

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2022/23**

<p><b>GOVERNANCE AND AUDIT COMMITTEE</b></p> <p><b>14<sup>th</sup> February 2023</b></p>	<p><b>AGENDA ITEM NO. 4</b></p>
<p><b>REPORT OF THE DIRECTOR OF FINANCE &amp; DIGITAL SERVICES</b></p>	<p><b>PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022/23</b></p>

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

**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 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 18<sup>th</sup> 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 for the period 1<sup>st</sup> April 2022 – 27<sup>th</sup> January 2023 is attached as **Appendix A** and a summary of the individual audit assignments as at 27<sup>th</sup> January 2023 is as follows:

Status	No. Of Audits
Final Reports Issued / Complete Assignments	24
Draft Reports Issued	4
Awaiting Management Review / Under Review	1
Fieldwork in Progress	7
Audit Fieldwork being Scoped	6

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 27<sup>th</sup> January 2023, 24 audit assignments have been completed, including 20 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 1 audit assignment is awaiting management review. There are 7 audit assignments currently in progress and a further 6 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 20 audit assignments completed to final report stage to date:

<b>Audit Opinion</b>	<b>No. Of Audits</b>
Substantial Assurance	15
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 For reference, the audit assurance/opinion categories are:

<b>AUDIT ASSURANCE CATEGORY CODE</b>	
<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No Assurance</b>	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.

- 4.9 **Appendix A** illustrates that a total of 37 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.

4.10 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:	
<b>High Priority</b>	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
<b>Medium Priority</b>	Action that is considered necessary to avoid exposure to significant risks.
<b>Low Priority</b>	Action that is considered desirable and should result in enhanced control.

4.11 While performance to date is lower than anticipated for 2022/23 to date, this can be partly attributed to long term sickness, some audits taking longer than planned and vacancies in the wider service which although now filled, have impacted on the delivery of the audit plan to date. Internal Audit have also responded accordingly to any requests to undertake specific additional work. Internal Audit management will ensure that sufficient coverage is given during QTR4 to appropriate areas to allow for the Head of Audit Annual Report and to provide an opinion on the Council's arrangements for internal control, governance and risk management arrangements throughout 2022/23.

4.12 Following a request received at the last Governance and Audit Committee meeting on 7<sup>th</sup> December 2022, **Appendix A** has also been updated with a colour coding system to indicate which audits have been completed during 2022/23 to date, those which are anticipated to be completed by the end of 2022/23 and those which will not receive an Internal Audit review during the year, however these audits will be scheduled for discussion with Management as part of the Internal Audit planning process for 2023/24. The categories are as follows:

	Completed Assignments. <b>24 assignments</b>
	Audit assignments that are at draft report stage, waiting for review or are in progress and we are confident they will be completed in QTR 4. <b>20 assignments</b>
	Audit assignments which are being scoped or are planned to be completed during QTR 4 but there is less certainty over their completion. <b>27 assignments</b>

Audit assignments that will not be undertaken or have been cancelled during 2022/23 but will be scheduled for discussion as part of the Internal Audit planning process for 2023/24. **26 assignments**

**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**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**GOVERNANCE AND AUDIT COMMITTEE**

**14<sup>th</sup> February 2023**

**PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED INTERNAL  
AUDIT PLAN 2022/23**

**REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES**

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Cumpston (Group Audit Manager)

Item: 4

**Background Papers**

None.

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