

# RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

## MUNICIPAL YEAR 2023/24

<b>GOVERNANCE AND AUDIT COMMITTEE</b>  4 <sup>th</sup> July 2023	<b>AGENDA ITEM NO. 6</b>
<b>REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE</b>	<b>INTERNAL AUDIT ANNUAL REPORT 2022/23</b>

Author: Andrew Wathan (Head of the Regional Internal Audit Service)  
& Lisa Cumpston (Audit Manager)

### **1. PURPOSE OF THE REPORT**

- 1.1 This report provides the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control. It also informs the Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2022/23. This information is provided to comply with the Public Sector Internal Audit Standards.

### **2. RECOMMENDATIONS**

- 2.1 It is recommended that Members of the Governance and Audit Committee give consideration to the Annual Internal Audit Report for the Financial Year 2022/23 including the Head of Internal Audit's Annual Opinion on the overall 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.

- 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 Internal Audit Plan for 2022/23 was submitted to Governance and Audit Committee for consideration and approved on 18<sup>th</sup> July 2022. The approved plan was flexible to be able to respond to changing circumstances and events that may arise during the year. The assurance gained from the audit work undertaken during the year assists the Head of Audit in providing an overall annual opinion.
- 4.4 The Internal Audit Annual Report is at **Appendix A** which summarises the reviews undertaken during 2022/23, the recommendations made and any control issues identified. A total of 47 reviews were completed with an audit opinion and a total of 143 recommendations made. A breakdown is included at **Annex 1** of this Appendix. The annual report also discusses the performance of the internal audit service during the year and highlights individual staff development and training that has taken place.
- 4.5 Progress against the 2022/23 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example Annual Governance Statement (AGS), Audit Planning and Recommendation Monitoring. 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.
- 4.6 Annex 2 illustrates that 59 (61%) of the planned audit reviews have been undertaken during 2022/23. 29 audits were not started and have been included in the planning process for 2023/24, a further 2 audit reviews are ongoing and have been carried forward into the 2023/24 audit plan. 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 2023/24 planning process.
- 4.7 Based on the testing of the effectiveness of the internal control environment an audit opinion of *Substantial Assurance* has been given to 23 reviews (49%) and an opinion of *Reasonable* to 22 reviews (47%), and 2 reviews (4%) have been given an audit opinion of *Limited Assurance*. No audit assignments have been given a *No Assurance* audit opinion on the current systems of internal control during 2022/23. Recommendations have been made for improvements and a follow up audit will be undertaken where either a *Limited* or *No Assurance* audit opinion has been given to ensure controls have been improved to mitigate the risks identified.

- 4.8 Taking into account the results of the internal audit reviews completed during 2022/23, 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 2022/23 is of:

***'Reasonable Assurance'***

No significant cross-cutting 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 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 2022/23 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) Regulations 2018 as amended from time to time.
- 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 2022/23, 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 2022/23 is of ‘**Reasonable Assurance**’.

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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**

**4<sup>th</sup> July 2023**

**ANNUAL REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE**

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**Item 6**

**Background Papers**

None.

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