

# RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

## MUNICIPAL YEAR 2019/20

<b>COMMITTEE: AUDIT COMMITTEE</b>  20th July 2020	<b>Item No. 4</b>
<b>REPORT OF: HEAD OF REGIONAL INTERNAL AUDIT SERVICE</b>	<b>Internal Audit Annual Report 2019/20</b>

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

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

The purpose of this report is to provide the Head of Audit's Annual Opinion and to inform the Audit Committee of the work & performance of Internal Audit for the Financial Year 2019/20.

### **2. RECOMMENDATIONS**

- 2.1 It is recommended that Members give due consideration to the Annual Internal Audit Report for the Financial Year 2019/20 including the Head of Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To help ensure that Audit Committee monitors the performance of the Council's Internal Audit Service and receives an annual opinion from the Head of Internal Audit in respect of the Council's overall control environment in relation to governance, risk management and internal control 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 Audit is responsible for developing a risk-based annual audit plan which takes into account 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 Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

4.3 The 2019/20 Internal Audit Plan was submitted to the Audit Committee for consideration on 25<sup>th</sup> March 2019. The Plan outlined the assignments to be carried out and their respective priorities. As this was the first year of the newly created Regional Service, 2019/20 was a transitional year where flexibility would be required to deal with the demands of setting up a new service.

4.4 In addition, the Audit Committee Terms of Reference include the following responsibility:

*“To receive and consider the Head of Internal Audit’s Annual Report and opinion on the level of assurance it can give over the Authority’s governance arrangements and associated internal control environment”.*

4.5 The Internal Audit Annual Report is at **Appendix A** which summaries the reviews undertaken during 2019/20, the recommendations made and any control issues identified. A total of 44 finalised audit assignments culminating in an overall opinion have been completed with a further 6 assignments currently at draft report stage (a total of 50 audit assignments).

4.6 A total of 311 high, medium and low priority recommendations have been made and a detailed breakdown is included at **Annex 1** of the Appendix. The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.

4.7 Progress against the 2019/20 risk-based plan is attached at **Annex 2**. This illustrates that the majority (72%) of planned audit reviews have been undertaken during 2019/20. 3 planned reviews were reassessed during the year and a decision made not to undertake the work whilst 13 audits will be carried forward into the risk-based audit plan for 2020/21.

## **5. EQUALITY AND DIVERSITY IMPLICATIONS**

- 5.1 There are no equality and diversity 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 an annual opinion in respect of the Council's overall system of governance, risk management and internal control 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 Taking into account the results of the internal audit reviews completed during 2019/20, 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 2019/20 is '**Effective with a small number of areas identified for improvement**'. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.
- 10.2 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 2019/20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

### **Other Information:-**

***Relevant Scrutiny Committee***  
**Not applicable.**

***Contact Officer*** – Mark Thomas (Head of Regional Internal Audit Service)

**LOCAL GOVERNMENT ACT, 1972**

**as amended by**

**THE ACCESS TO INFORMATION ACT, 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**20<sup>th</sup> July 2020**

**HEAD OF REGIONAL INTERNAL AUDIT SERVICE**

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

**Item**

**5 Internal Audit Annual Report 2019/20**

**Background Papers**

None.

Officer to contact: Mark Thomas (Head of Regional Audit Service)

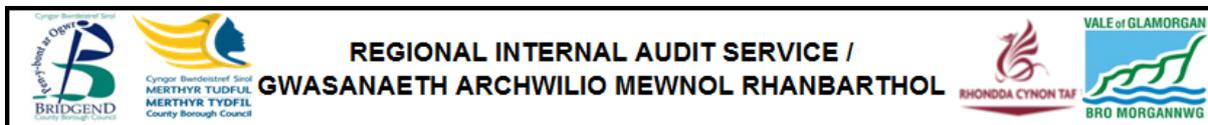


STRONG HERITAGE | STRONG FUTURE  
**RHONDDA CYNON TAF**  
TREFTADAETH GADARN | DYFODOL SICR

# ANNUAL INTERNAL AUDIT REPORT

## 2019/2020

**C. Mark. Thomas CPFA; MAAT**  
Head of Regional Internal Audit Service  
July 2020



## Annual Internal Audit Report 2019/20

**Section 1 – Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of 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 2019/20 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control.
- 1.3 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1<sup>st</sup> 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).
- 1.4 The service reports to the four Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.

**Section 2 – Summary of Reviews Undertaken 2019/20**

- 2.1 On completion of the audit reviews 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:

*Effective*

- Control environment is adequate;
- No findings noted;
- Management's control environment appears sound;
- All high level risks adequately controlled.

*Effective with opportunity for improvement*

- Control environment is adequate but some exceptions exist;
- Some control weaknesses and/or opportunities for improvement observed;
- Management's control environment appears otherwise sound;
- High level risks are adequately controlled.

