

**SUBJECT: AUDIT COMMITTEE
 ANNUAL REPORT 2020/21**

**DIRECTORATE: Resources
MEETING: Audit Committee
DATE: July 2021
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To present the Chair of the Council's Audit Committee's Annual Report for 2020/2021.

2. RECOMMENDATION(S)

On behalf of the Audit Committee, I submit this annual report for 2020/2021 for consideration by the Council. I believe that it shows that, over this period, the Committee has fulfilled its role as defined in its terms of reference.

The report shows that the workings of the Committee continue to be both valuable and productive and that it provides assurance to the Council regarding the Committee's activities in the effective governance of financial affairs and other matters by the Authority.

3. REASONS

- 3.1** The Council's Audit Committee has responsibility for ensuring that there are procedures in place to guarantee the adequacy and effectiveness of financial control and corporate governance arrangements.

The terms of reference are:

- To review and scrutinize the Authority's financial affairs
- To make reports and recommendations in relation to the Authority's financial affairs
- To review and assess the risk management, internal control and corporate governance arrangements of the Authority
- To make reports and recommendations to the Authority on the adequacy and effectiveness of those arrangements

- To oversee the Authority's internal and external audit arrangements
- To review the financial statements prepared by the Authority

3.2 The Committee consists of 10 councillors and includes one lay member (co-opted) who is not a councillor. During 2020/21, the lay member was the Chair of the Audit Committee, as in previous years. The Committee's main responsibilities include:

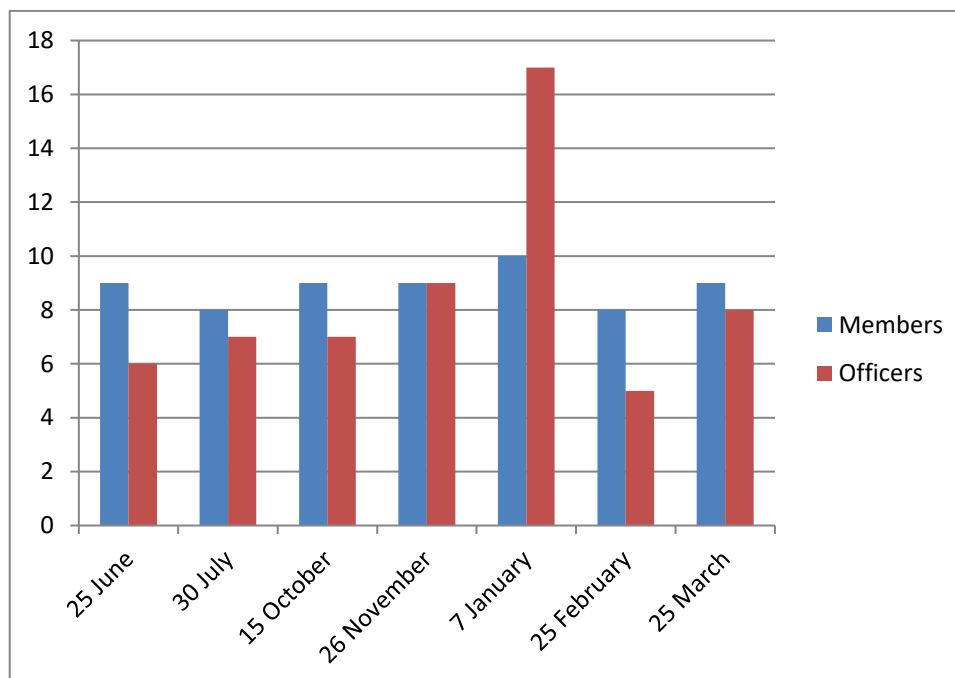
- Approving the internal audit strategy, plan & performance
- Review internal audit reports and seek assurances of change where required
- Consider the reports of external audit and inspection agencies
- Consider the effectiveness of the Authority's risk management arrangements
- Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations
- Make recommendations, as appropriate, to Cabinet and Council on any matters reported through the Audit Committee.

3.3 The terms and conditions of the Audit Committee in 2020/21 are set out in the Council's Constitution amended and agreed by the County Council at its meeting on 11th March 2021 which are in accordance with the Local Government (Wales) Measure (2011).

3.4 The Audit Committee is supported by Democratic Services with the, Chief Officer Resources, Head of Finance and the Chief Internal Auditor or, occasionally, representatives, in attendance at most meetings. External Audit (Audit Wales) are invited to all meetings. During 2020/21 the Council's Audit Committee formally met 7 times (all remotely), with all meetings being quorate. Audit Wales was represented at 6 meetings.

Audit Committee meetings 2020/21
25 th June 2020
30 th July 2020
15 th October 2020
26 th November 2020
7 th January 2021
25 th February 2021
25 th March 2021

Attendance at Meetings:



- 3.5** Regular reports were received by the Audit Committee throughout the year. All Members contributed to the challenge process where officers were held to account for improving identified systems weakness. Members contributed positively to the process and took the responsibility of being on the Audit Committee seriously.
- 3.6** A standard agenda item for the Audit Committee is an Action List, where named officers are responsible for updating the Committee on previous matters discussed or questions raised. This ensures appropriate responses are received and accepted by the Committee on issues they felt were important enough to challenge and hold officers to account.
- 3.7** The Committee seeks to maintain its effectiveness by taking up opportunities for training. In November 2020, the Chair attended, remotely, a training seminar provided by South West Audit Partnership which included sessions on the roles and responsibilities of the Audit Committee. Also in November 2020, the Chair attended a networking event for Chairs of Audit Committees from across Wales. At both sessions, the Local Government and Elections (Wales) Act 2021 and its importance for Audit Committees featured strongly.
- 3.8** The Committee undertook a self-assessment of its performance during the year, with the Chief Internal Auditor taking a leading role.
- 3.9** The Committee continued to function as usual throughout the year, despite the special circumstances arising from the Covid emergency. Regular reports were received from the Chief Officer Resources on the

impact of the pandemic on the operations of MCC and the performance of investments.

