



RHONDDA CYNON TAF

ANNUAL INTERNAL AUDIT REPORT

2022-2023

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**Head of Regional Internal Audit Service
June 2023**

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Section 1 – Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal 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 2022/23 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 had regard to the continuing impact caused by the pandemic and the changes that have been made to the way the Council is operating.
- 1.3 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 pressures on services, the ability to access staff and evidence or requests to respond to new issues that may emerge.
- 1.4 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).
- 1.5 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.
- 1.6 During the year Auditors have had the flexibility to work from home or the office and have undertaken site visits as appropriate for each audit.

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Section 2 – Summary of Reviews Undertaken 2022/23

- 2.1 On completion of the audit review 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 Audit Reviews 2022/23

Opinion	Follow Ups	Financial Systems	Other Audit Reviews	Schools	Grant Verification	Total	%
Substantial		2	11	5	5	23	49%
Reasonable	3	1	13	5		22	47%
Limited			1	1		2	4%
No Assurance						0	0%
Total	3	3	25	11	5	47	%

- 2.3 Table 2 illustrates that a total of 47 reviews have been given an audit opinion. A list of these audits is at **Annex 1**.

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- 2.4 A summary of the key issues identified in respect of the 2 audit reviews given a limited assurance audit opinion is shown in Section 3 below.
- 2.5 The final position against the 2022/23 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. It should be noted 12 audit reviews listed have no audit opinion, for example advice and guidance, external audit liaison, fraud and irregularity work, 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.
- 2.6 **Annex 2** illustrates the status of the 97 audit assignments included in the audit plan, 85 of which were opinion related. A summary of the status of the planned audits is illustrated in Table 3 below.

Table 3 – Status of Planned Audits 2022/23

Status of Audits Assignments	Number	%
Complete with audit opinion	47	49%
Complete with no audit opinion	12	12%
Audit ongoing and carried forward into 2023-24	2	2%
Audit not started and included 2023-24	29	30%
Not undertaken or carried forward into 2023-24	5	5%
Audit cancelled during 2022-23	2	2%
Total	97	100%

- 2.7 Five planned audits did not start and will not be included within the 2023/24 audit plan as circumstances have changed and the risks no longer exist. 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, for example safeguarding, off site visits and sickness absence procedures is covered in school audits. In addition, some planned reviews were not undertaken during the year due to requests from services that were under intense pressure to deliver their service; these will be undertaken in the 2023/24 plan.
- 2.8 61% of the 2022/23 plan has been achieved. Therefore the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion.

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Section 3 – Limited Reports - Control Issues

3.1 Table 2 illustrates that two audit reviews identified control issues which meant that a *Limited Assurance* audit opinion was provided. These are detailed below:

Ysgol Gyfun Rhydywaun

3.2 Internal Audit undertook a routine audit review in accordance with the Internal Audit Risk Based Plan for 2022/23. The audit report contained 19 recommendations to improve the internal control environment, 3 of which were a high priority. An audit opinion of *Limited Assurance* was given on the basis that:

- The school had not fully embraced the implementation of two Council corporate systems; My Concern, which is used to record instances of child protection/safeguarding concerns and iTrent, which is the Council's newly purchased and integrated HR and Payroll platform.

Highways – Transfer of Waste

3.3 Internal Audit undertook a review at the request of Management, in accordance with the Internal Audit Plan for 2022/23. The audit review identified an overall lack of control at both Council Depots, absence of key information relating to the type, frequency and volume of waste being transferred and lack of compliance with the Council's Contract Procedure Rules. An audit opinion of *Limited Assurance* was provided on the basis of these findings.

3.4 In accordance with routine internal audit procedures any audits concluded with a *No Assurance* or *Limited Assurance* opinion will be subject to a follow up review. The two audits referred to above have been included in the Internal Audit Plan for 2023/24, and all recommendations made have been agreed by Management.

3.5 Follow up audits are undertaken on previous *Limited Assurance* reports to ensure that improvements have been made to mitigate the risks previously identified. During 2022/23 three follow up audit reviews were undertaken as follows:

- Ty Gwyn Pupil Referral Unit;
- Park Lane Special School;
- Hawthorn High School

It is pleasing to note all three audit reviews demonstrated improvements and therefore a ***Reasonable Assurance*** audit opinion was provided.

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Section 4 – Recommendations – 2022/23

- 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 a management action plan and following each audit report recipients are asked to complete the action plan showing whether they agree with the recommendations made 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.

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

Table 4 – Analysis of Recommendations Made During 2022/23

Recommendations	Follow Ups	Financial Systems	Other Audit Reviews	Schools	Grant Verification	Total	%
High	1		6	5		12	8%
Medium	14	2	21	48	1	86	60%
Low	4	1	8	32		45	32%
Total	19	3	35	85	1	143	100%

- 4.3 Table 4 illustrates that a total of 143 recommendations have been made to improve the control environment of the areas reviewed during 2022/23. Where the audit review is complete Management has given written assurance that these

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recommendations will be implemented or have accepted the identified risk if the recommendation has not been accepted.