## Annual Internal Audit Report 2019/20

Insufficient and requires improvement

- Some high level risks are not adequately controlled;
- At least one finding is rated 'high';
- Immediate safety and soundness are not threatened, but Management's control environment requires improvement;
- Significant exposure to fraud or security vulnerabilities.

Not adequate

- Control environment is not adequate and below standard, with significant exceptions;
- Requires Council's Administrator's immediate attention;
- Management's control environment considered unsound.

**Table 1 – Audit Opinion Given to Non-Schools Internal Audit Reviews 2019/20**

<b>Audit Opinion</b>	<b>Number of Finalised Audit Assignments</b>	<b>%</b>
Effective	9	47%
Effective with Opportunity for Improvement	9	47%
Insufficient and Requires Improvement	1	6%
Not Adequate	0	0%
<b>TOTAL</b>	<b>19</b>	<b>100%</b>

2.3 Table 1 illustrates that a total of 19 Non-Schools Internal Audit reviews have been given an audit opinion. A detailed list of these is at **Annex 1**.

2.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of Effective has been given to 9 reviews (47%) and an opinion of Effective with Opportunity for Improvement to 9 reviews (47%). The '*insufficient and requires improvement*' opinion given to 1 review (6%) was in respect of the 'Waste Services' Finalised Audit Report. Whilst there were no individual findings with a high priority contained within this report, the overall lack of control and gaps in information indicated that improvements were required. This final report was presented to Audit Committee at its meeting on the [17th December 2019](#).

## Annual Internal Audit Report 2019/20

**Table 2 – Audit Opinion Given to Schools Internal Audit Reviews 2019/20**

<b>Audit Area</b>	<b>Effective</b>	<b>Effective with Opportunity for Improvement</b>	<b>Insufficient and requires improvement</b>	<b>Not Adequate</b>
Governance	1	24	-	-
Safeguarding	5	16	4	-
School Private Fund	6	15	2	-
Purchasing	14	10	1	-
Purchase Card	8	3	1	-
School Meals	15	8	1	-
Formula Funding	18	-	-	-
Data Protection & Security	10	7	-	-
School Income	-	2	-	-
Assets	-	1	-	-
Petty Cash	-	-	1	-
<b>TOTAL</b>	<b>77</b>	<b>86</b>	<b>10</b>	<b>0</b>
<b>%</b>	<b>44%</b>	<b>50%</b>	<b>6%</b>	<b>0%</b>

- 2.5 Further information relating to those with 'Insufficient and requires improvement' opinions are provided at **Section 3 – Limited Reports – Control Issues**.
- 2.6 Progress against the 2019/20 risk-based 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 priority recommendations made to improve the control environment.
- 2.7 **Annex 2** illustrates that the majority (72%) of planned audit reviews have been undertaken during 2019/20. 3 planned reviews were reassessed during the year and a decision made not to undertake the work whilst 13 audits will be carried forward into 2020/21.
- 2.8 The Covid19 outbreak has had little impact on the delivery of the internal audit plan for 2019/20 as relevant testing in all but 3 planned reviews had been completed prior to the lockdown coming into force allowing draft reports to be issued. These reviews are the Business Support Unit, Pensions, and Adoption Support & Foster Carer Payments – Follow Up.
- 2.9 Within the Risk Based Plan for 2019/20 Internal Audit allocated resources to deliver Consultancy Assignments in respect of Information Management and Data Centre / Infrastructure. One auditor continues to be a member of the Council's Information Management Working Group. Also the Council's Data Centre has now been successfully relocated to Rhondda Fach Leisure Centre. Internal Audit will continue to provide assurance on any requirements placed upon the Council's ICT function through the audit planning process and risk-based plan for 2020/21.

## Annual Internal Audit Report 2019/20

**Section 3 – Limited Reports - Control Issues**

- 3.1 There are five Internal Audit Reviews relating to Schools where control arrangements were considered to be '*insufficient and requires improvement*' in at least one area examined. These are detailed below:
- 3.2 **Tonyrefail Community School**
- At its meeting held on [5th November 2019](#) Audit Committee received the final audit report relating to the School.
  - Following consideration of the report, Audit Committee **RESOLVED:-**
    1. To receive a follow up audit of Tonyrefail Community School in six month's time.
  - A follow up audit review has been included within the Interim Internal Audit Plan for 2020/21.
- 3.3 **Ysgol Llanhari – Follow Up**
- At its meeting held on [17th December 2019](#) Audit Committee received the follow up report relating to the School.
  - It was reported to Members that 18 of the recommendations had been completed at the time of the follow up visit, and, since then, it has further been confirmed that more recommendations have been implemented. Notwithstanding this positive outcome, at the meeting Members queried the certification process for confirming whether agreed recommendations have been implemented and sought assurance that the recommendations had been implemented for Ysgol Llanhari.
  - Following consideration of the report, Audit Committee **RESOLVED:-**
    1. That a follow up review of Ysgol Llanhari is included in the Audit Plan for the next financial year.
  - A follow up audit review has been included within the Interim Internal Audit Plan for 2020/21.
- 3.4 **Ysgol Hen Felin**
- The outcome of this audit review was due to be presented to Members at the Audit Committee meeting on [23rd March 2020](#) which was subsequently cancelled due to the Covid19 outbreak. In summary, this audit report concluded that four of the seven areas examined during the review were '*insufficient and requires improvement*'.
  - A follow up audit review has been included within the Interim Internal Audit Plan for 2020/21.
- 3.5 There are also two primary school audit reports where the arrangements in respect of the school's management of Safeguarding were considered to be '*insufficient and requires improvement*'. These schools are Pontyclun Primary School and YGG Bodringallt. Confirmation has been received that the recommendations made have been implemented. This will be followed as part of the self-evaluation work for Primary Schools.

