applicability Section) must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that body. The Code of Ethics promote an ethical and professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing organisations.

The purpose of The Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A Code of Ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of Internal Auditing; and
2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1. Integrity

Principle

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of Internal Auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Principle

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal Auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Principle

Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal Auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Principle

Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

Rules of Conduct

Internal Auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency, effectiveness and quality of their services.

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020/21

<p>AUDIT COMMITTEE</p> <p>22nd March 2021</p>	<p>AGENDA ITEM NO. 6</p>
<p>REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES</p>	<p>FINALISED AUDIT ASSIGNMENTS</p>

Author: Mark Thomas (Head of Regional Internal Audit Service) & Lisa Cumpston (Group Audit Manager)

1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with a summary of audit assignments completed between 19th January 2021 and 9th March 2021.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Seek clarity and explanation where there are areas of concern.
- 2.2 Identify further action to be taken where deemed necessary.

3. REASON FOR RECOMMENDATIONS

- 3.1 To help ensure that Audit Committee discharges its responsibilities in respect of reviewing the overall control environment in place across the Council.

4. BACKGROUND

- 4.1 The Audit Committee Terms of Reference (Point C) requires it to 'Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these'.

- 4.2 In line with this requirement **Appendix 1** provides a summary of the audit assignments completed between 19th January 2021 and 9th March 2021. Members will note that the summary provides for each assignment: the Introduction, Scope & Objectives, Auditor's stated opinion and a summary of all recommendations made for each audit review completed to final report stage within the stated period.
- 4.3 To help ensure Audit Committee effectively discharges the responsibility as set out in its Terms of Reference (and replicated at point 4.1 above), Members may wish to consider the principles noted below in addition to their own lines of enquiry:
- Are the conclusions made by Internal Audit reasonable / backed up by the findings reported?
 - Are the recommendations made by Internal Audit likely to support the necessary improvement in internal control?
- 4.4 Members will note that 3 audit assignments have been finalised in the period and are set out in Table 1 below.

Table 1 – finalised audit assignments

<p>CHIEF EXECUTIVE</p> <ul style="list-style-type: none">• Benefits (Including Covid Related Risks)• Digitalisation (Including Covid Related Risks)• Creditors (Including Covid Relates Risks)

5. EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

6. CONSULTATION

- 6.1 There are no consultation implications as a result of the recommendations set out in the report.

7. FINANCIAL IMPLICATION(S)

- 7.1 There are no financial implications as a result of the recommendations set out in the report.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 8.1 The provision of regular information in respect of the Council's Internal Audit Service supports the Council in demonstrating compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 8.2 Regulation 7 (Internal Audit) of Part 3 of the 2018 Regulations directs that: "*A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.*"

9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 9.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020-2024 'Making a Difference', in particular 'Living Within Our Means' through ensuring that appropriate internal controls are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

- 9.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

10. CONCLUSION

- 10.1 The regular provision of all summarised audit assignments to Audit Committee throughout the year is aimed at assisting Members in evaluating the effectiveness of Internal Audit work across all Council systems and services.
- 10.2 In doing so, it informs Members knowledge of the overall control environment of the Council.

Other Information:-

Relevant Scrutiny Committee

Not applicable.

Contact Officer – Mark Thomas



LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

22nd March 2021

FINALISED AUDIT ASSIGNMENTS

REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES

Author: Mark Thomas (Head of Regional Internal Audit Service) & Lisa Cumpston
(Group Audit Manager)

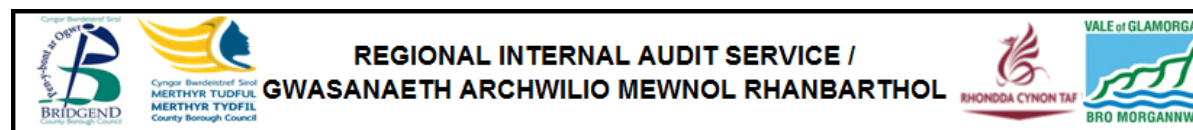
Item: 6

Background Papers

None.

