

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2022/23

GOVERNANCE AND AUDIT COMMITTEE 18 th July 2022	AGENDA ITEM NO. 7
REPORT OF HEAD OF REGIONAL INTERNAL AUDIT SERVICE	INTERNAL AUDIT ANNUAL REPORT 2021/22

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

1. PURPOSE OF THE REPORT

- 1.1 To provide the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Governance and Audit Committee of the work & performance of Internal Audit for the Financial Year 2021/22.

2. RECOMMENDATIONS

- 2.1 It is recommended that members of the Governance and Audit Committee give due consideration to the Annual Internal Audit Report for the Financial Year 2021/22 including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Governance and Audit Committee receives the annual opinion from the Head of Internal Audit in respect of the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control and to monitor the performance of the Council's Internal Audit Service in accordance with its Terms of Reference.

4. BACKGROUND

4.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:

- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- Present a summary of the audit work undertaken;
- Draw attention to any issues that may impact on the level of assurance provided;
- Provide a summary of the performance for the service; and
- Comment on conformance with the Public Sector Internal Audit Standards (PSIAS).

- 4.2 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 4.3 The draft Internal Audit Plan for 2021/22 was presented to Governance and Audit Committee and approved on 12th July 2021. The approved plan was flexible to be able to respond to changing circumstances and events that may occur during the year as a result of the pandemic and the remote ways of working.
- 4.4 Audit work has been carried out remotely during the year with staff predominantly working from home. Audits have been conducted using various digital solutions and whilst there was a steep learning curve for both audit staff and auditees all have adjusted well to this way of working.
- 4.5 The Internal Audit Annual Report is attached at Appendix A which summaries the reviews undertaken during 2021/22, the recommendations made and any control issues identified. A total of 42 reviews were completed with an audit opinion, 1 audit assignment was undertaken on a consultancy basis, and a further 10 pieces of work have been completed where no audit opinion was required, and a total of 148 recommendations have been made. A detailed breakdown is included at Annex 1 of this Appendix. The annual report also discussed the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development that has taken place.
- 4.6 Annex 2 illustrates that many planned reviews have been undertaken during 2021/22 despite the continuing impact the pandemic has had on services as well as the adoption of remote working. Where planned work has not been undertaken assurance has been gained where possible from other sources such as previous work and coverage in other audits. Some planned reviews were not undertaken during the year due to requests from services that were under intense pressure, these will be considered in the 2022/23 planning process, and 14 audits from the draft 2022/23 internal audit plan are already in progress and will be completed during 2022/23.
- 4.7 Based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 25 reviews (60%), and an opinion of reasonable to 14 reviews (33%). The remaining 3 have been given an audit opinion of limited, that is only limited assurance can be placed on the current systems of internal control. Whilst this is a slightly higher number and percentage than previous years there does not appear to be any indication of any particular reasons or connection from these reviews or wider underlying concerns.

4.8 Taking into account the results of the internal audit reviews completed during 2021/22, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2021/22 is of reasonable assurance. No significant cross cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.

4.9 In providing this annual opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2021/22 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

5. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY

5.1 There are no equality and diversity or socio-economic 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, but effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

8.1 The provision of an adequate and effective Internal Audit function is a legal requirement under 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 / FIVE WAYS OF WORKING

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 / FIVE WAYS OF WORKING

- 9.2 The wellbeing goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report.

10. CONCLUSION

- 10.1 Taking into account the results of the internal audit reviews completed during 2021/22, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2021/22 is of **reasonable assurance**.

Other Information:-

Relevant Scrutiny Committee
Not applicable.

Contact Officer – Mark Thomas (Head of Regional Internal Audit Service)

LOCAL GOVERNMENT ACT, 1972

AS AMENDED BY

THE ACCESS TO INFORMATION ACT, 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

18th July 2022

HEAD OF REGIONAL INTERNAL AUDIT SERVICE

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

Item: 7

Background Papers

None.