## Annual Internal Audit Report 2019/20

- 3.6 There is one primary school (YGG Aberdar) where the arrangements in respect of the School Private Fund were 'insufficient and requires improvement'. Confirmation has been received that the recommendations made have been implemented. This will also be followed as part of the self-evaluation work for Primary Schools.

### Section 4 – Recommendations – 2019/20

- 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 the final audit report and recipients are asked to provide Management Responses to show whether they agree with the recommendations, how they plan to implement them, a responsible Officer and a date when this will be done. The classification of each recommendation made assists management in focusing their attention on priority actions these ratings being High, Medium or Low.

**Table 3 – Priority Ratings for Audit Recommendations**

Ratings	Criteria
High	Risk has a high impact and high likelihood
Medium	Risk has a high impact and low likelihood, or low impact and high likelihood
Low	Risk has a low impact and low likelihood

- 4.2 Management are contacted and are asked to provide feedback on the status of each agreed recommendation once the target date for implementation has expired. The implementation of these recommendations is monitored using MK Insight (Internal Audit software) to ensure that improvements are being made.

**Table 4 – Analysis of Recommendations Made During 2019/20**

	Non Schools Audit Reviews		Schools Audit Reviews	
High	3	5%	38	15%
Medium	41	73%	151	59%
Low	12	22%	66	26%
<b>Total</b>	<b>56</b>	<b>100%</b>	<b>255</b>	<b>100%</b>

- 4.3 Table 4 illustrates the total number of high, medium or low priority recommendations made to improve the control environment of the areas reviewed during 2019/20. Management has given written assurance that these recommendations will be implemented in accordance with the timescales included in the final audit reports.

## Annual Internal Audit Report 2019/20

- 4.4 A summary of the status of all recommendations made by the Internal Audit Service, grouped under the relevant service of the Council is also presented to Audit Committee throughout the year as part of Internal Audit Performance monitoring. There are currently no overdue recommendations which require implementation.

### Section 5 – Key Performance Measures – Client Satisfaction Questionnaires

- 5.1 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 covered are below:

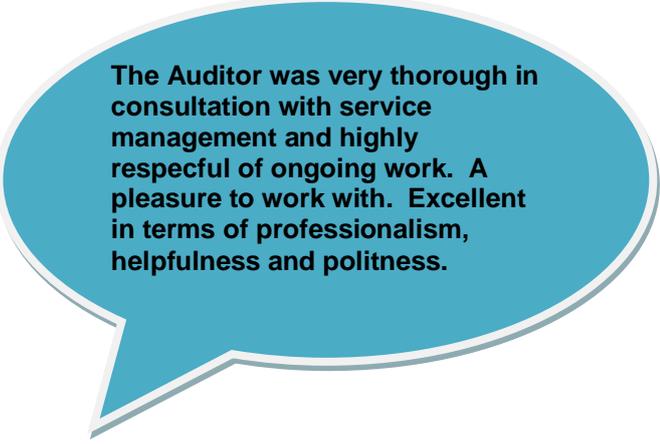
No.	Question
<b>1</b>	<b>Preparing for the Audit</b>
	Were you adequately consulted about the nature, scope and objectives of the Audit?
	Were you satisfied with the notice given prior to the commencement of the Audit?
<b>2</b>	<b>The Audit Fieldwork</b>
	Were you satisfied with the Audit coverage?
	How well was the Audit conducted with regard to minimising disruption to service delivery?
	Were the summary findings adequately explained to you prior to the Auditor(s) leaving site?
<b>3</b>	<b>The Audit Report</b>
	Were you happy that the format of the report was clear, concise and easy to read?
	Did you find the recommendations practical, logical and relevant?
	Were you given sufficient opportunity to comment on the Draft Report?
	How do you rate the timeliness of the Final Report?
	Do you feel the results of the Audit will be of value to you as a Manager?
<b>4</b>	<b>The Auditor(s)</b>
	How do you assess the Auditor(s) in terms of professionalism, helpfulness and politeness?

