

**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. 5</b></p>
<p><b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b></p>	<p><b>RISK MANAGEMENT – THE ROLE OF THE GOVERNANCE AND AUDIT COMMITTEE</b></p>

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**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to provide the Governance and Audit Committee with an overview of its role in respect of Risk Management, as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication '*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*', and in line with the Terms of Reference for the Committee.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Consider the arrangements in place for Governance and Audit Committee to discharge its role in respect of Risk Management.
- 2.2 Determine whether further information or action is required to provide the Committee with the necessary assurance for this area, including updates on specific strategic risks.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To assist the Governance and Audit Committee in discharging its responsibilities in respect of overseeing the Council's risk management arrangements, in line with its Terms of Reference.

**4. GOVERNANCE AND AUDIT COMMITTEE'S TERMS OF REFERENCE**

- 4.1 The Governance and Audit Committee's Terms of Reference states its Statement of Purpose is as follows:
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*The Governance and Audit Committee is a key component of Rhondda Cynon Taf County Borough Council's corporate governance. It provides independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.*

*The purpose of the Governance and Audit Committee is to provide independent assurance to the Members of Rhondda Cynon Taf County Borough Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Rhondda Cynon Taf County Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.*

- 4.2 In addition, Section C of the Committee's Terms of Reference goes on to identify the following responsibility in respect of the Council's Risk Management arrangements:

*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.*

- 4.3 Members will also be aware that the Committee's work is informed by, amongst other things, the Internal Audit Risk Based Plan, Audit Wales' Audit Plan (and in-year work programme updates) and the Governance and Audit Committee's own work programme for each Municipal Year, to help ensure the delivery of its Terms of Reference.

## **5. RISK MANAGEMENT - THE ROLE OF THE GOVERNANCE AND AUDIT COMMITTEE**

- 5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) publication '*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*' sets out that the role of the audit committee in relation to risk management covers three major areas:

- Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks;
  - Keeping up to date with the risk profile and the effectiveness of risk management actions; and
  - Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.
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5.2 Following on, Table 1 provides an overview of the arrangements in place to support the Governance and Audit Committee discharge its responsibilities in respect of risk management against the information as set out in the ‘*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*’.

Table 1 – Arrangements to support the Governance and Audit Committee discharge its responsibilities in respect of Risk Management

CIPFA Practical Guidance	Arrangements in place
<p>1. Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks</p>	<ul style="list-style-type: none"> <li>• The Governance and Audit Committee reviews and oversees the Council’s Risk Management Strategy, providing support and challenge. Where the Committee determines material changes are required, it recommends a revised Strategy to Cabinet for approval. The Governance and Audit Committee’s latest review of the Council’s Risk Management Strategy was at its <a href="#">23rd March 2022</a> meeting, with an updated Strategy subsequently reported to and approved by the Council’s Cabinet on <a href="#">18th July 2022</a>.</li> <li>• Operational risk management arrangements across the Council have independent oversight through its inclusion within the Internal Audit Annual Audit Plan i.e. a Risk Management internal audit report was issued 1<sup>st</sup> September 2021 (a Reasonable Assurance Opinion) and a Risk Management internal audit assignment is incorporated into the Internal Audit Risk Based Plan for 2022/23.</li> <li>• The Governance and Audit Committee considers and comments on the Council’s certified draft Statement of Accounts (SoAs)<sup>1</sup> and receives an update from Audit Wales on the key issues identified from the external audit of the closure of accounts process prior to a final audited SoAs being reported to full Council. For the latest audited SoAs, i.e. for financial year 2021/22, the certified draft SoAs were considered by the Governance and Audit Committee on <a href="#">7th September 2022</a> (alongside an overview of Accounting Policies), with the Council’s final audited 2021/22 SOAs reported to and approved by full Council on <a href="#">18th January 2023</a> (noting that the outcome of the external audit process was an unqualified audit opinion).</li> </ul>

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<sup>1</sup> Certified draft Statement of Accounts – the Governance and Audit Committee also considers the certified draft Statements of Account for the Rhondda Cynon Taf Pension Fund, Central South Consortium Joint Education Service Joint Committee and the Annual Return for Llwydcoed Crematorium Joint Committee at the same time as considering the Council’s certified draft Statement of Accounts