Officer to contact: Mark Thomas (Head of Regional Internal Audit Service)
Lisa Cumpston (Audit Manager Regional Internal Audit Service)

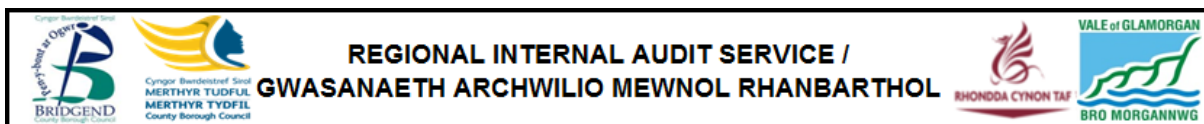


STRONG HERITAGE | STRONG FUTURE
RHONDDA CYNON TAF
TREFTADAETH GADARN | DYFODOL SICR

ANNUAL INTERNAL AUDIT REPORT

2021/2022

C. Mark. Thomas MAAT, CPFA
Head of Regional Internal Audit Service
July 2022



Annual Internal Audit Report 2021/22

Section 1 – Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of Audit to deliver an annual internal audit opinion and report which can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.2 The Covid-19 pandemic continued to have an impact on how the Council has operated and the governance arrangements and processes in place to ensure it could continue to support residents and businesses during the year.
- 1.3 Audit work has been carried out remotely with staff predominantly working from home. Audits have been conducted using various digital solutions and whilst there was a steep learning curve for both audit staff and auditees all have adjusted well to this way of working. It is likely that the audit service will largely continue to be delivered remotely with an element of office based/face to face working as required.
- 1.4 The 2021/22 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Internal Audit to form an annual opinion of the Council's overall control environment including governance, risk management and internal control. The plan has regard to the continuing impact caused by the pandemic and the changes that have been made to the way the Council is operating.
- 1.5 Other factors taken into account included potential availability of audit and service staff and challenges arising from the remote ways of working. The plan was also flexible to respond to changing circumstances and events that may have occurred such as a second wave/outbreaks, pressures on services, the ability to access staff and evidence or requests to respond to new issues that may emerge.
- 1.6 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils. The arrangement is underpinned by a detailed legal agreement between the four Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service).
- 1.7 The service reports to the four Governance & Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.

Annual Internal Audit Report 2021/22

Section 2 – Summary of Reviews Undertaken 2021/22

- 2.1 On completion of the audit reviews an audit opinion is formed providing assurance for management and those charged with governance on how well the internal controls and governance arrangements of the system, establishment or area of review are operating.
- 2.2 Based upon the findings and recommendations made, an overall conclusion as to the level of assurance that can be provided is given as follows:

Table 1 - Audit Assurance Category Code	
Substantial	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	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	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.

Table 2 – Audit Opinion Given to Completed Internal Audit Reviews 2021/22

Audit Opinion	Follow Ups	System Reviews	Establishment Reviews	Grant Verification	Total	%
Substantial	1	13	5	6	25	60%
Reasonable		8	6		14	33%
Limited		1	2		3	7%
No Assurance					0	0%
TOTAL	1	22	13	6	42	100%

- 2.3 Table 1 illustrates that a total of 42 reviews have been given an audit opinion. A detailed list of these is at **Annex 1**.

Annual Internal Audit Report 2021/22

- 2.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 25 reviews (60%) and an opinion of reasonable to 14 reviews (33%). The remaining 3 (7%) have been given an audit opinion of limited, that is only limited assurance can be placed on the current systems of internal control. These are detailed in Section 3 below.
- 2.5 The final position against the 2021/22 approved audit plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high, medium or low recommendations made to improve the control environment.
- 2.6 **Annex 2** illustrates that many planned audit reviews have been undertaken during 2021/22 despite the continuing impact the pandemic has had on services as well as the adoption of remote working. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as previous work and coverage in other audits. Some planned reviews were not undertaken during the year due to requests from services that were under intense pressure, these will be considered in the 2022/23 planning process and 14 audits from the draft 2022/23 internal audit plan are already in progress and will be completed in 2022/23.
- 2.7 Therefore the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion.