## Annual Internal Audit Report 2019/20

- 5.2 36 questionnaires were returned (76%). All the returned surveys have confirmed satisfaction with the audit approach, the service provided and the conduct of the Auditors. In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey. Set out below are four examples that have been received during the period.



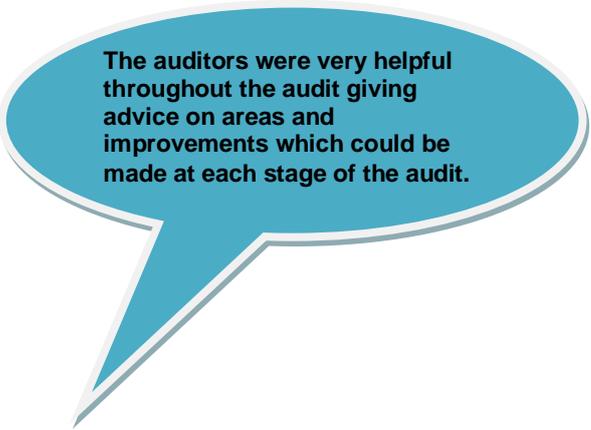
**The recommendations will help improve our processes and overall service. The improvements will support staff to deliver a better service to our customers. I was energised by the opportunity to have fresh eyes on the workload.**



**The Auditor was very thorough in consultation with service management and highly respectful of ongoing work. A pleasure to work with. Excellent in terms of professionalism, helpfulness and politeness.**



**Practical recommendations provide a solid base to implement a more robust monitoring system.**



**The auditors were very helpful throughout the audit giving advice on areas and improvements which could be made at each stage of the audit.**

## Annual Internal Audit Report 2019/20

**Section 6 – Key Performance Measures – Staff Training**

- 6.1 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.
- 6.2 Staff are encouraged to attend courses or seminars or complete on-line courses to develop their skills and networking opportunities. Examples of the on-line courses completed by Internal Audit during 2019/20 include:
- Data Protection Essentials
  - Stress Awareness
  - Working from Home and Agile Working
  - Safeguarding Children and Adults – Raising Awareness
  - Armed Forces Covenant
  - Challenging Conversations
  - Assertiveness

**Section 7 – Key Performance Measures – Benchmarking**

- 7.1 The Internal Audit Service participates annually in the Welsh Chief Auditors Group (WCAG) benchmarking exercise. The results for 2018/19 have been received and are as shown in Table 5 below:

**Table 5 – Performance Data**

Performance Indicator	Performance RIASS RCT Team 2019/20	Performance RCT CBC 2018/19	WCAG Average Performance 2018/19
Percentage of Planned Audits Completed	72%	85%	85%
Percentage of Audits Completed in Planned Time	Not yet available	82%	74%
% of Client Satisfaction Questionnaires Returned	76%	80%	58%
% of clients responses at least satisfied	100%	100%	99%
% of recommendations accepted versus made	100%	100%	99%

- 7.2 It should be noted that 18 of the 22 Councils returned their performance figures for 2018/19 representing a return rate of 82%.

## Annual Internal Audit Report 2019/20

**Section 8 – Public Sector Internal Audit Standards**

- 8.1 The Public Sector Internal Audit Standards encompass the following mandatory elements:
- Definition of Internal Auditing;
  - Code of Ethics; and
  - International Standards for the Professional Practice of Internal Auditing.
- 8.2 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.
- 8.3 The Internal Audit Service for the Council received an external assessment in accordance with the Standards in 2017. Another assessment will be due in 2022 for the expanded Regional Service. No areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity were identified and the assessment noted that there were no significant deviations from the Standards.
- 8.4 No significant changes have occurred in respect of the working practices since the Regional Internal Audit Service was set up in April 2019. As a result, the Service continues to conform to the Standards during 2019/20.

**Section 9 – Regional Internal Audit Service Progress**

- 9.1 As stated above in Section 1 the expanded shared service came into existence on 1<sup>st</sup> 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.
- 9.2 A vision for the service has been produced alongside a number of objectives.

**Vision**

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.

To be a service that is regarded as:

- ✓ Professional
- ✓ Approachable
- ✓ Flexible
- ✓ Independent but internal to the organisation – a critical friend

## Annual Internal Audit Report 2019/20

9.3 The immediate priorities for the service were identified as follows:

- Ensure a seamless transition from previous arrangements
- Ensure Internal Audit plans for each Council have been developed, consulted on and are deliverable within the likely resources available
- Production of Annual Internal Audit Reports for each Council
- Continue to support all four Audit Committees
- Continue to deliver the planned Audits for each Council

These were all delivered.