Officer to contact: Mark Thomas

Appendix 1 - Summary of audit assignments completed between 19th January 2021 and 9th March 2021



CHIEF EXECUTIVE

AUDIT NAME: BENEFITS (INCLUDING COVID RELATED RISKS)

DATE FINAL REPORT WAS ISSUED: 22/01/2021

INTRODUCTION

Children and young people whose parents/carers have met the school meal eligibility criteria are entitled to receive free school meals in maintained schools in Wales. In addition, from 1st April 2019 transitional protection measures were also put in place to ensure that no child would lose entitlement to free school meals during the rollout of Universal Credit under the UK Government's Welfare Reform agenda. Responsibility for the administration of the free school meals process within the Council lies with the Revenues and Benefits Section within Human Resources.

Urgent decisions were made in March 2020 in relation to how Council services would need to operate in light of the COVID-19 pandemic, and the potential impact on the population and the decisions made by the UK and Welsh Government to minimise its spread.

In response to the pandemic all schools were closed for statutory education with effect from 21st March 2020, and a temporary packed lunch system introduced to ensure that all eligible pupils continued to receive a free school meal. The Council's emergency provision of free school meals was subsequently changed with effect from 6th April 2020 with cash payments introduced for eligible parents by bank transfer, thereby replacing the packed lunch system that was temporarily introduced.

Over 9,000 weekly payments were made to eligible parents/carers during the initial lockdown period April 2020 – August 2020 (including school holidays), with schools reopening for statutory education in September 2020. Parents/carers are required to use the money received online (in lieu of a free school meal) to purchase food items for their children. The entitlement for this period for free school meals within Rhondda Cynon Taf is £3.90 per day – equating to £19.50 per week, and can be reclaimed by the Council via the Welsh Government Hardship Fund.

SCOPE & OBJECTIVES

In accordance with the Interim Risk Based Internal Audit Plan for the financial year 2020/21 as agreed by Audit Committee, a review of the key controls within the system was undertaken.

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 review was to provide management with an opinion on the adequacy and effectiveness of the internal control systems within Benefits in respect of payments made by bank transfer to eligible parents in lieu of a free school meal.

The specific objectives of the review are to ensure that:

- A process is in place to ensure that all eligible pupils have been identified and contacted by the Council;
- Payments are only made in respect of eligible pupils;
- Appropriate reconciliation procedures are in place;
- New claims are dealt with appropriately and in a timely manner;
- Non-claimants are identified to ensure there is no increased safeguarding risk to children who may already be vulnerable;
- Costs incurred are effectively recovered from Welsh Government in line with the Hardship Fund Claim process.

AUDIT OPINION

The overall control environment in respect of the Free School Meal process for online payments to eligible parents is considered to be effective with opportunity for improvement.

Identification, Eligibility & New Claimants

A process was introduced at the start of the pandemic to issue all existing parents/carers in respect of a FSM with a letter containing a unique reference number. This would enable them to submit an application to the Council and provide their bank account details in a secure environment to allow for the receipt of an online payment.

A sample of new applications made for FSM online payments during lockdown was also selected (225 applications) to confirm that all payments had been made to eligible parents/carers. All applications examined were found to have been processed accurately to eligible applicants and were awarded within appropriate timescales.

Some occasions were however identified whereby incomplete information was provided on the application by applicants during the online process. There are currently no mandatory fields to complete, which can result in a delay in the process as administrative staff are required to contact the applicants and request the information required to proceed with the application. Of the 225 new applications sampled, this was the case in 21 applications and could have been avoided if the application form required the completion of these fields, at the point of submission. However, Internal Audit confirm that these 21 new claims were subsequently processed within appropriate timescales, even though there was a slight delay in obtaining the required information.