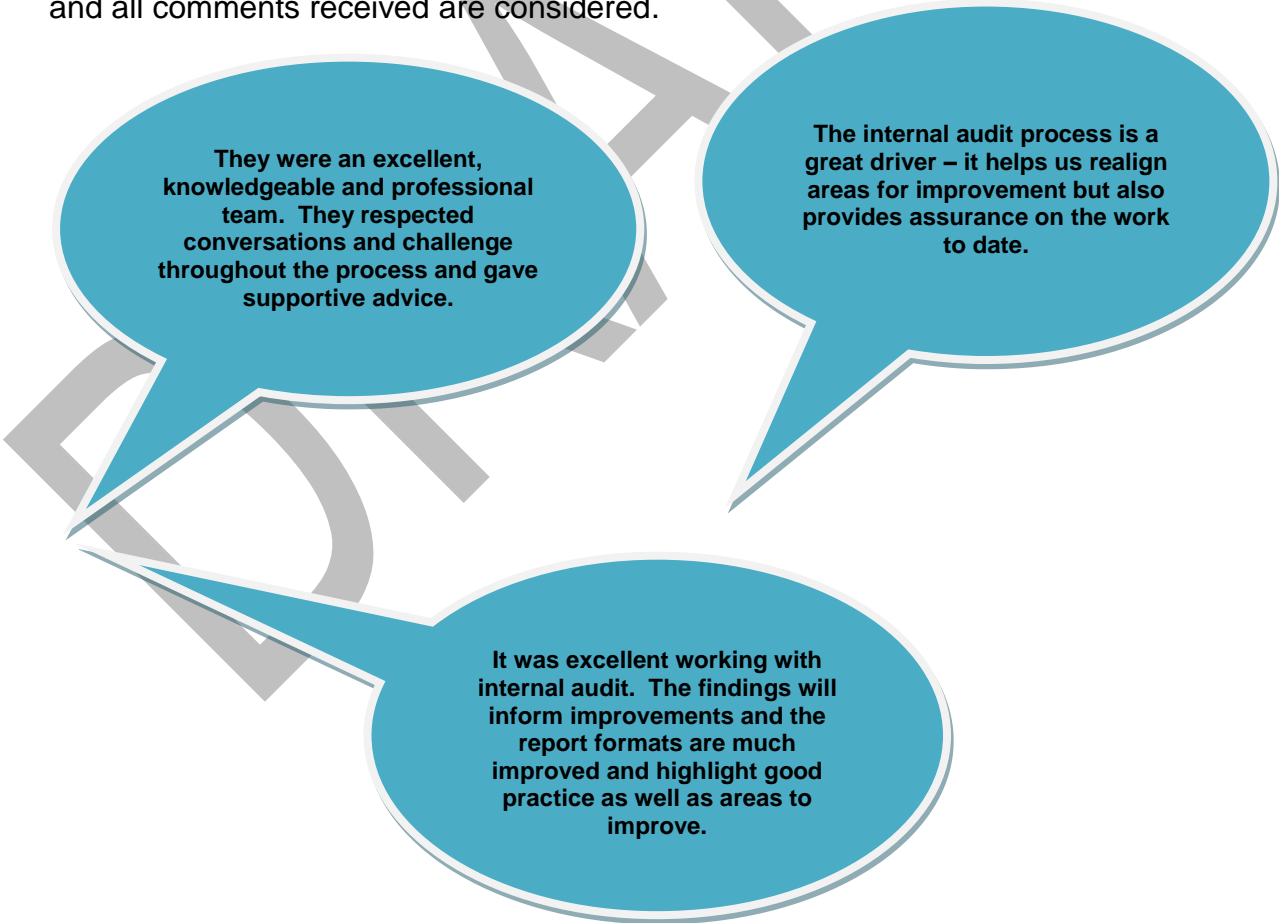
- 4.4 **Annex 3** provides a summary of the status of the internal audit recommendations made on 2022/23 audits which are complete. The monitoring of recommendations is undertaken regularly by Auditors and any undue delays or issues are highlighted to Senior Management and ultimately the Governance and Audit Committee. It is reassuring to note that there are no overdue recommendations relating to audit assignments completed in 2021/22, or audit reviews completed with a future target date indicating that the required improvements to the internal control environment have been made in a timely manner.

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 2022/23 a report of missing money from a Community & Children's Services Business Support Petty Cash account was referred to Internal Audit for review. Internal Audit undertook an investigatory review and identified fundamental gaps and weaknesses in the internal control environment; as a result, this area has been included in the Internal Audit Plan for 2023/24 for a follow up review.

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 are contained in **Annex 4**.
- 6.2 The return rate was 51%, an area that needs to be improved. A review of the process undertaken where surveys have not been returned will take place as well as a review of the questionnaires themselves to make sure they are easy to complete and submit.
- 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 to note that the average rate of satisfaction is 95%. In addition to the above questions, the client also has an opportunity to make comments. Set out below are examples of comments received during the period. Most of the feedback received was positive and all comments received are considered.



They were an excellent, knowledgeable and professional team. They respected conversations and challenge throughout the process and gave supportive advice.