9.4 The priorities identified for the first 12 months for the Service were:

- Develop a structure taking into account TUPE requirements and SWOT analysis
- Confirm ICT solution & arrangements
- Identify & evaluate different approaches / methodologies of each Internal Audit team and identify most appropriate to adopt

9.5 A new staffing structure has been developed and agreed and it is planned to commence recruitment when the restrictions around the Pandemic allow. New ICT equipment was purchased for staff to ensure consistency and compatibility. The existing Internal Audit software used by Rhondda Cynon Taf Internal Audit (MK Insight) has been agreed and procured as the new software solution for the shared service. This will be rolled out to all staff in the shared service during 2020/21.

9.6 Work has commenced on evaluating different approaches / methodologies of each internal audit team to identify and develop the most appropriate to adopt. This will continue linked with the roll out of the new software however Covid19 will impact on how the service is delivered for the foreseeable future and remote auditing will have to be developed.

9.7 The longer-term success of the 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.

## Annual Internal Audit Report 2019/20

**Section 10 – Support Audit Committee to deliver its Terms of Reference**

- 10.1 A work-plan aimed at helping Audit Committee to discharge its role was compiled in consultation with the External Audit Manager and the Audit Committee Chairperson. The work-plan was presented to Audit Committee at its meeting held on the [15th July 2019](#).
- 10.2 The work-plan for 2019/20 includes the process of inviting a wider range of Officers of the Council to attend Audit Committee and present specific items, and were available to answer specific questions or queries that Audit Committee Members had (within the Terms of Reference for Audit Committee). Examples included:
- Receive an overview of the governance arrangements in place in respect of General Ledger (one of the Council's core financial systems).
  - Receive an overview of the Council's arrangements in place to manage corporate risks.
  - An overview of the Accounting Policies and critical judgements applied in preparing the draft Statement of Accounts.
- 10.3 The process of inviting a range of Officers to attend and present items to Audit Committee will continue during 2020/21.
- 10.4 Review audit planning arrangements to take account of, amongst other things, fraud risk assessment results to further improve the allocation of internal audit resources.
- 10.5 The draft audit plan for 2020/21 was due to be presented to Audit Committee at its meeting scheduled for 27<sup>th</sup> April 2020. Due to the Covid19 outbreak this meeting was cancelled hence a re-stated, interim internal audit plan was presented to Audit Committee at its meeting held on 20<sup>th</sup> July 2020.

## Annual Internal Audit Report 2019/20

**Section 11 - Opinion Statement 2019/20**

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. General Ledger, Treasury Management etc.) or generally in the reviews undertaken in respect of Directorate systems.

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 2019/20 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 31<sup>st</sup> March 2020;
- 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.

## Annual Internal Audit Report 2019/20

**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. This sets out how the Council is addressing these risks and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by senior management, Cabinet and the Finance and Performance Scrutiny Committee and an update to Audit Committee. Some improvements are planned including:

- Strengthening Audit Committee's visibility of risk by presenting 'Strategic Risk Register' Information Reports and 'Risk Updates' to the Committee.

It is not possible to eliminate all risk of failure to meet the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but based on this an opinion of **effective** is given.

**Governance Arrangements**

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Whilst no single audit was conducted specifically on governance, governance arrangements are considered as part of every audit and tested during all school based audit reviews. Assurance can also be drawn from the responses received in relation to the annual Primary School Self-Assessment Process and Returns from Head Teachers and Chairs of Governors.

No significant issues were identified from a governance perspective therefore an opinion of **effective** 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 44 finalised audit assignments culminating in an overall opinion have been completed during 2019/20 with a further 6 assignments currently at draft report stage ( a total of 50 audit assignments).

Based on the outcomes of these assignments, which have been summarised in this report an opinion of **effective** with a small number of areas identified for improvement can be given on internal control.

## Annual Internal Audit Report 2019/20

From the work undertaken during the financial year 2019/20 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 2019-20 is:

***“Effective with a small number of areas identified for improvement”***

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.

## Annual Internal Audit Report 2019/20

**Annex 1 – Non-Schools Audits Completed with an Opinion & Recommendations 2019/20**

Internal Audit Review	Audit Opinion				Recommendations		
	Effective	Effective with Opportunity for Improvement	Insufficient and Requires Improvement	Not Adequate	High	Med	Low
Registration Services	√				0	1	0
Parking Services	√				0	1	1
Street Lighting	√				0	1	0
Administration of Trust Funds	√				0	0	0
General Ledger	√				0	0	0
Broker Service		√			0	3	3
Direct Payments		√			2	3	1
Leisure Services – Cash Collection & Banking		√			0	7	1
Llwydcoed Crematorium		√			0	0	2
Youth Offending Service		√			0	6	3
Enforcement		√			0	6	0
Highways Capital Programme		√			0	1	1
Management of Fuel – Parks		√			0	3	0
Performance Indicators		√			1	0	0
Education Improvement Grant	√				0	0	0
Pupil Deprivation Grant	√				0	0	0
Post 16 Grant	√				0	0	0
Waste Services			√		0	9	0
Treasury Management	√				0	0	0
<b>Total Non-School Audits providing an overall assurance opinion (19)</b>	<b>9</b>	<b>9</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>41</b>	<b>12</b>

