

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2022/23

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| <p>GOVERNANCE AND AUDIT COMMITTEE</p> <p>7th December 2022</p> | <p>AGENDA ITEM NO. 8</p> |
| <p>REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES</p> | <p>PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022/23</p> |

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1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to provide members of the Governance and Audit Committee with a position statement on progress made against the audit work included and approved within the Internal Audit Risk Based Plan 2022/23.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the content of the report and the progress made against the Internal Audit Risk Based Plan 2022/23.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To help ensure that the Governance and Audit Committee monitors the performance of the Council's Internal Audit Service, in accordance with its Terms of Reference.

4. BACKGROUND

- 4.1 In accordance with the Public Sector Internal Audit Standards, the Head of the Regional Internal Audit Service is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Public Sector Internal Audit Standards (PSIAS) there is also a requirement for the Head of the Regional Internal Audit Service to review and adjust the

plan, as necessary, in response to changes in the Council’s business, risks, operations, programs, systems, controls and resources. The Head of the Regional Internal Audit Service must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

4.2 The Internal Audit Risk Based Plan for 2022/23 was submitted to the Governance & Audit Committee for consideration and approval on 18th July 2022. The Plan outlined the audit assignments to be carried out which will provide adequate coverage to enable an overall opinion at the end of 2022/23.

4.3 Progress made against the 2022/23 plan is attached as **Appendix A** and a summary of the individual audit assignments as at 23rd November 2022 is as follows:

| Status | No. Of Audits |
|---|---------------|
| Final Reports Issued / Complete Assignments | 17 |
| Draft Reports Issued | 4 |
| Awaiting Management Review / Under Review | 2 |
| Fieldwork in Progress | 4 |
| Audit Fieldwork being Scoped | 10 |

4.4 **Appendix A** details the status of each planned review, the audit opinion (where the audit is complete or has reached final report stage) and the number of recommendations made to improve the internal control, governance and risk management environment.

4.5 As at 23rd November 2022, 21 audit assignments have been completed, including 17 audits where a final report and audit opinion have been issued. The remaining 4 completed assignments relate to work where no audit opinion is provided, for example Annual Governance Statement (AGS), Annual Opinion Report (Head of Internal Audit) and Internal Audit Planning 2022/23. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion. A further 4 draft reports have been issued and 2 audit assignments are awaiting management review. There are 4 audit assignments currently in progress and a further 10 assignments are at the scoping stage.

4.6 Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control, governance and risk management arrangements, the following

audit opinions have been given to the 17 audit assignments completed to final report stage to date:

| Audit Opinion | No. Of Audits |
|-----------------------|---------------|
| Substantial Assurance | 12 |
| Reasonable Assurance | 5 |
| Limited Assurance | 0 |
| No Assurance | 0 |

- 4.7 There have been no audit assignments completed across the 2022/23 planned areas to date where an audit opinion of limited assurance or no assurance has been placed on the current systems of internal control, governance and risk management.
- 4.8 **Appendix A** also illustrates that 2 planned audit assignments across the 2022/23 plan have been cancelled as follows:
- Local Authority Education Grant (LAEG)
 - RCT Pupil Development Grant (PDG)

These audits have been undertaken annually in recent years however no issues have been identified as part of the Internal Audit process for the past 2 years. There is no requirement for these 2 areas to be subject to an audit, either from an Internal Audit or Management perspective as no significant changes/issues or risks were identified. Both audits will continue to be included on the schedule for discussion in the audit planning process going forward in case circumstances change and material risks are identified.

- 4.9 A further 1 audit assignment relating to an audit included within the 2021/22 plan of work has been finalised during 2022/23 as follows:
- **Welsh Community Care Information System (WCCIS)**
This audit assignment was finalised on 18th August 2022 and an audit opinion of **reasonable assurance** was provided, with 2 medium priority recommendations made. The scope of this audit was to provide assurance on the process in place for identifying data omissions/errors, and where patterns of data inaccuracies are identified determine whether guidance and training is given to prevent any instances of reoccurrence. This audit also examined the processes in place for collating the information required for Welsh Government statutory returns and ensuring the veracity of information for submission.

- 4.10 For reference, the audit assurance/opinion categories are:

| 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. |

4.11 **Appendix A** illustrates that a total of 35 recommendations have been made to improve the internal control, governance and risk management arrangements across the 2022/23 audit plan areas reviewed to date. The implementation of these recommendations is monitored to ensure that improvements are being made.

4.12 Again for reference, Internal Audit recommendations are categorised/prioritised as follows:

| 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. |

5. EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY

- 5.1 There are no equality and diversity or socio-economic duty 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 Monitoring the performance of Internal Audit is a key responsibility for the Governance and Audit Committee. This report provides the Governance and Audit Committee with detailed information with which the performance of the Service can be reviewed and scrutinised.

Other Information:-

Relevant Scrutiny Committee
Not applicable.

Contact Officers – Mark Thomas & Lisa Cumpston

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

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GOVERNANCE AND AUDIT COMMITTEE

7th December 2022

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AUDIT PLAN 2022/23**

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Item: 8

Background Papers

None.

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