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<b>CIPFA Practical Guidance</b>	<b>Arrangements in place</b>
1 (continued) - Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks	<ul style="list-style-type: none"> <li>• The Governance and Audit Committee: <ul style="list-style-type: none"> <li>○ Reviews and agrees a recommended version of the Council’s Annual Governance Statement (AGS) for inclusion within the Council’s SoAs; and</li> <li>○ The Governance and Audit Committee receives and reviews half yearly updates on the progress the Council is making to implement recommendations made within the AGS.</li> </ul> </li> </ul>
2. Keeping up to date with the risk profile and the effectiveness of risk management actions	<ul style="list-style-type: none"> <li>• The Governance and Audit Committee: <ul style="list-style-type: none"> <li>○ Receives specific Strategic Risk updates<sup>2</sup>, as set out in the Council’s Strategic Risk Register; and</li> <li>○ Reviews the Council’s draft Annual Self-Assessment, in line with the requirements of the Local Government and Elections (Wales) act 2021, prior to consideration / approval by full Council.</li> </ul> </li> <li>• As part of the Governance and Audit Committee’s annual work programme, the Committee reviews and challenges: <ul style="list-style-type: none"> <li>○ The Head of Internal Audit Annual Report;</li> <li>○ Governance and Audit Committee Annual Report (incorporating a self-assessment against the CIPFA 2018 Practical Guidance); and</li> <li>○ Treasury Management arrangements.</li> </ul> </li> </ul>

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<sup>2</sup> Strategic Risk Updates – the Strategic Risk Register is updated on a quarterly basis and included within the Council’s quarterly Performance Reports (and in doing so integrates strategic risk monitoring with Corporate Plan priority reporting) – quarterly Performance Reports are reported to the Council’s Cabinet and thereafter scrutinised by the Overview and Scrutiny Committee.

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<b>CIPFA Practical Guidance</b>	<b>Arrangements in place</b>
<p>3. Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.</p>	<ul style="list-style-type: none"> <li>• As part of the Governance and Audit Committee’s annual work programme, the Committee provides support and challenge on: <ul style="list-style-type: none"> <li>○ The audit opinions issued in respect of individual audit assignments undertaken by Internal Audit (to enable the Committee to form an opinion on the standard of internal control in operation across the Council);</li> <li>○ Counter fraud updates; and</li> <li>○ Anti-fraud, bribery and corruption and whistle-blowing annual reports.</li> </ul> </li> <li>• The Governance and Audit Committee receives Audit Wales reports on, amongst other things, the Council’s governance arrangements that include recommendations for improvement accompanied by the actions the Council is taking to address the recommendations. This enables the Committee to form a view on the extent of progress the Council is making to implement the recommendations reported by Audit Wales.</li> <li>• The Governance and Audit Committee utilises the provision of ‘Follow-up Reviews’ where the standard of internal control on individual audit assignments are deemed to be insufficient, demonstrating the Committee’s recognition of risk and taking pro-active steps to support improvement where deemed appropriate to do so.</li> </ul>

5.3 The Governance and Audit Committee is requested to consider the adequacy of the arrangements set out in Table 1 together with any areas for further improvement.

5.4 In addition, with specific regard to *‘Keeping up to date with the risk profile and the effectiveness of risk management actions’* as referenced in Table 1, the Committee is requested to review the Council’s latest published Strategic Risk Register (Appendix 1) and consider whether it wishes to receive more detailed updates on the arrangements in place to manage specific strategic risks.

**6. EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY**

6.1 There are no equality and diversity or socio-economic duty implications as a result of the recommendations set out in the report.

**7. CONSULTATION**

7.1 There are no consultation implications as a result of the recommendations set out in the report.

**8. WELSH LANGUAGE**

8.1 There are no Welsh language implications as a result of the recommendations set out in the report.

**9. FINANCIAL IMPLICATION(S)**

9.1 There are no financial implications as a result of the recommendations set out in the report.

**10. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

10.1 The Council's risk management arrangements satisfies the requirements placed upon it as set out within:

- Accounts and Audit (Wales) Regulations 2018 (regulation 4);
- CIPFA/SOLACE Delivering Good Governance in Local Government – Core Principle F; and
- Well-being of Future Generations (Wales) Act 2015.

**11. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

**THE COUNCIL'S CORPORATE PLAN PRIORITIES**

11.1 The Council's risk management arrangements support the delivery of the Council's Corporate Plan priorities by helping to identify risks that may hinder delivery.

**WELL-BEING OF FUTURE GENERATIONS ACT**

11.2 The Well-being of Future Generations (Wales) Act 2015 identifies a core set of activities that are common to the corporate governance of public bodies where change needs to happen. Risk Management is one of the identified

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core activities. The Council's risk management arrangements and strategic risk register conform to the requirements placed upon it by the Act.

## **12. CONCLUSION**

- 12.1 The Council's Governance and Audit Committee plays a key role in supporting and challenging the Council's risk management arrangements and providing on-going independent assurance around the adequacy of those arrangements, in line with its Terms of Reference.
  - 12.2 The Committee is requested to consider the adequacy of the current arrangements and to also identify any strategic risks, as set out within the Strategic Risk Register, where more detailed updates are deemed required.
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**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

**RISK MANAGEMENT – THE ROLE OF THE GOVERNANCE AND AUDIT  
COMMITTEE**

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

Paul Griffiths – Service Director: Finance and Improvement Services

**Item: 5**

**Background Papers**

None.

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