



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2023/24**

<p><b>GOVERNANCE AND AUDIT COMMITTEE</b></p> <p><b>24<sup>th</sup> January 2024</b></p>	<p><b>AGENDA ITEM NO. 5</b></p>
<p><b>REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE IN CONSULTATION WITH DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR – FINANCE, DIGITAL &amp; FRONTLINE SERVICES</b></p>	<p><b>PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2023/24</b></p>

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Lisa Cumpston (Audit Manager)

**1. PURPOSE OF THE REPORT**

- 1.1 To provide members of the Governance and Audit Committee with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2023/24.

**2. RECOMMENDATIONS**

- 2.1 It is recommendation that Members of the Committee note the content of the report and the progress made against the Internal Audit Risk Based Plan 2023/24.

**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 (PSIAS), the Head of 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, programs, systems, controls and resources. The Head of Audit 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 2023/24 was submitted to the Governance & Audit Committee for consideration and approval on 4<sup>th</sup> July 2023. The Plan outlined the audit assignments to be carried out which will provide adequate coverage to enable an overall opinion at the end of 2023/24.

4.3 The plan is flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may emerge.

#### 4.4 **Current situation / proposal**

Progress made against the approved plan for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> December 2023 is attached as **Appendix A**. This details the status of each planned review, the audit opinion and the number of any *high, medium* or *low* priority recommendations made to improve the control environment. It should be noted that some reviews listed have no opinion, for example advice and guidance, recommendation monitoring and Governance & Audit Committee. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.

4.5 The Regional Internal Audit Service (RIAS) has set quarterly targets to monitor the delivery of the approved audit plan. This will assist in ensuring sufficient audit coverage has been given to the Council in order to provide an overall opinion at the end of 2023/24. The targets that the RIAS are working towards at the end of each quarter are as follows:

- Qtr 1 = 10%
- Qtr 2 = 30%
- Qtr 3 = 50%
- Qtr 4 = 80%

4.6 As at 31<sup>st</sup> December 2023, the level of coverage was 29%. A summary of the progress made to date is shown in Table 1 below. Details of individual audit assignments are shown in **Appendix A**.

**Table 1 – Summary of the Progress Against the Internal Audit Plan 2023/24**

Status of Audits Assignments	Number	% of plan completed
Final report issued	16	23%
Draft report issued	4	6%
Audits in progress / scoping	24	34%
Audits allocated and due to start in Qtr 4	16	23%
Planned Audits not started	11	14%
<b>Total</b>	<b>71</b>	<b>100%</b>

- 4.7 An audit opinion is applied to an audit based on the assessment of the strengths and weaknesses of the internal control environment. Table 2 shows the audit opinions given as of 31<sup>st</sup> December 2023. Details of individual audit assignments are shown in **Appendix A**.

**Table 2 – Audit Opinions Applied to Audits as of 31<sup>st</sup> December 2023**

Audit Opinion	Number
Substantial Assurance	7
Reasonable Assurance	12
Limited Assurance	1
No Assurance	0
<b>Total</b>	<b>20</b>

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

AUDIT ASSURANCE CATEGORY CODE	
<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 Table 2 identifies that 1 audit review completed to date during 2023/24 has been given a '*Limited Assurance*' audit opinion, that is limited assurance can be placed on the current systems of internal control, governance and risk management as follows and a follow up review will be included in the Internal Audit Plan for 2024/25:

- **Highways Transfer of Waste – Follow up report**

- This audit report is currently at draft report stage and management responses have been requested together with target dates for the implementation of recommendations contained within the draft report.

4.10 **Table 2** identifies that no audit reviews completed to date during 2023/24 have been given a '*No Assurance*' audit opinion.

4.11 The internal audit plan 2023/24 at **Appendix A** includes audits that were not started during 2022/23 or were incomplete at the year end. There were 31 of these which are detailed at **Appendix B**. Table 3 below provides a summary of the status of these 31 audits as at 31<sup>st</sup> December 2023.

**Table 3 – Status of Audits Carried Forward into the Audit Plan 2023/24 as at 31<sup>st</sup> December 2023**

Status of Audits Assignments	Number	% Complete
Final report issued	7	23%
Draft report issued	1	4%
Audit in progress / scoping	6	19%
Audit allocated and due to start in Qtr 4	11	35%
Planned Audits not started	6	19%
<b>Total</b>	<b>31</b>	<b>100%</b>

4.11 **Appendix A** shows a total of 124 recommendations have been made to date to improve the control environment: 7 *high* priority, 76 *medium* priority and 41 *low* priority. The implementation of these

recommendations is regularly monitored by the Auditors to ensure that the identified and agreed improvements are being made. More detailed information is included in a separate report to this Committee.

## **5. EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY**

- 5.1 The protected characteristics identified within the Equality Act and the Socio-economic Duty have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this 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 direct financial implications arising from this report however 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 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** – Andrew Wathan & 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**

**24<sup>th</sup> January 2024**

**PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED INTERNAL  
AUDIT PLAN 2023/24**

**REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE  
in consultation with DEPUTY CHIEF EXECUTIVE AND GROUP  
DIRECTOR – FINANCE, DIGITAL & FRONTLINE SERVICES**

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

Item: x

**Background Papers**

None.

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