Non-claimants

Non-claimants were also examined as part of the rollout of the FSM online payment process. It is acknowledged that a weekly report produced by the Benefits Section identifies any families who are in receipt of Benefits but have failed to submit an application for FSM. These families are then contacted and advised

of the process to ensure that vulnerable children receive their eligible entitlement.

One potential reason why there may be a discord between parents/carers in receipt of Benefits but not a FSM, is that the FSM online application is a separate entity/application form and is not currently linked to the online Housing Benefits application form, hence it is possible to inadvertently miss the FSM application in error. This is not an issue for the manual application form which can also be completed.

Reconciliation Procedures/Processes

Discussions with staff within Benefits and Education Finance and examination of supporting documentation confirmed that there are robust practices in place to ensure the appropriate awarding and payment of Free School Meals. There is also continual use of computer systems and discussions between departments to ensure adequate reconciliations are in place.

Costs Reclaimed

The Head of Finance, Education & Financial Reporting has confirmed that all additional costs incurred have been recovered from Welsh Government in line with the Hardship Fund Claim process. The claim for the period April to August 2020 amounted to approximately £3.8 million, which was accurately agreed to the Council Financials system as part of the audit process.

Implementation of the recommendations included in the report will further enhance the internal controls already in place.

No High Priority Recommendations Made

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Medium	<p>Discussions with the Senior Team Leader established that applications for Free School Meals (FSM) are accepted both manually, and electronically via the Council's website.</p> <p>Further discussions identified that when an applicant completes a manual application for Housing Benefits, the application for FSM forms part of this application.</p> <p>However, when an applicant applies online, the FSM application is not linked to the Housing Benefit application form.</p> <p>As a consequence, applicants who apply online for Housing Benefit may not complete the separate application for FSM, resulting in either a non-application for FSM or a delay in the applicant becoming aware of the requirement of a separate application.</p>	<p>Management should consult with the current software supplier to determine if the online Housing Benefits applications can include the Free School Meals element, in line with the manual application form process.</p>	31 March 2021
5.1.2 Medium	<p>Discussions with the Free School Meals Benefits Assistant and a review of supporting information identified that on occasion, applicants do not fully complete all elements of the online applicant form e.g. no National Insurance Numbers, no bank details etc.</p> <p>It was also established that there are no mandatory fields on the online application forms.</p> <p>From a sample of 225 new FSM applications received between April and August 2020, it was found that incomplete information was received for 21 applicants, whereby either their National Insurance Number or bank account details were not provided at the time of application.</p>	<p>Management should determine which information is required mandatory for applicants to complete, and to ensure that all information required is provided at the time of application these fields should be made mandatory on the online applications.</p> <p>This would help remove any delays in the application process, reduce staff time obtaining missing information, and ensure no undue delays in the receipt of Free School Meals to applicants.</p>	31 March 2021

AUDIT NAME: DIGITALISATION (INCLUDING COVID RELATED RISKS)

DATE FINAL REPORT WAS ISSUED: 09/02/2021

INTRODUCTION

The Council is heavily reliant on its ICT infrastructure to deliver its business. Maintenance of this infrastructure is critical to the Council's ability to function, and in the event of a 'disaster' the ability to promptly and comprehensively reinstate systems is essential.

Urgent decisions were made in March 2020 in relation to how Council services would need to operate in light of the COVID-19 pandemic, and the potential impact on the population and the decisions made by the UK and Welsh Government to minimise its spread.

Emergency arrangements were put into place to ensure the continuation of Council services with the ICT Service transforming how the Council works in a short period, with over 3,000 staff across the Council working from home using ICT equipment issued by the Council, as numerous offices and buildings were closed.

SCOPE & OBJECTIVES

In accordance with the Interim Risk Based Internal Audit Plan for the financial year 2020/21 as agreed by Audit Committee, a review of the key controls within the system was undertaken.

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 review is to provide management with an opinion on the adequacy and effectiveness of the internal control system in respect of business continuity of the Council's ICT systems.