Terms of Reference: To oversee the Authority's internal and external audit arrangements

3.10 Reports were received and considered from the Audit Wales. MCC officers were asked to provide responses where appropriate, and Members of the Committee sought assurances on the process of External Audit. Papers presented included:

- Audited Statement of MCC Accounts 2019/20, WAO 'ISA 260' Response to the Accounts
- Certificate of Compliance for the Audit of Monmouthshire County Council's 2020/21 Improvement Plan
- Certificate of Compliance for the audit of Monmouthshire County Council's assessment of performance for 2019/20
- Monmouthshire Annual Audit Summary 2020
- Audited Trust Fund Accounts (Welsh Church Fund/Monmouthshire Farm Educational Trust/Llanelly Hill)
- Recovery Planning – Assurance and Risk Assessment Feedback Letter
- Audit Plan – Audit Wales 2020-21

3.11 The Internal Audit annual report for 2019/20 and the annual plan for 2020/21 were presented to and endorsed by the Committee. In January the Committee were informed that most of the Internal Audit Team had been seconded to aid with Track, Trace and Protect and that, as a result, the work of Internal Audit was likely to be affected. A revised plan for 2020/21 was presented. Nevertheless, members continued to challenge the performance of the Internal Audit Team and robustness of the planned work in order to satisfy themselves that they were being provided with assurances on the adequacy of the Council's internal control environment and that public money was being used effectively, efficiently and economically.

3.12 Other reports presented for consideration included:

- Internal Audit Reports on Unfavourable Audit Opinions
- Update on Unfavourable Audit Opinions
- Executive summary - Use of Agency Workers
- Internal Audit Progress Report

Terms of Reference: To review and assess the risk management, internal control and corporate governance arrangements of the Authority

3.13 Reports from Internal Audit and from other departments within the Authority and Audit Wales inform the Committee in respect to these terms of reference, for example the regular reports on Unfavourable Audit Opinions (see 3.12, above).

- 3.14** The Committee continues to have an opportunity to comment on and shape the Annual Governance Statement before it is included with the finalised Annual Statement of Accounts. In June a paper was presented on the Code of Corporate Governance, being the framework to establish the Annual Governance Statement.
- 3.15** During the year, the Policy and Performance Manager provided reports for the Committee's consideration. These were:
- Review of the Strategic Risks Register
 - Whole Authority Strategic Risk Assessment
- 3.16** A report on Information Breaches was presented by the Head of Digital Services.
- 3.17** The Chief Officer for Resources provided the Committee with a presentation on Anti-Bribery Risk Assessment.
- 3.18** The Customer Relations Manager introduced the Whole Authority Annual Complaints Report 2019/20 providing feedback from complaints, comments and compliments received by the Authority.
- 3.19** The Chief Internal Auditor presents six monthly progress reports on previously issued unfavourable audit opinions. The intention of these reports is to provide assurance to the Committee that previously identified system weaknesses have been appropriately addressed and improvements made by the operational managers. Where unsatisfactory or very little progress had been made by the operational manager then the Committee, via the Chairman, can invite the operational manager and relevant Head of Service to attend the Audit Committee where Members will hold them to account for future improvements. In 2020/21 operational managers attended the Committee to report on what progress was being made concerning consecutive unsatisfactory Internal Audit reports on food procurement and Caldicot Castle.
- 3.20** The Audit Committee also receives regular updates from the Chief Internal Auditor on applications for exemptions from the Council's Contract Procedure Rules. The Contract Procedure Rules exist to ensure that the Authority operates a fair, consistent and effective procurement policy to procure works, goods and services on behalf of the Council and to minimise allegations of fraud and corruption against managers. Although exemptions are permissible, Members are given the opportunity to challenge officers where they felt the reasons given were not justifiable. No reports were available during 2020/21 (See 3.11, above) but a report was scheduled for the first meeting of 2021/22.
- 3.21** In March 2021, the Committee received the Annual Performance Review of the Investment Committee.

Terms of Reference: To review the financial statements prepared by the Authority

3.22 The Committee is asked to consider the Council's Statement of Accounts prior to and following the external audit of them; the draft accounts were presented in June with the final audited accounts in October. In addition, the Committee received the annual accounts of Monmouthshire County Council Welsh Church Act Fund, the Monmouthshire Farm School Endowment Trust Fund and the Llanelly Hill Social Welfare Centre Trust Fund.

3.23 The Treasury Outturn Report 2019/20 was presented and noted by the Committee in July with a mid-year Treasury Report for 2020/21 presented in November.

3.24 A Treasury Policy and Strategy Report for 2020/2021 was presented to the Committee in February.

3.25 The Committee receives reports on the monitoring of reserves.

4 RESOURCE IMPLICATIONS

None.

5 CONSULTEES

Chief Internal Auditor.

6 RESULTS OF CONSULTATION:

Report agreed.

7 BACKGROUND PAPERS

Audit Committee Agendas and Minutes 2020/21.

8 AUTHOR AND CONTACT DETAILS

Philip White, Chair, on behalf of the Audit Committee