Section 3 – Limited Reports - Control Issues

- 3.1 Table 2 illustrates that 3 reviews (7%) identified control issues which meant that only limited assurance could be provided. Whilst this is an increase from the previous year (during 2020/21 there were no limited assurance audit opinions provided) there does not appear to be any indication of any particular connection from these reviews or wider underlying concerns. These reviews are detailed below and each were reported to Governance and Audit Committee during 2021/22:
- 3.2 **Park Lane Special School**
This audit was included in the audit plan for 2021/22 at the request of both the Director of Education & Inclusion Services and Acting Headteacher. The objective of the audit was to provide assurance that the financial systems and internal controls were effective and were compliant with the Council's policies and procedures. The audit work undertaken identified some key issues in respect of internal processes and procedures not always being complied with and resulted in 15 audit recommendations being made, 4 of which were of a high priority. All recommendations have been agreed by the Acting Executive Headteacher, and progress against these recommendations will be monitored in accordance with routine internal audit monitoring procedures. This school is included in the audit plan for a follow up review during 2022/23.

Annual Internal Audit Report 2021/22

3.3 Ty Gwyn Pupil Referral Unit

This audit was included in the audit plan for 2021/22 at the request of the Director of Education & Inclusion Services. The objective of the audit was to provide assurance that the financial systems and internal controls were effective and were compliant with the Council's policies and procedures. The audit work undertaken identified some key issues in respect of internal processes and procedures not always being complied with and resulted in 13 audit recommendations being made, 6 of which were of a high priority and 7 medium priority. All recommendations have been agreed by the Headteacher, and progress against these recommendations will be monitored in accordance with routine internal audit monitoring procedures. This referral unit is included in the audit plan for a follow up review during 2022/23.

3.4 Adoption Support & Foster Carer Payments

The objective of this audit was to review the controls in place to ensure that payments are accurate, supported by adequate assessments, authorised appropriately and comply with the formal agreements in place. Evidence of a regular review and re-assessment process was also examined. While no high priority findings were reported, the audit review identified weakness which could lead to financial loss for the Council, and issues which could lead to disruption for the recipients of both Adoption and Financial Support Payments, potentially leaving the Council open to challenge and reputational risk. All recommendations have been agreed, and progress against these recommendations will be monitored in accordance with routine internal audit procedures. This area is included in the audit plan for a follow up review during 2022/23.

Section 4 – Recommendations – 2021/22

- 4.1 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk. Recommendations are included in the final audit report and recipients are asked to provide Management Responses to show whether they agree with the recommendations and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions, these ratings being High, Medium and Low.

Annual Internal Audit Report 2021/22

Table 3 – Recommendation Categorisation	
Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. 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.

- 4.2 Management are contacted and are asked to provide feedback on the status of each agreed recommendation once the target date for implementation has expired. The implementation of these recommendations is monitored using MK Insight internal audit software to ensure that improvements are being made.

Table 4 – Analysis of Recommendations Made During 2021/22

Rating	Follow Ups	System Reviews	Establishment Reviews	Grant Verifications	Total	%
High	0	5	22	0	27	18%
Medium	0	34	55	0	89	60%
Low	0	14	18	0	32	22%
Total	0	53	95	0	148	100%

- 4.3 Table 4 illustrates that a total of 148 recommendations have been made to improve the control environment of the areas reviewed during 2021/22. Management has given written assurance that these will be implemented or have accepted the identified risk if the recommendation has not been accepted. The implementation of these recommendations is being monitored to ensure that improvements are being made.

Section 5 – Counter Fraud Work

- 5.1 While the Council has its own Counter Fraud Team, Internal Audit are also asked to carry out specific pieces of audit / investigation work on occasions. During 2021/22 we were asked to undertake an audit review of Respite Services. No fraud was identified but a report was issued to Management with recommendations made to improve internal control and governance arrangements in the Service area. This area has also been included within the Internal Audit Plan for 2022/23 for a follow up review, the outcome of which will be reported to Governance and Audit Committee.

Annual Internal Audit Report 2021/22

Section 6 – Key Performance Measures – Client Satisfaction Questionnaires

6.1 The Internal Audit Service uses MK Insight (Internal Audit software) to enable clients to feedback with comments on the work undertaken by internal auditors. The client satisfaction questionnaires provide managers with the opportunity to feedback on the performance, professionalism and conduct of the auditor as well as the audit process in general.