The specific objectives of the review are to ensure that:

- ICT Business Continuity / Back Up Procedures
- The Council has a formal Disaster Recovery Framework in place and it can be demonstrated that back-up and recovery plans have been identified, monitored and tested.
- ICT Service Availability / Accessibility (Post Covid-19 Lockdown)
- Staff are able to remote access from home and the system is appropriate and meets staff requirements.
- Key Systems are accessible to staff allowing them to fulfil their roles and duties.
- Key Infrastructure has been updated during the period to ensure its continued ability to support remote working throughout the pandemic.
- Key Infrastructure is regularly monitored to ensure that systems remain available and operational to Council staff.
- Control & Distribution of ICT Equipment (Post Covid-19 Lockdown)

- Adequate processes and arrangements are in place for the storage, inventory and distribution of equipment to ensure that identified Council staff have the appropriate hardware and knowledge to undertake their normal duties from home.

AUDIT OPINION

The overall control environment in respect of the Council's Digitalisation arrangements are considered to be effective with opportunity for improvement.

ICT Business Continuity / Back Up Procedures

There is a single Disaster Recovery Plan in place, which identifies, monitors and tests back-up and recovery plans to ensure business continuity of the Council's IT systems. The Disaster Recovery Plan was presented to and agreed by the Council's Senior Leadership Team (SLT) in May 2019. At this meeting, the Service Director - Digital & ICT also made a presentation to SLT whereby the business critical systems were identified and the priority of their restoration agreed.

ICT Service Availability / Accessibility (Post Covid-19 Lockdown)

Since March 2020 and in response to the Covid-19 pandemic, Council staff have been able to remote access systems from home, with these systems deemed appropriate and meeting staff requirements. Key infrastructure has been updated during the period to ensure its continued ability to support remote working and ensure critical systems remain operational for the Council's business. For example, Citrix Netscaler, O365, IP Softphones etc. have been updated/installed. These updates/installations have ensured staff have access to Council systems and provides them with the remote functionality to undertake their jobs to the best of their ability during this exceptional period.

Monitoring/Testing

Daily checks are undertaken in respect of the various servers/applications/systems to ensure that they are online and working appropriately. An email notification is subsequently forwarded to the appropriate designated Officer as confirmation of the check and to highlight any potential problems. While this process was found to be working appropriately some inconsistencies were identified in respect of when these checks take place, and to whom the email notification is sent.

Control & Distribution of ICT Equipment (Post Covid-19 Lockdown)

Between March and November 2020 over 3,000 items of ICT equipment were distributed to Council staff to allow them to work remotely from home, including laptops, monitors, mobile phones etc.

An electronic inventory was introduced allowing ICT to monitor and control the equipment distributed to each member of staff, with the item, asset number and date of issue recorded. A review of this inventory confirmed that in the main it was appropriate, although there were some minor anomalies in respect of incomplete information.

Implementation of the recommendations included in the report will further enhance the internal controls already in place.

No High Priority Recommendations Made			
SUMMARY OF RECOMMENDATIONS			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Medium	<p>Discussions with the ICT Service Manager, Operational Support identified that on a daily basis, checks are undertaken of various servers/applications/systems to ensure that they are online and working appropriately. When these checks have been completed, staff are required to notify appropriate officers of any issues and confirm if they are all working appropriately.</p> <p>Examination of the daily email notification logs for the period April to October 2020, confirmed that in the main they were being consistently applied. However, the following issues were identified:</p> <ul style="list-style-type: none"> • There is no set email distribution protocol/list in place. Depending on who undertakes the daily test, there are variances in respect of to whom a subsequent email notification (of any issues) is sent. • There is inconsistency as to which servers/applications/systems are tested and checked on weekends. 	<p>Management should determine a consistent email distribution list to be used by all staff in respect of testing and monitoring servers/ applications/systems availabilities and any issues arising.</p> <p>Additionally, Management should determine which servers/ applications/systems are to be tested and checked on weekends and that these are consistently adhered to by staff.</p>	31 March 2021
5.1.2 Low	<p>To ensure that staff were able to undertake their roles remotely following the Covid lockdown, between March and November 2020 over 3,000 items of ICT equipment were provided to staff. These items included Igelts, laptops, monitors, mobile phones etc.</p> <p>Discussions with the ICT Service Manager, Operational Support confirmed an electronic inventory was put into place allowing ICT to monitor the equipment that was distributed to each member of staff,</p>	Management should ensure that full details for the distribution of ICT equipment are recorded on the inventory.	31 March 2021

