



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020/21

AUDIT COMMITTEE 26th April 2021	AGENDA ITEM NO. 5
REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES	FINALISED AUDIT ASSIGNMENTS

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 10th March 2021 and 13th April 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 assignment finalised between 10th March 2021 and 13th April 2021. Members will note that the summary provides: the Introduction, Scope & Objectives and Auditor's stated opinion.
- 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 1 audit assignment has been finalised in the period and is set out in Table 1 below. A further 7 audit assignments are currently at draft report stage with an additional 7 in progress. The outcomes of these audit assignments will be reported to a future Audit Committee once they have been finalised.

Table 1 – finalised audit assignments

<p>WHOLE AUTHORITY ARRANGEMENTS</p> <ul style="list-style-type: none">• Refunds & Reimbursements

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

26th April 2021

FINALISED AUDIT ASSIGNMENTS

REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES

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(Group Audit Manager)

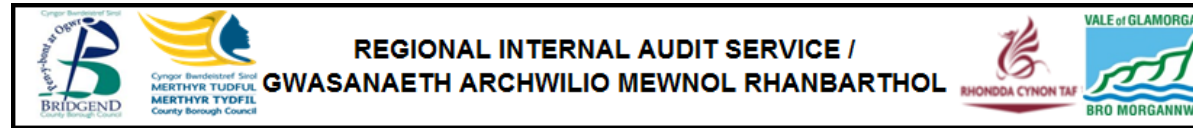
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Background Papers

None.

Officer to contact: Mark Thomas

Appendix 1 - Summary of audit assignments completed between 10th March 2021 and 13th April 2021



WHOLE AUTHORITY ARRANGEMENTS

AUDIT NAME: REFUNDS & REIMBURSEMENTS

DATE FINAL REPORT WAS ISSUED: 12/04/2021

INTRODUCTION

The Council receives income from a variety of sources including council tax, business rates, licensing, fees and charges. The Council also receives income from the provision of a wide range of leisure, recreation and social activities which are operated throughout the County Borough at Schools, Leisure Centres, Parks and Theatres etc. with these services being paid for by customers / members of the public.

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 many Council Services were severely disrupted including:

- all Schools were closed for statutory education with effect from 21st March 2020;
- over 3,000 staff across the Council working from home using ICT equipment issued by the Council, as numerous offices and building were closed;
- the closure of all Theatres, Parks and Leisure establishments and many Council services being temporarily suspended as people were asked to stay at home.

The national lockdown resulted in many services, school trips and events being cancelled with subsequent refunds and reimbursements being required where payments had already been made, and a need for these payments to be identified, processed efficiently and returned to customers with clear guidance and processes in place.

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 system in respect of Refunds & Reimbursements.

Three areas were identified by Management as presenting the highest risk in relation to Refunds & Reimbursements, these areas being;

- School Private Funds - payments to parents in respect of cancelled school trips;
- Leisure Services – refunding/cancelling Direct Debits in respect of monthly memberships; and
- Theatres - reimbursements in respect of cancelled events/shows.

The specific objectives of the review are to ensure that:

- Each Service has comprehensive records and are able to identify all individuals who require a reimbursement.
- The most appropriate method of reimbursement is made e.g. card, cash, cheque etc.
- Reimbursements are only made for the appropriate amounts to the appropriate people.
- Evidence of each reimbursement being made and received is available.
- A reconciliation of the refunds/reimbursements is made and independently verified.

AUDIT OPINION

The overall control environment in relation to the processing of Refunds & Reimbursements is considered to be effective.

Internal Audit can confirm that each of the 3 Service areas examined had provided guidance to customers / members of the public in respect of the process for claiming refunds. They had all also introduced appropriate processes to allow all refunds and reimbursements to be issued in a timely manner.

Education & Inclusion Services – Schools

Joint guidance was issued to all Schools in May 2020 by the Council's Finance and Insurance Sections to provide support and assistance in respect of the administration of refunds to parents/pupils for school trips that were cancelled due to the pandemic.

This guidance provided clarity that the Council's School Journey insurers had confirmed that they would 'pick up' any shortfall of money that a travel agent could not / would not return to parents as result of a trip being cancelled. Schools must however have demonstrated that an attempt to obtain a full refund had been made, and the travel company challenged. This evidence would then be provided to the Council's Insurance Section when submitting a claim to the insurers.

Following the issue of this guidance to all Schools, no issues or concerns have been raised by Schools or parents in relation to obtaining refunds.

Community & Children's Services – Leisure Services

Many Leisure for Life members choose to pay by direct debit or online for their membership. All memberships were temporarily frozen as a result of the pandemic and bookings transferred wherever possible. Customers were kept updated by regular Customer Updates using the Leisure for Life App, and where members specifically asked for a refund as a result of bookings made in advance or an annual membership fee, these were processed by the Leisure Services administrative staff and payments made via the Council's Creditors function. Card refunds were also provided (if this was the original payment method), and these were processed at the individual facility in respect of where the booking was made. It was also identified that pro-rata refunds were also made where reimbursements were requested in the middle of an existing contract.

Discussions with the Leisure Operations Manager confirmed that no issues have been identified in relation to refunds and reimbursements to the public, with electronic trails available to support all refunds issued.

Community & Children's Services – Theatres

All Theatres were closed in response to the pandemic and unlike Schools and Leisure establishments which have subsequently opened, will continue to remain closed for the foreseeable future. The Theatre Operations & Development Manager has confirmed that many shows have been re-arranged for 2021, with their website and social media pages updated to inform customers.

As staff were unable to access Theatre venues until July 2020 it was not possible to process any refunds to customers prior to this date due to the records being inaccessible. Customers were kept up to date via social media platforms and were advised that refunds would be issued at the earliest opportunity.

Where original payments were made by card, refunds were processed back to the originating card, and where cash payments have been made, cheque payments (processed via the Council's Creditors system), have been issued to the customer. Any postage or additional online payment fees incurred by customers have also been refunded. At the end of July, £14k had been refunded to customers due to the cancellation of shows/events.

Both Leisure Services and Theatres have Terms & Conditions in respect of customers obtaining refunds under specific circumstances and how to obtain them. However, in light of a potential future wave and the decisions made by the UK and Welsh Government to minimise the spread of COVID-19, it is possible that there will be occasions where customers are required to self-isolate for a period of time and need to cancel events/activities that have been booked. Management may wish to consider a protocol for such occasions, to allow them to promptly react to the situation as it arises, and deal with it in a timely manner.

As many Council establishments remained closed at the time of undertaking this fieldwork, it is not possible to eliminate all risk of failure to comply with the guidance issues in respect of refunds and reimbursements, nor provide absolute assurance of every transaction. However, no issues have been identified in relation to the issue of refunds and reimbursements in the 3 sample areas based on the testing undertaken and control environment examined.

There are no findings or recommendations contained in this report.