The questions covered are below:

No.	Question
1	Preparing for the Audit
	Were you adequately consulted about the nature, scope and objectives of the Audit?
	Were you satisfied with the notice given prior to the commencement of the Audit?
2	The Audit Fieldwork
	Were you satisfied with the Audit coverage?
	How well was the Audit conducted with regard to minimising disruption to service delivery?
	Were the summary findings adequately explained to you prior to the Auditor(s) leaving site?
3	The Audit Report
	Were you happy that the format of the report was clear, concise and easy to read?
	Did you find the recommendations practical, logical and relevant?
	Were you given sufficient opportunity to comment on the Draft Report?
	How do you rate the timeliness of the Final Report?
	Do you feel the results of the Audit will be of value to you as a Manager?
4	The Auditor(s)
	How do you assess the Auditor(s) in terms of professionalism, helpfulness and politeness?

6.2 The return rate for returning client satisfaction questionnaires was low, with only 55% returned at the time of writing this report. This is an area where the Service will look to improve and will explore the MK Insight audit software to introduce a follow up process where surveys have not been returned, allowing potential development areas to be identified and service improvements made where necessary.

6.3 The returned surveys however have confirmed satisfaction with the audit approach, the service provided and the conduct of the Auditors. It is pleasing that the average rate of satisfaction is 100%. In addition to the above questions, the client also has an opportunity to make comments within the Client Satisfaction Questionnaire. Set out below are some examples of comments that have been received during the period.

Annual Internal Audit Report 2021/22

The report will be helpful to further tighten procedures and compliance. The format of the report is much improved and I like that strengths are also now highlighted.

The auditor was helpful, polite and professional from beginning to end and is a credit to the profession.

The audit provided us with clear pathways forward regarding the management of finances, and the areas identified within the report will help to improve the service.

Section 7 – Key Performance Measures – Staff Training

- 7.1 Investment in the development of staff continues as it is recognised that with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.
- 7.2 Staff are encouraged to attend courses or undertake on-line training to develop their skills and networking opportunities. Listed below illustrate the range of training courses that staff have completed during 2021/22:
- Data Protection Essentials
 - Stress Awareness
 - Working from Home and Agile Working
 - Safeguarding Children and Adults – Raising Awareness
 - Armed Forces Covenant
 - Challenging Conversations
 - Assertiveness
 - Digital Literacy
 - Managing Attendance at Work
 - Delivering Effective Feedback
- 7.3 In the wider Regional Service one member of staff successfully completed the Chartered Institute of Internal Auditors, Certified Internal Auditor qualification during the year and another member of staff is working towards the qualification.

Annual Internal Audit Report 2021/22

- 7.4 In addition another member of staff has successfully gained full professional membership of the Chartered Institute of Public Finance & Accountancy (CIPFA)

Section 8 – Key Performance Measures – Benchmarking

- 8.1 The Internal Audit Service participates annually in the Welsh Chief Auditors Group (WCAG) benchmarking exercise. The results for 2020/21 are illustrated in Table 5, the information for 2021/22 is awaited:

Table 5 – Performance Data

Performance Indicator	Performance RIAS RCT Team 2021/22	WCAG Average Performance 2021/22	Performance RIAS RCT Team 2020/21	WCAG Average Performance 2020/21
Percentage of Planned Audits Completed	60%		74%	67%
Percentage of Audits Completed in Planned Time	53%		66%	75%
% of Client Satisfaction Questionnaires Returned	55%		33%	57%
% of clients responses at least satisfied	100%		100%	100%
% of recommendations accepted versus made	100%		100%	100%

- 8.2 It should be noted that 16 of the 22 Councils returned their performance figures for 2020/21 representing a return rate of 73%.
- 8.3 Overall for 2021/22 60% of the audit plan was completed, and 53% of audits were undertaken within planned time during 2021/22.
- 8.4 The PI's illustrate that the performance within the Rhondda Cynon Taf Team has dipped slightly during 2021/22 largely due long term sickness, staff secondment to Test, Trace and Protect Service (TTP) and some audits taking longer than planned. Overall performance it is still comparable to the average performance despite the challenges of Covid-19 and remote working. As part of the restructure of the Service new management arrangements have been put in place for 2022/23 and vacancies in the wider Service have and are being recruited to which should see an improvement in the Performance figures. In addition, some practical changes to procedures are being made to improve performance.