The internal audit process is a great driver – it helps us realign areas for improvement but also provides assurance on the work to date.

It was excellent working with internal audit. The findings will inform improvements and the report formats are much improved and highlight good practice as well as areas to improve.

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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 In terms of professional training, two Graduate Auditors were recruited by the Regional Internal Audit Service during the year and both have started studying for the Chartered Institute of Public Finance & Accountancy (CIPFA) qualification. In the wider RIAS another member of staff is working towards the Chartered Institute of Internal Auditors, Certified Internal Auditor qualification.
- 7.3 Staff are encouraged to complete on-line courses to develop their skills and networking opportunities. Listed below illustrate the range of training courses that staff have completed during 2022/23: -
- Safeguarding Children and Adults – Raising Awareness
 - Oracle Fusion iExpenses
 - Communication
 - Data Protection
 - Influencing, Assertiveness and Negotiation
 - Building better habits
 - Dealing with conflict
 - Violence against Women, Domestic Abuse and Sexual Violence
 - Armed Forces Covenant
 - Fire Safety
 - Asbestos Awareness
 - Assertiveness
 - Delivery Effective Feedback
 - Stress Awareness for Managers
- 7.4 In addition staff have attended some face to face events including:-
- Finance for the Future Conference – Audit Wales
 - Introduction to Internal Audit
 - Welcome to the Vale Induction
 - Wales Fraud Forum – Protecting Your Business Against Cyber Crime

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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 2022/23 and 2021/22 exercises have not yet been collated or distributed by WCAG. The key performance measures for the Service are illustrated in Table 5. It should be noted that 16 of the 22 Councils returned their performance figures for 2020/21 representing a return rate of 73%.

Table 5 – Performance Data

Performance Indicator	RIAS Performance RCTCBC 2022/23	RIAS Performance RCTCBC 2021/22	WCAG Average Performance 2020/21
% of Planned Audits Completed	61%	60%	67%
% of clients responses at least satisfied	95%	100%	100%
% of recommendations accepted versus made	98%	100%	100%
No. of days between draft and final report being issued	45 days	n/a	n/a

- 8.2 Table 5 illustrates that 95% of clients who responded to the questionnaire were at least satisfied with the work undertaken by internal audit. This figure is slightly lower than the figure reported during the previous year.
- 8.3 The number of days between the draft and final audit report being issued is included in Table 5. This represents the average number of days that is taken for the management action plan to be completed by service managers and returned to Internal Audit so the audit report can be finalised and issued.
- 8.4 Overall for 2022/23, 61% of the audit plan was completed, a total of 97 assignments were planned during the year of which 59 were completed.
- 8.5 The PI's illustrate that the performance by Internal Audit staff within Rhondda Cynon Taf is consistent with the previous year, despite the challenges following Covid and of remote working. This performance is slightly lower than the WCAG average performance figure reported for 2020/21, largely due to long term sickness and is an area that needs to be improved going forward.

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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
 - 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 undertook a self-assessment against the standards during 2022/23 and a few areas of improvement were identified. This self-assessment and the supporting documentation were provided to the external assessors to inform an external assessment undertaken in accordance with the Standards. The previous external assessment was undertaken in 2017.
- 9.4 From initial discussions with the external assessor, there were no areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity and the assessment noted that there were no significant deviations from the Standards. The result of the external assessment will be presented to Governance & Audit Committee in 2023.

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

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- 10.3 During 2022/23, the recruitment process continued with the successful recruitment of 2 Graduate Auditors, 3 Auditors and 1 ICT Auditor to fill vacant posts. This is a positive development, particularly when many services are struggling to recruit staff. The Graduate Auditors will be supported to become professionally qualified which will assist in succession planning.
- 10.4 Audit work has been conducted using various digital solutions and 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 and face to face working as required.
- 10.5 The audit software solution was successfully implemented and continues to be used. Ongoing development will continue to ensure maximum use of the improved functionality and reporting tools.
- 10.6 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.

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Section 11 - Opinion Statement 2022/23

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;
- 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 (e.g. Sundry Debtors, Council Tax, Non Domestic Rates) or generally in the reviews undertaken in respect of directorate systems and processes.

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 2022/23 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 during the year ended 31st March 2023;
- 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.

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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 Overview and Scrutiny Committee and an update was reported to Governance and Audit Committee. During 2022/23 a Corporate Risk Management audit was undertaken and a reasonable opinion provided. Risk management is also considered as part of every audit.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one 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 Council 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.

While 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 School Annual Self-Assessment Process and Returns from Headteachers and Chairs of Governors.

An overall 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 47 reviews culminating in an overall opinion have been completed, 45 (96%) of which have been closed with either a substantial or reasonable assurance opinion level. 2 reviews (4%) were given a limited opinion, and these have been summarised in Section 3 above.

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

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Head of Internal Audit Opinion Statement 2022/23

From the work undertaken during the financial year 2022/23 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 2022/23 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.

Many Council staff are continuing to work 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 recommendations made to improve governance, risk management and control have been accepted and are at various stages of implementation.