



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2019/20**

<b>AUDIT COMMITTEE</b> <b>17<sup>th</sup> December 2019</b>	<b>AGENDA ITEM NO. 6</b>
<b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b>	<b>OVERVIEW OF ARRANGEMENTS IN PLACE TO MANAGE CORPORATE RISKS</b>

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**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to provide Audit Committee with an overview of the arrangements in place for the management of corporate risks and set out proposals for improvement.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Consider the arrangements in place for the management of corporate risks.
- 2.2 Determine whether further information or action is required to provide the Committee with the necessary assurance for this area.
- 2.3 Consider and if appropriate endorse the proposals for improvement as part of supporting an on-going programme of development for Audit Committee.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To assist Audit Committee in discharging its responsibilities in respect of overseeing the Council's risk management arrangements.

**4. AUDIT COMMITTEE'S TERMS OF REFERENCE**

- 4.1 The Audit Committee's Terms of Reference states its Statement of Purpose is as follows:

*The Audit Committee is a key component of Rhondda Cynon Taf County Borough Council's corporate governance. It provides independent and high*

*level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.*

*The purpose of the Audit Committee is to provide independent assurance to the Members of Rhondda Cynon Taf County Borough Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Rhondda Cynon Taf County Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.*

- 4.2 In addition, Section C of the Committee's Terms of Reference goes on to identify the following responsibility in respect of the Council's Risk Management arrangements:

*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.*

- 4.3 Members will also be aware that prior to the start of each municipal year, Audit Committee considers and approves a risk based work programme for a 12 month period, aligned to its Terms of Reference, and receives a report from the Wales Audit Office (WAO) setting its work for the forthcoming financial year.

## **5. OVERVIEW OF ARRANGEMENTS TO MANAGE CORPORATE RISKS AND PROPOSALS FOR IMPROVEMENT**

- 5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) publication '*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*' sets out that the role of the audit committee in relation to risk management covers three major areas:

- Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks;
- Keeping up to date with the risk profile and the effectiveness of risk management actions; and
- Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

5.2 In line with this information, Table 1 provides an overview of the Council’s arrangements within each of the above 3 areas together with proposals for improvement.

Table 1 – Overview of the Council’s arrangements to manage corporate risks and proposals for improvement

<b>CIPFA Practical Guidance</b>	<b>Assurance from the Council’s current arrangements</b>	<b>Proposals for improvement</b>
<p>Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks</p>	<ul style="list-style-type: none"> <li>• Audit Committee reviews and oversees the Council’s Risk Management Strategy, providing support and challenge. Where the Committee determines significant changes are required, it recommends a revised Strategy to Cabinet for approval; the latest version was reported to and considered by Audit Committee on <a href="#">18th December 2018</a>;</li> <li>• Operational risk management arrangements across the Council have independent oversight through its inclusion within the Internal Audit Annual Audit Plan i.e. operational risk management included as a stand-alone audit assignment with the findings reported to Audit Committee – 2019/20 review scheduled for quarter 4;</li> <li>• Audit Committee considers and comments on the Council’s and Pension Fund draft certified Statement of Accounts (SoAs)<sup>1</sup> and receives an update from the WAO on key issues identified from the external audit of the closure of accounts process prior to a final audited SoAs being reported to full Council (unqualified audit opinion (i.e. clean bill of health) issued on the 2018/19 SoAs, as reported to Council on <a href="#">31st July 2019</a>). Following completion of the audit process, areas for improvement identified by the WAO for the Council to address are reported to Audit Committee</li> </ul>	<p>No specific areas for improvement proposed.</p>

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<sup>1</sup> Draft certified Statement of Accounts – Audit Committee also considers the draft certified Statement of Accounts for the Central South Consortium Joint Education Services Joint Committee and the Annual Return for Llwydcoed Crematorium Joint Committee at the same time as considering the Council’s and Pension Fund Statement of Accounts