Annual Internal Audit Report 2021/22

- 8.5 Although not all work planned for was undertaken during the year, Internal Audit management ensured that coverage was given to appropriate areas including requests to undertake specific additional work. Where risk profiles changed during the year, Internal Audit responded accordingly. In recognition of the sickness absence in the Team additional capacity was commissioned to carry out some key audits during the year by SWAP.
- 8.6 In addition to the work reported above the Team also produce additional pieces of work to support the Governance & Audit Committee including this Annual Report, the Internal Audit Plan & Strategy Report and the Internal Audit Charter for example.

Section 9 – Public Sector Internal Audit Standards

- 9.1 The Public Sector Internal Audit Standards encompass the following mandatory elements:
- Definition of Internal Auditing;
 - Code of Ethics; and
 - International Standards for the Professional Practice of Internal Auditing.
- 9.2 The Standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal Audit Services across the public sector. The Standards require that each public sector Internal Audit Service has in place robust arrangements for quality assurance and requires that Internal Audit be the subject of an external assessment at least once every 5 years.
- 9.3 The Internal Audit Service for the Council received an external assessment in accordance with the Standards in 2017. Another assessment is due in 2022 and will be undertaken shortly. No areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity were identified at that time and the assessment noted that there were no significant deviations from the Standards.
- 9.4 Whilst improvements have been made to working practices and more sophisticated audit software is now in use and remote working is common place, no significant changes have occurred from the perspective of the standards since the Regional Internal Audit Service was set up in April 2019. As a result, the Service continues to conform to the Standards during 2021/22.

Annual Internal Audit Report 2021/22

Section 10 – Regional Internal Audit Service Progress

- 10.1 The expanded shared service came into existence on 1st April 2019, it is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils.
- 10.2 The vision for the service is to be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing and to be a service that is regarded as:
- ✓ Professional
 - ✓ Approachable
 - ✓ Flexible
 - ✓ Independent but internal to the organisation – a critical friend
- 10.3 The immediate priorities for the service were identified as follows:
- Ensure a seamless transition from previous arrangements
 - Ensure Internal Audit plans for each Council have been developed, consulted on and are deliverable within the likely resources available
 - Production of Annual Internal Audit Reports for each Council
 - Continue to support all four Audit Committees
 - Continue to deliver the planned Audits for each Council
- These were all delivered.
- 10.4 The priorities identified for the first 12 months for the Service were:
- Develop a structure taking into account TUPE requirements and SWOT analysis
 - Confirm ICT solution & arrangements
 - Identify & evaluate different approaches / methodologies of each Internal Audit team and identify most appropriate to adopt
- 10.5 During 2021/22 staff were matched to posts within the new agreed staffing structure. Recruitment to the remaining vacant posts then commenced and this resulted in several internal promotions as well as some external appointments. The recruitment process will continue during 2022/23 until all posts are filled including recruiting Graduate Auditors who will be supported to become professionally qualified.
- 10.6 A tender exercise was undertaken during 2021/22 to establish a framework agreement for the provision of an Internal Audit service to be used when required to supplement the existing in-house provision when required. This was a successful exercise and a framework agreement is now in place for the next 3 years.

Annual Internal Audit Report 2021/22

- 10.7 Audit work has been carried out remotely with staff predominantly working from home. Audits have been conducted using various digital solutions and whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to this way of working. It is likely that the audit service will largely continue to be delivered remotely with an element of office based/face to face working as required.
- 10.8 The new audit software solution was successfully implemented and used by all staff for the 2021/22 audit plan. This has ensured consistency in approach and style of reporting across the Regional Internal Audit Service. Ongoing development will continue to ensure maximum use of the improved functionality and reporting tools.
- 10.9 The longer-term success of the Regional Internal Audit Service includes plans to develop a commercial approach and analysing the potential public sector market. Limited progress has been made on this aspect as the foundations referred to above need to be embedded before progressing this. A draft roadmap has been produced during 2021/22 which will be firmed up once all the vacancies have been filled.