## Annual Internal Audit Report 2019/20

**Annex 1 – Schools Audits Completed with an Opinion & Recommendations 2019/20**

Internal Audit Review	Recommendations		
	High	Med	Low
Llanharan Primary School	0	6	4
Maerdy Community Primary School	0	11	0
Maes y Coed Primary School	0	8	1
Penguelan Primary School	0	6	3
Penrhiwceiber Primary School	1	7	3
Penygawsi Primary School	0	3	4
Penynglyn Community Primary School	0	6	2
Perthcelyn Community Primary School	1	7	1
Pontyclun Primary School	0	6	0
Pontygwaith Primary School	0	6	2
Rhigos Primary School	0	1	3
Ton Pentre Primary School	0	0	2
Tonysguboriau Primary School	0	9	6
Trealaw Primary School	1	5	0
Williamstown Primary School	1	6	3
YGG Abercynon	0	4	4
YGG Aberdar	3	5	5
YGG Bodringallt	2	8	4
YGG Tonyrefail	1	10	1
Ynyshir Primary School	0	4	1
Maesgwyn Special School	4	7	2
Ysgol Hen Felin	12	11	5
Y Pant Comprehensive	0	5	2
Tonyrefail Community School	8	6	6
Ysgol Gyfun Llanhari	4	4	2
<b>Total School Audits providing an overall assurance opinion (25)</b>	<b>38</b>	<b>151</b>	<b>66</b>

## Annual Internal Audit Report 2019/20

## Annex 2 – Internal Audit Plan 2019/20

	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>CHIEF EXECUTIVE</b>											
<b>HUMAN RESOURCES</b>											
SICKNESS ABSENCE – SCHOOLS	High	FULL CARRY FORWARD INTO 2020/21									
PURCHASE CARDS – NON SCHOOLS SPEND	Medium	FULL CARRY FORWARD INTO 2020/21									
<b>FINANCE &amp; DIGITAL SERVICES</b>											
ADMINISTRATION OF TRUST FUNDS	Low	QTR 3	Final Issued	07/10/19	30/11/19	02/12/19	2	03/12/19	1	03/12/19	0
DEBTORS	High	CANCELLATION									
PENSIONS	High	FIELDWORK COMPLETE AT THE 31 <sup>ST</sup> MARCH 2020									
GENERAL LEDGER	Low	QTR 4	Final Issued	15/03/20	29/04/20	29/04/20	0	10/05/20	11	14/05/20	4
DIGITALISATION	High	FULL CARRY FORWARD INTO 2020/21									
BUSINESS SUPPORT UNIT	High	FIELDWORK COMPLETE AT THE 31 <sup>ST</sup> MARCH 2020									
VALUE FOR MONEY	High	FULL CARRY FORWARD INTO 2020/21									

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	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
TREASURY MANAGEMENT	Medium	QTR 4	Final Issued	07/02/20	16/04/20	19/04/20	3	29/04/20	10	07/05/20	8
<b>CORPORATE ESTATES</b>											
21 <sup>ST</sup> CENTURY SCHOOLS – CAPITAL PROJECT	High	CANCELLATION									
<b>LEGAL SERVICES</b>											
LEGAL SERVICES	Medium	FULL CARRY FORWARD INTO 2020/21									
<b>COMMUNITY &amp; CHILDREN'S SERVICES</b>											
<b>ADULT SERVICES</b>											
DIRECT PAYMENTS	High	QTR 1	Final Issued	01/05/19	15/08/19	05/09/19	21	02/12/19	88	10/12/19	8
BROKER SERVICE	High	QTR 1	Final Issued	24/06/19	09/08/19	15/08/19	6	20/12/19	127	06/01/20	17
WCCIS	High	FULL CARRY FORWARD INTO 2020/21									
THE REVIEW TEAM	Medium	FULL CARRY FORWARD INTO 2020/21									
FAIRER CHARGING	High	QTR 2	Draft Issued	09/08/19	05/12/19	06/01/20	32		0		0
<b>CHILDREN'S SERVICES</b>											
CONTRACT MANAGEMENT – PLACEMENTS	High	FULL CARRY FORWARD INTO 2020/21									