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	<p>(alongside an update from the Council on how it intends to address the areas for improvement). For the 2018/19 financial year, this was reported to Audit Committee on <a href="#">16th September 2019</a>;</p> <ul style="list-style-type: none"> <li>• Audit Committee reviews and agrees a recommended version of the Council's Annual Governance Statement (AGS) for inclusion within the Council's SoAs; and</li> <li>• Audit Committee considers half yearly updates on the progress the Council is making to implement recommendations made within the AGS.</li> </ul>	
<p>Keeping up to date with the risk profile and the effectiveness of risk management actions</p>	<ul style="list-style-type: none"> <li>• The Finance and Performance Scrutiny Committee has responsibility for: <ul style="list-style-type: none"> <li>○ Reviewing and scrutinising the Council's Strategic Risk Register as part of quarterly Performance Reports (and in doing so integrates strategic risk monitoring with Corporate Plan priority reporting); and</li> <li>○ Reviewing the Council's corporate assessment findings and service self-assessment arrangements.</li> </ul> </li> <li>• As part of the Audit Committee's annual work programme, the Committee provides support and challenge on: <ul style="list-style-type: none"> <li>○ The findings of individual audit assignments undertaken by Internal Audit (to enable the Committee to form an opinion on the standard of internal control in operation across the Council);</li> <li>○ Counter fraud updates;</li> <li>○ Anti-fraud, bribery and corruption and whistle-blowing annual reports; and</li> <li>○ The Head of Internal Audit Annual Report.</li> </ul> </li> </ul>	<p>Strengthen Audit Committee's visibility of the Council's risk profile through presenting 'Strategic Risk Register' Information Reports to the Committee.</p> <p>Provide Audit Committee with 'Risk Updates' to enable the Committee to consider the arrangements in place for the management and ownership of risks across the Council, including, for example, new risks and changes in risk scores.</p>
<p>Monitoring the</p>	<ul style="list-style-type: none"> <li>• Audit Committee receives WAO reports on the Council's governance</li> </ul>	<p>As part of developing an on-going</p>

<p>effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.</p>	<p>arrangements that include recommendations for improvement accompanied by the actions the Council is taking to address the recommendations. This enables the Committee to form a view on the extent of progress the Council is making to implement the recommendations.</p> <ul style="list-style-type: none"> <li>• Audit Committee utilises the provision of ‘Follow-up Reviews’ where the standard of internal control on individual audit assignments are deemed to be insufficient, demonstrating the Committee’s recognition of risk and taking pro-active steps to support improvement where deemed appropriate to do so.</li> </ul>	<p>programme of training and support for Audit Committee, consider (amongst other things):</p> <ul style="list-style-type: none"> <li>• The levels of awareness / understanding of risk management best practice for elected Members; and</li> <li>• Are there opportunities to further utilise the expertise of the Council’s audit and scrutiny functions to support improvement in risk management / governance arrangements e.g. topics being referred between scrutiny and audit committees?</li> </ul> <p>In addition, sharing of good practise with other local authorities, for example, the local authorities that comprise the Regional Internal Audit Shared Service.</p>
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5.3 Subject to Audit Committee’s view of the current arrangements and proposals for improvement, agreed actions will be incorporated into an overarching draft improvement plan for Audit Committee to consider; this work will also be informed by input from the WAO as part of the WAO supporting the on-going development of the Committee.

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## **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 Council's risk management arrangements satisfies the requirements placed upon it as set out within:
- Accounts and Audit (Wales) Regulations 2018 (regulation 4);
  - CIPFA/SOLACE Delivering Good Governance in Local Government – Core Principle F; and
  - Well-being of Future Generations (Wales) Act 2015.

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

### THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 The Council's risk management arrangements support the delivery of the Council's Corporate Plan priorities by helping to identify risks that may hinder delivery.

### WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 The Well-being of Future Generations (Wales) Act 2015 identifies a core set of activities that are common to the corporate governance of public bodies where change needs to happen. Risk Management is one of the identified core activities. The Council's risk management arrangements and strategic risk register conform to the requirements placed upon it by the Act.

## **11. CONCLUSION**

- 11.1 The Council's Audit Committee plays a key role in supporting and challenging the Council's risk management arrangements and providing on-going independent assurance around the adequacy of those arrangements.
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11.2 The overview of current arrangements has identified opportunities to build on this position to support Audit Committee in adding further value to the Council's overall governance arrangements and subject to consideration by Audit Committee, areas for improvement will be incorporated into an action plan for delivery from 2020 onwards.

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**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

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

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**17<sup>th</sup> December 2019**

**OVERVIEW OF ARRANGEMENTS IN PLACE TO MANAGE CORPORATE RISKS**

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Paul Griffiths – Service Director: Finance and Improvement Services

**Item: 6**

**Background Papers**

None.

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