Annual Internal Audit Report 2021/22

Section 11 - Opinion Statement 2021/22

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of 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; and
- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews or generally in the reviews undertaken in respect of directorate systems.

In providing my annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2021/22 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at my opinion, the following matters have been taken into account:

- The results of all internal audits undertaken for the year ended 31st March 2022;
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities; and
- Other sources of assurance.

Annual Internal Audit Report 2021/22

Risk Management

Effective Risk Management forms a key aspect of assurance and governance. The Corporate Risk Management Strategy is aligned with Service Delivery Plans, the Strategic Risk Register and the Council's performance management framework.

Key risks are distilled in the Strategic Risk Register which is regularly reviewed and challenged by senior management, Cabinet and the Finance and Performance Scrutiny Committee and an update to Governance and Audit Committee. During 2021/22 risk management was considered as part of every audit rather than one specific audit being undertaken. A specific review of Corporate Risks is planned during 2022/23.

However, a follow up review to the Risk Management audit undertaken in 2020/21 has been scheduled for completion during 2022/23.

It is not possible to eliminate all risk of failure to meet the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but based on this an opinion of **reasonable assurance** is given.

Governance Arrangements

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

The Authority has responsibility for conducting on an annual basis the review of the effectiveness of its governance framework. The assessment process and the results of the assessment are published within the Annual Governance Statement. Internal Audit feeds into this process. The Council has identified proposals for improving governance as part of the review of effectiveness and are included in the Annual Governance Statement.

Whilst no single audit was conducted specifically on governance, governance arrangements are considered as part of every audit and tested during all school audit reviews. Assurance can also be drawn from the responses received in relation to the Annual Primary School Self-Assessment Process and Returns from Head Teachers and Chairs of Governors.

Overall therefore, from a governance perspective, an opinion of **reasonable assurance** is given.

Internal Control

I have based my opinion on internal control using the work undertaken by internal audit during the year.

A total of 52 reviews were completed in the year with 42 reports culminating in an overall opinion being provided. Of these reviews 39 (93%) have been closed with either a substantial or reasonable assurance opinion level. 3 reviews (7%) were given a limited opinion and have identified weaknesses in the overall control environment, and these have been summarised in Section 3 above.

Therefore, an opinion of **reasonable assurance** can be given on internal control.

Annual Internal Audit Report 2021/22

Head of Internal Audit Opinion Statement 2021/22

From the work undertaken during the financial year 2021/22 and taking into account other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2021-22 is:

“Reasonable Assurance”

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

As described, the way the Council has had to operate during 2021/22 is still affected by the COVID 19 pandemic. Many staff have worked remotely, and systems & processes have had to be adjusted to cater for the new ways of working. Similarly, Internal Audit has worked remotely, conducting audits and obtaining evidence digitally. Each audit has considered the potential impact of remote working to ensure adequate controls and governance arrangements remained in place.

The pandemic, remote working, long term sickness and staff secondment to TTP did have some impact on the delivery of the internal audit plan for 2021/22; however, the Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion.

The recommendations made to improve governance, risk management and control have been accepted and are at various stages of implementation.

Annual Internal Audit Report 2021/22

Annex 1 – Audits Completed with an Opinion & Recommendations 2021/22

Internal Audit Review	Audit Opinion				Recommendations		
	Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance	High	Med	Low
Procurement Arrangements	√				0	0	0
Administration of Trust Funds	√				0	0	0
Operation of the Primary School Sickness Scheme		√			0	1	2
Fairer Charging for Adult Non-Residential Care Services – Follow Up	√				0	0	0
Budgetary Control – School Deficit Recovery Protocols	√				0	3	0
Distribution of Devices to Digitally Excluded Learners (Covid Related Risks)	√				0	0	1
Corporate Landlord Compliance		√			0	5	1
Emergency Planning	√				0	0	0
Building Control		√			1	3	1
Section 17 Payments (Prevention Payments)		√			0	1	3
Adoption Support & Foster Carer Payments			√		0	6	2
Llwydcoed Crematorium		√			0	8	0
Registration Services	√				0	0	0
Governor Support – Provision of Governing Body Information		√			3	2	1
Ty Gwyn Pupil Referral Unit			√		6	7	0
Park Lane Special School			√		4	8	3
Special School Self-Assessment Programme & Annual Report		√			0	0	0
Alaw Primary School	√				0	1	1
Cefn Primary School		√			2	4	2
Craig yr Hesg Primary School		√			2	1	2
Cilfynydd Primary School	√				1	1	1
Coedpenmaen Primary School		√			3	6	3