	<p>with the item, asset number and date of issue recorded.</p> <p>Examination of this inventory confirmed that in the main it was appropriate, although there were some anomalies in regards to incomplete information recorded on the inventory e.g. no asset number, no username, information in the wrong column etc.</p> <p>Additionally, there were 196 items issued whereby no date of issue was recorded.</p>		
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AUDIT NAME: CREDITORS (INCLUDING COVID RELATED RISKS)

DATE FINAL REPORT WAS ISSUED: 01/03/2021

INTRODUCTION

The Council's Creditors system is a core financial system with creditor accounts responsible for generating payments over £376m between 1st April 2020 and 31st January 2021 in relation to 272,195 transactions. Creditor payments are made through Civica Financials.

The Creditor (Payments) function forms part of the Pensions, Procurement and Transactional Services area, and is the responsibility of the Payroll & Payments Service Manager, who is supported day to day by the Team Leader (Payments).

Urgent decisions were made in March 2020 in relation to how Council services would need to operate in light of the COVID-19 pandemic, and the potential impact on the population and the decisions made by the UK and Welsh Government to minimise its spread.

Emergency arrangements were put into place to ensure the continuation of Council services and over 3,000 employees across the Council working from home using ICT equipment issued by the Council. Remote arrangements for accessing many systems, including the Council's Creditor accounts were put in place as numerous offices and building were closed.

SCOPE & OBJECTIVES

In accordance with the Interim Risk Based Internal Audit Plan for the financial year 2020/21 as agreed by Audit Committee, a review of the key controls within the system was undertaken.

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 review is to provide management with an opinion on the adequacy and effectiveness of the internal control systems operating.

The specific objectives of the review were to ensure that Post Lockdown:-

- Invoices from suppliers are paid promptly and accurately;
- Payments are only made to eligible suppliers;
- The process in place for creating, amending and management of creditor accounts is robust and the Council's procedures for the verification of supplier bank account details is followed;
- There are robust controls surrounding electronic authorisation processes and retention of supporting evidence;
- All staff are aware of the procedures to be followed in respect of current remote working arrangements.

AUDIT OPINION

The overall control environment in respect of the Creditors system (Post Lockdown) is considered to be effective with opportunity for improvement.

Invoices are paid promptly and accurately.

A sample of 20 invoices was selected for examination and each invoice was checked to ensure it had been promptly and accurately paid. This review can confirm that all 20 invoices examined had been accurately processed on the Creditors system on a timely basis.

Payments are only made to eligible suppliers.

To create a new supplier on the Creditors system, a New Creditor Creation Form or full details from an RCT employee needs to be submitted to the Creditors team. For the sample of 10 newly created creditors examined it was established that the request had been correctly submitted, the details of the new creditor had been correctly entered into the Creditors system and each creditor had been set up and verified by two appropriate officers.

Creation, amendment & management of creditor accounts

Each day a report is produced which highlights all bank account amendments made the previous day by the Creditors section following the receipt of a bank details form/ pro-forma being completed (where applicable). A sample of 10 bank account amendments were examined and all had been correctly requested/amended on the system, appropriate evidence had been saved on the system and each had been set up and verified by two appropriate officers.

Electronic authorisation processes & retention of supporting evidence.

All invoices are either physically sent to the Creditors team where they are scanned and saved electronically upon receipt or they are submitted electronically to the Creditors Team for payment. For the 20 invoices sampled, it was established that all had been appropriately authorised and retained electronically on the Creditors system.

Guidance Notes: Remote Working Arrangements.

