

Meeting of:	Governance and Audit Committee
Date of Meeting:	Monday 20 May 2024
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Internal Audit Limited Opinions 2023-24
Purpose of Report:	To provide members of the Governance and Audit Committee with assurance from senior management that action is being taken to demonstrate the necessary improvements in control.
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of the Regional Internal Audit Service
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
Executive Summary:	<ul style="list-style-type: none"> In line with the Public Sector Internal Audit Standards the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based audit plan should cover the Council's overall control environment including risk, governance and internal controls as far as practicable. On behalf of the Head of Internal Audit, an audit assurance opinion is issued at the conclusion of each audit job within the plan, based on the strengths and weaknesses identified throughout the audit work. The opinions used by RIAS are those recommended by CIPFA and are used throughout Internal Audit within the public sector in the UK; <i>Substantial, Reasonable, Limited, No Assurance</i>. <i>Limited Assurance</i> opinions were reported into Governance and Audit Committee on 22 April 2024; these related to:

- Debtors
- Residential Homes – Food Stock Control
- Leisure Centres – Contract & Performance Management
- Governance and Audit Committee recommended that the relevant Directors / Heads of Service for the three *Limited Assurance* audits identified be requested to attend the next meeting of the Governance and Audit Committee to provide a report and update on the actions being taken in response to the recommendations following the review of Internal Audit.

Recommendations

1. The Committee is recommended to consider and acknowledge the assurances provided, and progress on implementation, by senior operational management that action has been taken to make the necessary improvements in control and minimise the associated risk following a *Limited Assurance* audit opinion within their service area and that a proper process is in place for making such improvements.

Reasons for Recommendations

1. To make the Governance and Audit Committee aware of why *Limited Assurance* audit opinions were issued by Internal Audit and for them to be reassured by the responses and actions of senior management that improvements in control will be made.

1. Background

- 1.1 The United Kingdom Public Sector Internal Audit Standards (Performance Standard) provides the framework within which an internal audit team should function and deliver its service.
- 1.2 In line with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit prepares an annual plan of audit workload sufficient and comprehensive enough to enable him to provide an overall opinion at the year on the adequacy of the governance arrangements, internal controls and risk management processes in place.
- 1.3 The scope of each audit sets out to ensure that there are appropriate processes in place that services are delivered economically, efficiently and effectively and that public funds and resources are safeguarded. Key controls are tested and conclusions reached based on the evidence obtained throughout the audit.
- 1.4 At the conclusion of each audit job within the plan an audit opinion is issued on the level of assurance gained from the work. The opinions are balanced and based on the number of strengths and weaknesses identified from the audit; the greater number of strengths the more positive the audit opinion. The audit opinions used by RIAS are those recommended by CIPFA and are used throughout Internal Audit

within the public sector in the UK. The opinions, with definitions are shown below in Figure 1:

Figure1:

AUDIT ASSURANCE CATEGORY CODE		RECOMMENDATION CATEGORISATION	
Substantial Assurance	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.	Risk may be viewed as the chance, or probability, one or more of the systems of governance, risk management or internal control being ineffective. 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:	
Reasonable Assurance	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.	High Priority	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
Limited Assurance	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.	Medium Priority	Action that is considered necessary to avoid exposure to significant risks.
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.	Low Priority	Action that is considered desirable and should result in enhanced control.

- 1.5 Each audit recommendation made in the audit report is given a priority rating for implementation dependent on the level of risk.
- 1.6 Where identified weaknesses outweigh strengths then the level of assurance becomes *Limited* or *No Assurance*. Reassuringly no *No Assurance* audit opinions have been issued for 2023-24. The most recent Progress v Plan report presented to Governance and Audit Committee showed that 8 *Substantial*, 31 *Reasonable* and 9 *Limited Assurance* opinions had been issued during 2023-24.
- 1.7 It is the Head of Audit’s responsibility to report any weaknesses in control to senior management and for operational management to take appropriate action to improve the level of control and minimise or eradicate the associated risk. In terms of governance, it’s the role of the Governance and Audit Committee to ensure that there is a proper process in place to confirm such action is being taken.