Annual Internal Audit Report 2021/22

Internal Audit Review	Audit Opinion				Recommendations		
	Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance	High	Med	Low
Cwmbach Church in Wales Primary School		√			1	6	2
Dolau Primary School	√				1	2	2
Llantrisant Primary School	√				0	3	0
Penderyn Community Primary School	√				0	2	1
Primary School Self-Assessment Programme & Annual Report		√			0	0	0
Bryncelynnog Comprehensive School		√			2	6	1
Secondary/All Through School Self-Assessment Programme & Annual Report		√			0	0	0
RCT – Regional Consortia School Improvement Grant (RCSIG)	√				0	0	0
RCT – Education Improvement Grant (EIG)	√				0	0	0
RCT – Pupil Development Grant (PDG)	√				0	0	0
RCT – Post 16 Grant Certifications (DCELLS)	√				0	0	0
PPE Stock Control Arrangements	√				0	0	0
Income Management Arrangements	√				0	3	0
Central South Consortium (CSC) – Regional Consortia School Improvement Grant (RCSIG)	√				0	0	0
CSC – Pupil Development Grant (PDG)	√				0	0	0
CSC – General Ledger	√				0	0	0
AMGEN – Payroll	√				0	0	1
AMGEN – Debtors	√				0	0	0
AMGEN – Creditors	√				0	0	1
AMGEN – General Ledger	√				0	0	0
Total audits completed providing an opinion & total number of recommendations made	25	14	3	0	26	79	31

Annual Internal Audit Report 2021/22

Audits Completed with no Opinion 2021/22

Consultancy Assignment	Audit Status	Recommendations		
		High	Med	Low
Safeguarding Arrangements – Capita One	Complete	1	10	1
Internal Audit Reporting				
Annual Governance Statement 20/21	Complete			
Recommendation Monitoring	Complete			
PSIAS Compliance	Complete			
Emerging Risks / Special Investigations – • Respite Services	Complete			
Total number of completed assignments where no audit opinion was made	5			

Annual Internal Audit Report 2021/22

Annex 2 – Internal Audit Plan 2021/22

Audit Assignment	Audit Status	Audit Opinion				Recommendations		
		Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance	High	Med	Low
Chief Executive								
Contract Variations/Payments in Advance	c/f 2022/23							
Procurement Arrangements	Final Issued	√				0	0	0
Administration of Trust Funds	Final Issued	√				0	0	0
Operation of the Primary School Sickness Scheme	Final Issued		√			0	1	2
Grants to Businesses	c/f 2022/23							
Self Isolation Payments – Administration of the WG Scheme (Covid Related Risks)	c/f 2022/23							
Fairer Charging for Adult Non-Residential Care Services – Follow Up	Draft Issued	√				0	0	0
Budgetary Control – School Deficit Recovery Protocols	Final Issued	√				0	3	0
Payroll – Implementation of the new Payroll system	c/f 2022/23							
Administration of the Furlough Scheme (Covid Related Risks)	c/f 2022/23							
Cyber Security Arrangements	c/f 2022/23							
Distribution of Devices to Digitally Excluded Learners (Covid Related Risks)	Final Issued	√				0	0	1
Corporate Landlord Compliance	Draft Issued		√			0	5	1
Asset Management	c/f 2022/23							
Prosperity, Development & Frontline Services								
Emergency Planning	Final Issued	√				0	0	0
Community Recycling Centres	In Progress							
Capital Projects	c/f 2022/23							
Regeneration & Planning	c/f 2022/23							
Building Control	Draft Issued		√			1	3	1
Community & Children's Services								
WCCIS	In Progress							
Deputyship	c/f 2022/23							
Rota Management Review	In Progress							
Adaption & Community Equipment	c/f 2022/23							