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	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>ADOPTION SUPPORT &amp; FOSTER CARER PAYMENTS – FOLLOW UP</b>	High	FIELDWORK COMPLETE AT THE 31 <sup>ST</sup> MARCH 2020									
<b>PUBLIC HEALTH &amp; COMMUNITY SERVICES</b>											
<b>LLWYDCOED CREMATORIUM</b>	Low	QTR 3	Final Issued	18/10/19	04/11/19	08/11/19	4	03/12/19	25	04/12/19	1
<b>ENGAGEMENT, INTERVENTION &amp; PREVENTION</b>	High	QTR 4	Draft Issued	16/12/19	03/03/20	16/03/20	13		0		0
<b>YOUTH OFFENDING SERVICE</b>	Medium	QTR 1	Final Issued	08/05/19	14/06/19	01/07/19	17	18/07/19	17	25/07/19	7
<b>REGISTRATION SERVICES</b>	Low	QTR 2	Final Issued	24/09/19	10/12/19	06/01/20	27	21/01/20	15	25/01/20	4
<b>LEISURE SERVICES - CASH COLLECTION &amp; BANKING</b>	Medium	QTR 2	Final Issued	01/07/19	02/09/19	27/09/19	25	21/10/19	24	25/10/19	4
<b>EDUCATION &amp; INCLUSION SERVICES</b>											
<b>EDUCATION IMPROVEMENT SERVICES</b>											
<b>EARLY YEARS PROVISION</b>	High	CANCELLATION									
<b>ATTENDANCE &amp; WELLBEING SERVICE</b>											
<b>ATTENDANCE : REFERRALS &amp; INTERVENTION</b>	High	QTR 3	Draft Issued	30/09/19	16/01/20	20/01/20	4		0		0
<b>EXCLUSIONS</b>	FULL CARRY FORWARD INTO 2020/21										
<b>S.E.N. SCHOOLS</b>											

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	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>YSGOL HEN FELIN</b>	High	QTR 2	Final Issued	08/07/19	26/07/19	06/08/19	11	07/01/20	154	22/01/20	15
<b>MAESGWYN SPECIAL SCHOOL</b>	High	QTR 3	Final Issued	18/11/19	29/11/19	20/12/19	31	16/01/20	27	23/01/20	7
<b>PRIMARY SCHOOLS</b>											
<b>PENRHIWCEIBER PRIMARY SCHOOL</b>	Medium	QTR 1	Final Issued	20/05/19	29/05/19	14/06/19	16	05/09/19	83	10/09/19	5
<b>PENYGAWSI PRIMARY SCHOOL</b>	Medium	QTR 2	Final Issued	25/09/19	11/10/19	16/10/19	5	18/11/19	33	19/11/19	1
<b>PERTHCelyn COMMUNITY PRIMARY</b>	Medium	QTR 3	Final Issued	18/10/19	24/10/19	18/11/19	25	28/11/19	10	03/12/19	5
<b>PONTYGWAITH PRIMARY SCHOOL</b>	Medium	QTR 3	Final Issued	09/10/19	14/10/19	18/10/19	4	21/11/19	34	29/11/19	8
<b>RHIGOS PRIMARY SCHOOL</b>	Medium	QTR 1	Final Issued	05/06/19	07/06/19	11/07/19	34	17/07/19	6	18/07/19	1
<b>TON PENTRE PRIMARY SCHOOL</b>	Medium	QTR 1	Final Issued	17/06/19	20/06/19	11/07/19	21	09/09/19	60	09/09/19	0
<b>TONYSGUBORIAU PRIMARY SCHOOL</b>	Medium	QTR 1	Final Issued	20/05/19	04/06/19	01/07/19	27	05/07/19	4	08/07/19	3
<b>TREALAW PRIMARY SCHOOL</b>	Medium	QTR 4	Final Issued	05/02/20	17/02/20	05/03/20	17	10/03/20	5	12/03/20	2
<b>WILLIAMSTOWN PRIMARY SCHOOL</b>	Medium	QTR 3	Final Issued	01/10/19	03/10/19	18/10/19	15	05/11/19	18	08/11/19	3
<b>YGG ABERCYNON</b>	Medium	QTR 3	Final Issued	02/10/19	11/10/19	17/10/19	6	26/11/19	40	28/11/19	2
<b>YGG ABERDAR</b>	Medium	QTR 3	Final Issued	20/11/19	01/12/19	20/12/19	19	10/01/20	21	27/01/20	17