2. Key Issues for Consideration

- 2.1 During 2023-24 all audit opinions issued following the completion of audit work in line with the agreed Internal Audit Plan for 2023-24 were reported into Governance and Audit Committee; these included *Substantial*, *Reasonable* and *Limited Assurance* opinions.
- 2.2 Through the Progress against the Internal Audit Risk based Plan report, the latest *Limited Assurance* opinions were reported into Governance and Audit Committee on 22 April 2024; these related to:

- Debtors
- Residential Homes – Food Stock Control
- Leisure Centres – Contract & Performance Management.

2.3 The Head of the Regional Internal Audit Shared Service provided a summary of why the audit team could only give *Limited Assurance* in these areas and reassured Members that management had agreed to implement the recommendations through the Management Action Plan and that a follow up audit would take place during 2024-25 to report on progress.

2.4 Members felt it was important for them to hear from senior management in the 3 services noted above that action was being undertaken to address the weaknesses identified through the audit reports and to demonstrate improvements in the control environment, ensuring sound and effective governance arrangements were now in place. Governance and Audit Committee therefore recommended that the relevant Directors / Heads of Service for the 3 *Limited Assurance* audits identified within paragraph 2.6 of the report [Progress against Plan April 2024] relating to Leisure Centres, Debtors and Residential Homes, be requested to attend the next meeting of the Governance and Audit Committee to provide a report and update on the actions being taken in response to the recommendations following the review of Internal Audit.

2.5 The relevant Directors / Heads of Service have subsequently provided an up to date position on the progress of the implementation of the agreed Internal Audit recommendations. These have been included at Appendix A.

2.6 The implementation of the audit recommendations should improve the internal control environment and minimise any associated risk.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The well-being 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 well-being goals/objectives as a result of this report.

4. Climate Change and Nature Implications

4.1 None as a consequence of this report

5. Resources and Legal Considerations

Financial

- 5.1 There are no resource implications as a direct consequence of this 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.

Employment

- 5.2 None as a direct consequence of this report.

Legal (Including Equalities)

- 5.3 The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

6. Background Papers

None

Regional Internal Audit Service

Debtors - Recommendation Implementation Update

Ref	Original Recommendation	Management Comments	Responsible Officer	Agreed Management Implementation Date	Status	Actions Taken / Reasons for Non-implementation	Revised Implementation Date*
1.3 Medium	Collaborate with departments to discuss their debt monitoring needs and financial report requirements in order that suitable reports can be provided.	Regular monthly meetings are now taking place with Regen and Neighbourhood Street teams and monthly reports are being provided giving an overview of their current O/s Invoice position. Data has also recently been provided to Shared Reg and Social Services providing them their outstanding invoice positions. This will continue and expanded to the remaining services over the next couple of months.	Exchequer Manager,	29th February 2024	Implemented	Reporting to SLT as well as regular monitoring reporting to all departments underway	N/A
1.6 Medium	Regular debt recovery action of all outstanding debts is to be carried out with an escalation to debt collection agencies and / or the High Court Enforcement Team where appropriate.	Agree, arrangements to begin this process should be started soon with this then being a regular ongoing process.	Exchequer Manager, Deputy Exchequer Manager, Senior Revenues Assistant	31st March 2024.	Partly Implemented	For various reasons our meeting with the debt collection agency, Marstons needed to be moved a couple of times. However, this took place on 4th April to discuss moving forward. The first batch of debts over 12 months old were sent a final notice on 23 rd April 2024, with a view to the first	31st May 2024

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						<p>batch of cases being passed to them later in May. Regular monthly progression will continue from this point.</p> <p>Unfortunately it appears that these notices took well over a week to land with customers and we are still dealing with the contact from this, however any remaining cases will be progressed once all of the queries have been resolved.</p> <p>The Income Management Team has also met with legal to discuss court progression and are due to pick out 10 cases in a meeting on, which we will then pass to them to progress.</p>	
1.7 Medium	Debtors need to periodically reiterate to departments the	Agree	Exchequer Manager, Deputy	31st March 2024	Partly Implemented	Good practice guide is being updated and due for circulation	31st May 2024