All staff in the Creditors section have comprehensive procedure notes to follow, however Post Lockdown no new guidance / procedure notes have been developed for the Team to reflect the slight variations in working practices. However, it should be noted as highlighted in 4.2 to 4.5, that audit testing of the changes in working practices has been undertaken and no issues have been identified.

The implementation of the recommendations made within this report will enable Management to enhance the overall control environment further.

No High Priority Recommendations Made**SUMMARY OF RECOMMENDATIONS**

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Low	Guidance notes for Creditors staff have been developed both in house and by Civica the system provider. Since lockdown (March 2020) Creditors staff have mainly worked	Procedure notes should be enhanced to reflect any changes that have been necessary as a result of remote working and shared with all officers which reflect the changes to working practices since	31 July 2021

	<p>remotely, working practices have adapted but no guidance notes have been developed / issued to staff to reflect these changes.</p> <p>For example, the technique used for budget holders to authorise / submit invoices has altered, along with the process introduced by Creditors staff to ensure the invoice can be processed.</p> <p>Note - It is also acknowledged that audit testing of the changes in working practices has been undertaken and no issues have been identified.</p>	lockdown commenced (March 2020).	
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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020/21

AUDIT COMMITTEE 22nd March 2021	AGENDA ITEM NO. 7
JOINT REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES AND SERVICE DIRECTOR DEMOCRATIC SERVICES AND COMMUNICATION	AUDIT COMMITTEE DEVELOPMENT & SUPPORT

Author: Paul Griffiths (Service Director – Finance and Improvement Services) and Mark Thomas (Head of Regional Internal Audit Service)

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide Audit Committee with an update of progress on its 'Support and Development' action plan and also propose a programme of learning and development for the Committee.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Consider the 'Support and Development' Action Plan progress update and agree to receive mid-year and year-end updates during 2021/22.
- 2.2 Review and, if deemed appropriate, approve the draft Learning and Development Plan for Audit Committee.

3. REASON FOR RECOMMENDATIONS

- 3.1 To support the on-going development and effectiveness of Audit Committee in line with its Terms of Reference.

4. SUPPORT AND DEVELOPMENT ACTION PLAN

- 4.1 At the [2nd November 2020](#) Audit Committee meeting, Members approved an action plan to support the on-going development and effectiveness of the Committee's work.
- 4.2 Since this time, officers have engaged with the Chair and Vice Chair of Audit Committee to plan and progress the delivery of agreed actions and report specific updates to Members.
- 4.3 A progress update is included at Appendix 1, bringing together an overall position statement, and sets out that the delivery of actions have, to date, been progressed in line with the timescales agreed by Audit Committee.
- 4.4 Members will be aware that the development of the action plan was on the basis of it being a 'live' document to enable further areas of development and Audit Wales feedback to be considered and taken into account by Audit Committee on an on-going basis, as well as the implications of the Local Government and Elections (Wales) Bill.
- 4.5 Subject to Audit Committee's review of the action plan progress update, it is proposed that officers continue to work with the Chair and Vice Chair to identify further proposed areas for development and report updates to Audit Committee for consideration / approval at mid-year and year-end intervals during 2021/22. Should new areas be identified that are deemed a priority, these will be reported to Audit Committee outside of the mid-year and year-end update processes to ensure the Committee continue to receive information on a timely basis.

5. LEARNING AND DEVELOPMENT

- 5.1 Audit Committee's Support and Development action plan, as noted in Section 4, included a series of actions to enable a 'needs based' programme of learning and development to be put in place for the Committee.
- 5.2 In progressing the above, Audit Committee members have proactively engaged in providing feedback through an on-line training needs analysis questionnaire, with the results and proposed areas for learning and development being reported to and agreed by Audit Committee at its meeting on [1st February 2021](#).