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	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>CRAIG YR HESG PRIMARY SCHOOL</b>	Medium	<b>FULL CARRY FORWARD INTO 2020/21</b>									
<b>LLANHARAN PRIMARY SCHOOL</b>	Medium	QTR 2	Final Issued	17/09/19	23/09/19	30/09/19	7	18/10/19	18	22/10/19	4
<b>MAERDY COMMUNITY PRIMARY SCHOOL</b>	Medium	QTR 2	Final Issued	17/09/19	18/09/19	30/09/19	12	04/11/19	35	20/11/19	16
<b>MAES Y COED PRIMARY SCHOOL</b>	Medium	QTR 3	Final Issued	11/11/19	14/11/19	14/01/20	59	27/01/20	13	30/01/20	3
<b>PENGEULAN PRIMARY SCHOOL</b>	Medium	QTR 3	Final Issued	06/11/19	07/11/19	09/01/20	63	20/01/20	11	21/01/20	1
<b>PENYRENGLYN COMMUNITY PRIMARY SCHOOL</b>	Medium	QTR 3	Final Issued	26/11/19	27/11/19	16/01/20	50	17/02/20	32	17/02/20	0
<b>PONTYCLUN PRIMARY SCHOOL</b>	Medium	QTR 3	Final Issued	24/09/19	02/10/19	15/10/19	13	14/11/19	30	21/11/19	7
<b>YNYSHIR PRIMARY SCHOOL</b>	Medium	QTR 3	Final Issued	04/12/19	05/12/19	17/01/20	43	24/02/20	38	26/02/20	2
<b>YGG BODRINGALLT</b>	Medium	QTR 4	Final Issued	25/02/20	02/03/20	17/03/20	15	24/03/20	7	26/03/20	2
<b>YGG TONYREFAIL</b>	Medium	QTR 4	Final Issued	04/02/20	10/02/20	04/03/20	23	24/03/20	20	26/03/20	2
<b>PRIMARY SCHOOL SELF ASSESSMENT REPORT 19/20</b>	Medium	QTR 4	Draft Issued	16/03/20	25/03/20	27/03/20	2		0		0
<b>THROUGH SCHOOLS</b>											
<b>YSGOL LLANHARI FOLLOW UP</b>	High	QTR 1	Final Issued	10/06/19	18/06/19	29/07/19	41	21/11/19	115	22/11/19	1
<b>TONYREFAIL COMMUNITY SCHOOL</b>	High	QTR 1	Final Issued	17/06/19	01/07/19	07/08/19	37	07/10/19	61	09/10/19	2

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	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>SECONDARY SCHOOLS</b>											
Y PANT COMPREHENSIVE FOLLOW UP	High	QTR 1	Final Issued	24/06/19	01/07/19	17/07/19	16	10/09/19	55	17/09/19	7
HAWTHORN HIGH SCHOOL FOLLOW UP	High	QTR 4	Draft Issued	02/03/20	29/04/20	21/05/20	22				
<b>SCHOOLS &amp; COMMUNITY</b>											
EDUCATION IMPROVEMENT GRANT	High	QTR 2	Final Issued	01/09/19	30/09/19	04/10/19	4	10/10/19	6	10/10/19	0
POST 16 GRANT	High	QTR 4	Final Issued	15/01/20	17/01/20	20/01/20	3	31/01/20	11	31/01/20	0
POST 16 PLANNING AND FUNDING 2019/20	High	QTR 4	Draft Issued	23/01/20	29/05/20	19/06/20	21				
PUPIL DEPRIVATION GRANT	High	QTR 2	Final Issued	01/09/19	30/09/19	04/10/19	4	10/10/19	6	10/10/19	0
<b>PROSPERITY, DEVELOPMENT &amp; FRONTLINE SERVICES</b>											
<b>HIGHWAYS &amp; STREETCARE</b>											
HIGHWAYS - CAPITAL PROGRAMME	High	QTR 1	Final Issued	15/04/19	01/07/19	11/07/19	10	25/07/19	14	05/08/19	11
STREET LIGHTING	Medium	QTR 2	Final Issued	23/09/19	27/11/19	20/01/20	54	16/03/20	46	26/03/20	10
MANAGEMENT OF FUEL - PARKS	High	QTR 1	Final Issued	17/04/19	07/05/19	13/05/19	6	15/05/19	2	24/05/19	9
ENFORCEMENT	Medium	QTR 2	Final Issued	08/08/19	10/09/19	04/10/19	24	15/10/19	11	21/10/19	6

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	Priority	Planned Qtr	Status	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Management response to issuing final report
<b>PARKING SERVICES</b>	Medium	QTR 1	Final Issued	24/06/19	01/07/19	14/08/19	44	09/09/19	26	10/09/19	1
<b>WASTE SERVICES</b>	High	QTR 1	Final Issued	10/06/19	20/09/19	15/10/19	25	07/11/19	23	22/11/19	15
<b>PROSPERITY &amp; DEVELOPMENT</b>											
<b>BUILDING CONTROL</b>	Medium	<b>FULL CARRY FORWARD INTO 2020/21</b>									
<b>WHOLE AUTHORITY ARRANGEMENTS</b>											
<b>WHOLE AUTHORITY ARRANGEMENTS</b>											
<b>PERFORMANCE INDICATORS</b>	High	QTR 1	Final Issued	13/05/19	19/06/19	05/07/19	16	29/07/19	24	05/08/19	7
<b>ANTI-FRAUD, BRIBERY &amp; CORRUPTION</b>	High	<b>FULL CARRY FORWARD INTO 2020/21</b>									
<b>OPERATIONAL RISK MANAGEMENT</b>	Medium	<b>FULL CARRY FORWARD INTO 2020/21</b>									