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Internal Audit Draft Report
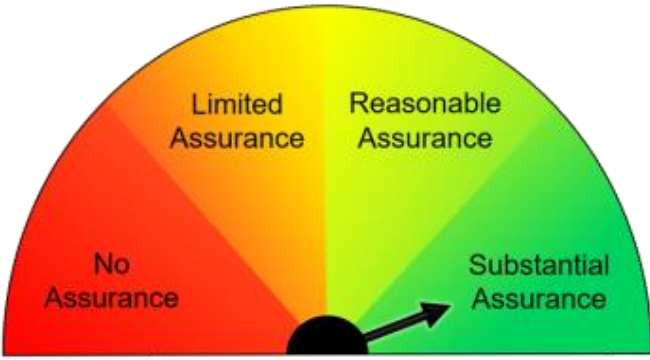

RHONDDA CYNON TAF

CENTRAL SOUTH CONSORTIUM (CSC)

GENERAL LEDGER

RCT 2021/22

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REGIONAL INTERNAL AUDIT SERVICE /
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AUDIT OPINION	RECOMMENDATION SUMMARY	
	High Priority	0
	Medium Priority	0
	Low Priority	0
	Total	0

SUBSTANTIAL ASSURANCE

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

STRENGTHS & AREAS FOR IMPROVEMENT

During the audit a number of key strengths and areas of good practice were identified as follows:
- Wales Audit Office (WAO) sign off the Annual Statement of Accounts for the CSC.
- Annual budgets are set and accurately uploaded to Financials.
- Financials accurately shows income and expenditure transactions for both revenue and capital codes.
- Financials shows transactions in 'real time' as data is entered onto the system.
- End of year carried forward balances are accurately brought forward into subsequent financial years.
- Access/ability to undertake journals/transfers is appropriately restricted.
- Financials has built in system restrictions which do not allow transactions to be coded to invalid financial codes.
- New financial codes are only able to be created by designated officers of the Income & Financials Team with Administrator level access.
- Financials automatically generates a unique reference number/ID for all transactions.
- The ability to create and or remove financial codes is restricted to small number of designated staff only.

No issues were identified during the audit which need to be addressed.

CONTENTS

1. INTRODUCTION & BACKGROUND

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

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

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

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

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

2. OBJECTIVES & SCOPE OF THE AUDIT

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

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

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

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

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

3. AUDIT APPROACH

Fieldwork took place following agreement of the audit objectives.

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

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

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

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

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

4. ACKNOWLEDGMENTS

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

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

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

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

5. FINDINGS

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

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

Strengths:

- WAO sign off the Annual Statement of Accounts for the CSC. The accounts for 20/21 were prepared and signed off by WAO in the meeting of the 22nd September 2021 of the Joint Committee.

- Annual budgets are set and accurately uploaded to Financials. The budget setting for 2021/22 financial year was agreed by the Joint Committee in the meeting of the 16th December 2020. The original budget was uploaded to the Financials System on the 12th May 2021. Following the meeting of the Joint Committee on the 22nd September 2021 amendments to the budget were agreed and the revised budget was subsequently re-uploaded to the system on the 27th September 2021. The Grants element of the CSC budget was uploaded to the system on the 14th December 2021.

- Financials accurately shows income and expenditure transactions for both revenue and capital codes. The system is used for Creditor and Debtor payments which are ultimately fed automatically into the revenue and capital financial codes.

- Financials shows transactions in 'real time' as and when data is entered onto the system thus ensuring the system is as accurate as possible for budget monitoring purposes.

- End of year carried forward balances are accurately brought forward into subsequent financial years. This is done as part of the overall end of year closing process and ensures that end of previous year's balances are accurately carried forward (rolled forward) into the new financial year.

- Access/ability to undertake journals/transfers is appropriately restricted to designated officers working in the CSC allowing for accountability and control.

- Financials has built in system restrictions which do not allow transactions to be coded to invalid financial codes, this is indicated by the incorrect code being highlighted red to confirm the error.

- New financial codes are only able to be created by designated officers of the Income & Financials Team with Administrator level access. A formal proforma is completed and signed off by Finance Manager to submit to the Financials Team for the creation of new codes.

- Financials automatically generates a unique reference number/ID for all transactions. These reference numbers are / can be used to find any specific transactions quickly if required.

- The ability to create and or remove financial codes is restricted to small number of staff only. Members of the Income & Financials Team are the only officers who have 'Administrator' level access and therefore are the only ones who have the access permissions to create and therefore delete financial codes when required.

DEFINITIONS

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

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