Annual Internal Audit Report 2021/22

Audit Assignment	Audit Status	Audit Opinion				Recommendations		
		Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance	High	Med	Low
Carers Assessments	c/f 2022/23							
The Review Team	c/f 2022/23							
Section 17 Payments (Prevention Payments)	Final Issued		√			0	1	3
Adoption Support & Foster Carer Payments	Final Issued			√		0	6	2
Contract Management Placements	c/f 2022/23							
Llwydcoed Crematorium	Final Issued		√			0	8	0
Registration Services	Final Issued	√				0	0	0
Education & Inclusion Services								
Governor Support – Provision of Governing Body Information	Final Issued		√			3	2	1
Exclusion & Attendance	c/f 2022/23							
Step 4 Provisions	c/f 2022/23							
Ty Gwyn Pupil Referral Unit	Final Issued			√		6	7	0
Park Lane Special School	Final Issued			√		4	8	3
Special School Self Assessment Programme & Annual Report	Final Issued		√			0	0	0
Alaw Primary School	Final Issued	√				0	1	1
Cefn Primary School	Final Issued		√			2	4	2
Craig yr Hesg Primary School	Final Issued		√			2	1	2
Cilfynydd Primary School	Final Issued	√				1	1	1
Coedpenmaen Primary School	Final Issued		√			3	6	3
Cwmbach Church in Wales Primary School	Final Issued		√			1	6	2
Cymmer Primary School	c/f 2022/23							
Dolau Primary School	Final Issued	√				1	2	2
Ffynon Taf Primary School	c/f 2022/23							
Llantrisant Primary School	Final Issued	√				0	3	0
Maesybryn Primary School	c/f 2022/23							
Penderyn Community Primary School	Final Issued	√				0	2	1
Penywaun Primary School	c/f 2022/23							
Primary School Self Assessment Programme & Annual Report	Final Issued		√			0	0	0
Hawthorn High School – Follow Up Review	c/f 2022/23							
Ysgol Gyfun Rhydywaun	c/f 2022/23							
Bryncelynnog Comprehensive School	Final Issued		√			2	6	1
Ferndale Community School	c/f 2022/23							

Annual Internal Audit Report 2021/22

Audit Assignment	Audit Status	Audit Opinion				Recommendations		
		Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance	High	Med	Low
Secondary/All Through School Self-Assessment Programme & Annual Report	Final Issued		√			0	0	0
RCT – Regional Consortia School Improvement Grant (RCSIG)	Final Issued	√				0	0	0
RCT – Education Improvement Grant (EIG)	Final Issued	√				0	0	0
RCT – Pupil Development Grant (PDG)	Final Issued	√				0	0	0
RCT – Post 16 Grant Certifications (DCELLS)	Final Issued	√				0	0	0
Whole Authority Arrangements								
Information Management	c/f 2022/23							
PPE Stock Control Arrangements	Final Issued	√				0	0	0
Anti-Fraud, Bribery & Corruption	c/f 2022/23							
Scheme of Delegation	c/f 2022/23							
Performance Management Arrangements	c/f 2022/23							
Corporate Safeguarding (Covid Related Risks)	c/f 2022/23							
Income Management Arrangements	Final Issued	√				0	3	0
Central South Consortium (CSC)								
CSC – Regional Consortia School Improvement Grant (RCSIG)	Final Issued	√				0	0	0
CSC – Pupil Development Grant (PDG)	Final Issued	√				0	0	0
CSC – General Ledger	Final Issued	√				0	0	0
Amgen								
AMGEN – Payroll	Final Issued	√				0	0	1
AMGEN – Debtors	Final Issued	√				0	0	0
AMGEN – Creditors	Final Issued	√				0	0	1
AMGEN – General Ledger	Final Issued	√				0	0	0

Consultancy Assignment	Audit Status	Recommendations		
		High	Medium	Low
Education & Inclusion Services				
Safeguarding Arrangements – Capita One	Complete	1	10	1
Total	1	1	10	1