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	arrangement plan procedures in place and the Council needs to look at further mechanisms to prevent departments making arrangements without Debtors agreement.		Exchequer Manager			which details arrangement procedures. This is currently with the Head of finance for review and will go to SLT in May and then be circulated to departments for comment and will also feature as an ongoing point in monthly SLT meetings.	
2.1	Draw up plans to utilise a file management system such as Content Manager or RKYV to provide a further level of availability of information and review the possibility of sharing communications with relevant departments.	Agreed – current RKYV offering is not particularly user friendly, however we have a meeting with opentext due to take place in Q1 of 2024 to discuss improvements and upgrades and bringing IMAN into scope for using RKYV will take place as part of this.	Exchequer Manager, Deputy Exchequer Manager	31st March 2024	Partly Implemented	A meeting was held with OpenText who run RKYV at the end of February as the current system is not fit for purpose. They are meant to be visiting to scope how the system is currently used and what we need to do improve the system and widen its application. They have now come back with initial costs for a health check which we are evaluating.	31st May 2024 (although this will be dependent on OpenText's scoping of the work required)
2.2	Retain letters issued to customers using a central	Agree as above (2.1)	Exchequer Manager,	31st March 2024	Partly Implemented	As above	31st May 2024 (although this

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	filing system such as Content Manager or RKYV and utilise the inbuilt Academy system indicators.		Deputy Exchequer Manager				will be dependent on OpenText's scoping of the work required)
2.3 Medium	Review options available to resolve the Academy system's inherent issues and as a contingency draw up collaborative plans to regularly clear payments received over £100k.	Discussions are already underway with ICT and Accounts as to what can be done in this area and a fix is being looked at which will reduce the issue so that only over £1million payments are affected. This will reduce the amount of intervention required by 90%.	Senior Revenues Assistant, Team Manager – Application Support, Operational Manager – Accountancy	31st March 2024	Partly Implemented	The work around is still being investigated with ICT and Finance. Year end interrupted finalising the solution. Changes need to be made by Finance to Pay360 which we hope will resolve the issue. Alternative solutions are also being considered.	31st May 2024
4.1 Medium	Review officer roles and duties, produce process notes for the key tasks completed and embark on a training and knowledge sharing programme to ensure that sufficient coverage is in place to help maintain business continuity in times of staff absence.	Agree that resilience is of great import to us. We have shown over the last year that when the need has arisen, we have managed to cope with unplanned absences, however this process would be a lot easier to manage with wider sharing of knowledge base. This will though take the longest to complete especially with ongoing responsibilities around year end / new year.	Exchequer Manager, Deputy Exchequer Manager, Senior Revenues Assistant	30th June 2024	Not Implemented	The Team hasn't had the opportunity to progress with this as of yet. However, in the meantime temporary officers have been brought in to provide some additional short term capacity.	30th June 2024

**Applicable to Partly Implemented and Not Implemented recommendations only, information provided will inform the Governance and Audit Committee Recommendation Monitoring Report.*

Regional Internal Audit Service**Residential Food Cost & Stock Control - Recommendation Implementation Update**

Ref	Original Recommendation	Management Comments	Responsible Officer	Agreed Management Implementation Date	Status	Actions Taken / Reasons for Non-implementation	Revised Implementation Date*
5.1.1 Medium	Review existing food ordering processes in place and develop documented procedures and guidance which should be issued to all 4 residential care homes.	A meeting has taken place with BFC and an ordering procedure will be created by 10/1/24	Operational Manager and Area Manager Big Fresh	March 2024	Implemented	New process developed and guidance document provided to Internal Audit.	n/a
5.2.2 Medium	Establish standard items, quantities and therefore costs per resident for similar meals provided across all care homes.	An across homes menu and associated order list will be created (starting with the next 'summer menu'). This will ensure predictable cost per resident food provision.	Operational Manager, Area Manager Big Fresh Catering and Care Home managers	April 2024	Partly Implemented	Following consultation with residents it was agreed not to progress to an across homes menu as residents believe this to adversely affect individual choice. Instead, we agreed to create an across homes (restricted) order list. Ongoing work to establish a definitive order list including price negotiations with suppliers. Aim to be implemented with summer menu in June 24	30/6/24
5.3.1 Medium	Retrospective orders should not be attached to previously authorised orders and values should be included prior to authorisation.	Catering staff to be instructed that retrospective orders are not placed/added to a previous order. Orderbooks are to be competed in	Care Home Managers and Catering staff	March 2024	Implemented	This was implemented with immediate effect (and included in the Process implemented in January 2024). We are submitting the revised and restricted order list to	n/a

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		detail, including cost of items (once up to date price list has been received)				Castell Howell by 17/5/24 (for costings) and aim to implement in time for the summer menu June 2024. Following discussion with JD it has been agreed to have a price file rather than add individual prices to the order book as this would be too labour intensive.	