- 5.3 At the 1st February 2021 meeting, Members also agreed for officers to compile a Learning and Development Plan for reporting back to the March 2021 Audit Committee. In line with this, a proposed Learning and Development Plan is set out at Appendix 2 with the scheduling of updates informed by questionnaire feedback and the Committee's Work Programme, and also recognising the need for flexibility to accommodate changing needs and priorities should they arise.
- 5.4 In terms of the approach, it is proposed that:
- The programme will be coordinated by Council officers;
 - A learning and development item will be reported to Audit Committee on a quarterly basis (i.e. every other Committee meeting) and other Members invited as appropriate; and
 - The updates provide an overview of the area, ensure opportunity for questions and answers and also opportunity for Members to request further information and / or more specific updates.
- 5.5 Subject to Audit Committee's consideration of the draft Learning and Development Plan, officers will put in place the necessary arrangements for delivery from quarter 1 of the 2021/22 financial year.
- 5.6 In addition to the above, Members will note that arrangements are being established to support Members (existing and new) of the Audit Committee in the future (post the Council's AGM in May 2021) which will consider skill sets and learning and development to ensure the Committee continues to effectively discharge its responsibilities.
- 5.7 As part of these arrangements, Members will also note the development of a Members Portal, an area to assist Members in undertaking their role, providing relevant and timely information in one succinct place for Members to access. The portal will also act as an area to help support and strengthen Members learning opportunities through e-learning modules and it is suggested that topics identified within Audit Committee's Learning and Development Plan be made available through this portal for Members review.

6. EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

7. CONSULTATION

- 7.1 Audit Committee is the key consultee in informing and directing the way forward for this area, as set out in the main body of the report.

8. FINANCIAL IMPLICATIONS

- 8.1 There are no financial implications as a result of the recommendations set out in the report, with the programme of learning and development being deliverable within existing resources.

9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 9.1 The creation of a learning and development plan to support the ongoing development and effectiveness of Audit Committee supports the principles within The Local Government (Wales) Measure 2011 (Chapter 2 /Section 81) and the CIPFA publications - 'Audit Committees – Practical Guidance for Local Authorities & Police Edition'.

10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 The work of the Council's Audit Committee aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020-2024 'Making a Difference', in particular 'Living Within Our Means' through ensuring that appropriate governance arrangements are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

11. CONCLUSION

- 11.1 The Council's Audit Committee agreed an action plan to support its ongoing effectiveness at the November 2020 meeting and progress to date has been in line with the timescales agreed by Audit Committee.
- 11.2 As part of this plan, a series of actions were agreed to support the ongoing learning and development of Audit Committee and a draft

Learning and Development Plan has been compiled for Audit Committee's consideration.

- 11.3 Subject to Audit Committee's consideration of the draft Learning and Development Plan, officers will put in place the necessary arrangements for delivery from quarter 1 of the 2021/22 financial year.

Other Information:-

Relevant Scrutiny Committee

Not applicable.

Contact Officers – Paul Griffiths / Mark Thomas

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

22nd March 2021

AUDIT COMMITTEE DEVELOPMENT AND SUPPORT

**JOINT REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES
AND THE SERVICE DIRECTOR DEMOCRATIC SERVICES AND
COMMUNICATION**

Authors: Paul Griffiths (Service Director – Finance & Improvement Services)
& Mark Thomas (Head of Regional Audit Service)

Item: 7

Background Papers

None.

Officers to contact: Paul Griffiths / Mark Thomas

ACTION PLAN PROGRESS UPDATE (MARCH 2021) - AUDIT COMMITTEE SUPPORT AND DEVELOPMENT

AREA FOR DEVELOPMENT / IMPROVEMENT	ACTIONS	DELIVERY DATE	RESPONSIBILITY	PROGRESS UPDATE
Learning and Development				
Although briefings are provided to Audit Committee to support the delivery of its Terms of Reference, no training needs analysis of Committee Members has been undertaken and used to inform an on-going programme of learning and development	Develop and agree with Audit Committee a training needs analysis (informed by the core knowledge and skills framework included within the CIPFA Guide)	December 2020	Audit Committee Support Officers ¹	Completed
	Complete a training needs analysis exercise with Audit Committee members	February 2021	Audit Committee Support Officers ¹	Completed
	Using the results of the training needs analysis exercise, report a programme of learning and development to Audit Committee for consideration / approval (and subject to approval, commence the delivery of the programme of work)	March 2021	Audit Committee Support Officers ¹	Update to be reported to the March 2021 Audit Committee