**Applicable to Partly Implemented and Not Implemented recommendations only, information provided will inform the Governance and Audit Committee Recommendation Monitoring Report.*

Regional Internal Audit Service

Leisure Centres – Contract and performance monitoring- Recommendation Implementation Update

Ref	Original Recommendation	Management Comments	Responsible Officer	Agreed Management Implementation Date	Status	Actions Taken / Reasons for Non-implementation	Revised Implementation Date*
5.1.1 Medium	In line with contractual requirements, contractor meetings should take place quarterly and minutes should be in place to document outcomes.	<p>Meeting have been arranged on a quarterly basis since January 2023 with meetings not taking place for a period in 2023 due to the absence of the monitoring officer. Prior to January 2023 regular contact was being undertaken with the contractor to conclude the contract extension and to discuss covid recovery. This period, if anything, really demonstrated the partnership approach taken to the contract by both the Client and contractor.</p> <p>Meeting minutes have been taken for August 2023 and November 2023, with the next meeting due January 2024.</p>	Operational Manager, Healthy Living and Performance	31/12/23	Implemented	Meetings been planned and minutes are being taken	N/A
5.1.2 Medium	The Council should review its methodology for evaluating and monitoring performance with formal reviews to be undertaken prior to the annual reports in	This is a formal part of the Client / Contractor meeting. The Annual Report has been received on the 12th December 2023 and will be formally reviewed for the January 2024 client/contractor meeting. This was undertaken in January 2023	Operational Manager, Healthy Living and Performance	31/01/24	Not Implemented	Minutes provided for the annual meeting Jan 2024 did not reflect any discussions in respect of monitoring and reviewing the Annual Report.	31/01/25

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	accordance with the contract.	<p>but unfortunately the minutes taken of this meeting did not accurately properly reflect the discussions that took place on the Annual report. These discussions were in preparation for the Annual Report being considered by the Healthy Living & Social Care Scrutiny Committee on 6th February.</p> <p>It should be noted that consideration of the performance of the contract is part of the FWD work programme for this Committee, where the contract is reviewed annually.</p> <p>It should also be noted that although the Leisure Centres attract hundreds of thousands visits per year that no customers complaints have been raised via the Council's own complaints system in the past year. It is acknowledged that complaints are made directly to the contractor, but these can be escalated to the Client (Council) if the customer. The Authorised officer places customer</p>					

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		<p>satisfaction at the top of the criteria for monitoring the contract and looking at the growth in attendances since 2012 and before the Covid 19 pandemic it is clear the service experienced significant growth in customer number of around 25%. This would indicate a high level of customer satisfaction that has been confirmed by customer satisfaction surveys carried out during the course of the contract and directly impacted on the decision to extend the present contract to 2030.</p> <p>In future the performance of the contract, over a range of headings, will be monitored at the quarterly officer meetings. The monitoring areas are as follows:-</p> <ul style="list-style-type: none"> • Financial (Protecting the Investment) • Property (Protecting the asset) • Employment (Protecting the workforce) 					

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		<ul style="list-style-type: none"> Leisure Service (Protecting the Customer) Health and Safety Program of activities Outcomes (KPI's) 					
5.1.3 Medium	Review existing processes and practices to ensure that sufficient coverage is in place for business continuity and resilience.	<p>Review of Roles and structures has taken place. A JD/ PS is currently under review to provide more resilience and business continuity. A further review of processes in regards to contract documentation will be undertaken during the early part of 2024.</p> <p>It was necessary to make an 8% reduction in the budgets for Neighbourhood Services and Transport and part of this meant a reduction in 20 FTE posts.</p> <p>There are no additional resources available at this moment in NS&T for contract monitoring. However as the monitoring areas referred to above are multi-discipline, officers from other</p>	Operational Manager, Healthy Living and Performance / Head of Neighbourhood Services and Transport	30/04/24	Partly Implemented		

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		Directorates will be requested to support the future monitoring arrangements. We will also investigate if Legacy can undertake additional self-monitoring, with a proportion this then checked by Council staff.					
5.2.2 Medium	The Council is to arrange for condition surveys to be undertaken on leisure centres that have not been recently reviewed.	We work with our Property colleagues to monitor this aspect of the contract. This will be discussed with them in the near future.	Property Services	31/01/24	Not Implemented	Property Services to schedule condition surveys during qtr1	30/06/24
5.3.1 Medium	Performance data reporting is to take place as per the contractual requirements and reported performance should be reviewed during quarterly meetings, and in a timely manner.	Performance data is reviewed as part of Client / Contractor meeting. The Audit highlighted the balanced score card that officer believe was discontinued in 2014 (part of the agreement for the sub contract to Legacy) – this will be discussed with the contractor to see if they have any knowledge of this as internal legal files cannot be located. The minutes do not necessarily reflect the detail	Operational Manager, Health Living and Performance	31/12/23	Implemented	Data is part of Client / Contractor meeting.	n/a

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		<p>with which performance management is discussed and this will be reviewed going forward.</p> <p>Using the multi-discipline monitoring headings detailed above. The areas measured will be as follows:-</p> <p>1. <u>Financial (Protecting the Investment)</u></p> <ul style="list-style-type: none"> • Audited accounts • Insurance cover • Energy costs • Fees and Charges • Contract price increases (CPI) • Legacy Leisure adjustments <p>2. <u>Property (Protecting the asset)</u></p>					

Ref	Original Recommendation	Management Comments	Responsible Officer	Agreed Management Implementation Date	Status	Actions Taken / Reasons for Non-implementation	Revised Implementation Date*
		<ul style="list-style-type: none"> • Planned Preventative Maintenance records • Investment works completed • Redecoration works • Plant and machinery records • Pool testing records • Training logs for equipment • Maintain conditions as at handover <p>3. <u>Employment (Protecting the workforce)</u></p> <ul style="list-style-type: none"> • Staff training records • Staff qualifications 					

Ref	Original Recommendation	Management Comments	Responsible Officer	Agreed Management Implementation Date	Status	Actions Taken / Reasons for Non-implementation	Revised Implementation Date*
		<ul style="list-style-type: none"> • TUPE information (essential when retendering) • Local Employment sustainability • Health and Safety of employees • COSHH <p>4. <u>Leisure Service (Protecting the Customer)</u></p> <ul style="list-style-type: none"> • Opening hours • Programme of activities (balancing the needs) • Health and Safety for Customers • NOP's / EAP's / Risk assessments / Policies etc... • Sports equipment (inventory) • Free Swimming / Learn to swim 					

Ref	Original Recommendation	Management Comments	Responsible Officer	Agreed Management Implementation Date	Status	Actions Taken / Reasons for Non-implementation	Revised Implementation Date*
		<ul style="list-style-type: none"> • LAPA/Sports development • National exercise referral • Welsh language compliance • Equal opportunities compliance • Armed forces free usage • ICT equipment / management information • Cleaning standards / records • Child protection policy • Water quality • License compliance (entertainment, alcohol etc...) • Catering (food/hygiene) 					

Ref	Original Recommendation	Management Comments	Responsible Officer	Agreed Management Implementation Date	Status	Actions Taken / Reasons for Non-implementation	Revised Implementation Date*
		<ul style="list-style-type: none"> • Marketing / communication • Statutory notices • Customer Feedback / satisfaction surveys • Client Contractor meetings <p>5. <u>Performance Indicators and measures</u></p> <ul style="list-style-type: none"> • Energy consumption • Sustain jobs • Accident statistics • Increase in usage • Satisfaction levels • VFM of Leisure Centres • Customer care plan 					
5.3.2 Medium	The Council does more to independently verify performance data,	The Council enjoys a good relationship with the contractor having experienced some	Operational Manager, Healthy Living and	January 2024	Implemented	Working with Legacy and ICT to get access to data	N/A

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	such as via accessing relevant Legacy / Parkwood dashboards and evidence is stored with consideration to business continuity.	<p>challenging times together, such as covid, where other Leisure Management contracts have fallen apart in Wales.</p> <p>The sharing of data was key to this but has proved more problematic with Parkwood / Legacy switching to a google based system.</p> <p>We are currently working with Legacy in relation to making information more accessible.</p>	Performance (in discussions with ICT Officers)				

**Applicable to Partly Implemented and Not Implemented recommendations only, information provided will inform the Governance and Audit Committee Recommendation Monitoring Report.*