¹ Support Officers – includes ‘Service Director of Democratic Services and Communication’, ‘Service Director – Finance and Improvement Services’, ‘Head of the Regional Internal Audit Service’ and ‘Group Audit Manager – Regional Internal Audit Service’

AREA FOR DEVELOPMENT / IMPROVEMENT	ACTIONS	DELIVERY DATE	RESPONSIBILITY	PROGRESS UPDATE
Risk Management				
An overview of the Council's arrangements to manage corporate risks was presented to Audit Committee in December 2019, the outcome of which was the need to strengthen Audit Committee's visibility of the Council's risk profile	Report overviews of Council Strategic Risks to Audit Committee (one overview presented every other meeting)	December 2020 March 2021	Support Officers	On-going Strategic Risk Updates reported to Audit Committee (February 2021 Audit Committee – Risk 23 (21 st Century Schools) and March 2021 Audit Committee – Risk 18 (Living Within Our Means – Workforce)). Further updates to be scheduled during 2021/22.

AREA FOR DEVELOPMENT / IMPROVEMENT	ACTIONS	DELIVERY DATE	RESPONSIBILITY	PROGRESS UPDATE
Provision of information reported to Audit Committee				
<p>The delivery of Internal Audit through the regional service from April 2019 will provide the opportunity to consider good practices across the four local authorities to ensure, amongst other things, that the information reported to Audit Committee enables it to continue to deliver its Terms of Reference.</p>	<p>Provide a range of options to Audit Committee on the type and level of information it can receive to ensure it is focussed on the key strategic areas, as set out in the Terms of Reference.</p>	<p>March 2021</p>	<p>Support Officers</p>	<p>On-going</p> <p>In line with the approach to support the development of Audit Committee to assist its focus on strategic matters, experience of practice in other Councils and the required focus to be afforded to the Local Government & Elections(Wales) Act), it is proposed that Audit Committee will receive regular updates on progress on delivering the Internal Audit Plan including individual audit opinions and the number of recommendations made.</p> <p>The Committee would then be able to request to receive specific detailed internal audit reports at the next meeting, and, if required, feedback from relevant service management on progress on implementing the recommendations. This will help support the Committee to focus on significant matters whilst still having visibility on the work of Internal Audit and any issues arising from it.</p>

AUDIT COMMITTEE - PROPOSED LEARNING AND DEVELOPMENT PLAN

Date	Learning and Development Area	Proposed focus of the Learning and Development Session
June 2021	Financial Management and Accounting	Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them, and the role the Audit Committee plays in reviewing the Council's draft financial statements.
September 2021	External Audit and Internal Audit	<p>External Audit - Knowledge of the role and functions of the external auditor and the responsibility it has to the Council's Audit Committee and supporting the Council's wider governance arrangements.</p> <p>Internal Audit - An understanding of the purpose of the Council's Internal Audit Service and its responsibilities to the Audit Committee and supporting the Council's wider governance arrangements.</p>
December 2021	Audit Committee Role and Functions	An understanding of the Audit Committee's role and place within the governance structures, its terms of reference and accountability arrangements.
March 2022	Counter Fraud	An understanding of the main areas of fraud and corruption risk to which the Council is exposed, knowledge of the Council's arrangements for tackling fraud and awareness of good fraud risk management practice.
June 2022	Risk Management	Understanding of the risk management arrangements in place within the Council and the role of Audit Committee in overseeing these arrangements.
September 2022	Values of Good Governance	Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (including knowledge of the 7 principles of public life) and knowledge of whistle-blowing arrangements within the Council.