

**SUBJECT: GOVERNANCE AND AUDIT COMMITTEE
ANNUAL REPORT 2021/22**

**MEETING: County Council
DATE: 1 December 2022
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To present the Council's Governance and Audit Committee's Annual Report for 2021/2022 to Council.

2. RECOMMENDATION(S)

On behalf of the Governance and Audit Committee, I submit this annual report for 2021/2022 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.

That Governance and Audit Committee endorse this report and recommend its presentation to Council, as confirmed in the Committee's approved minutes of 14th July 2022.

That Council accept and endorse this report.

3. REASONS

- 3.1** The Council's Governance and 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 During 2021/22, the Committee consisted of 11 councillors and one lay member (co-opted) who was not a councillor. During 2021/22, the lay member was the Chair of the Governance and 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 Governance and Audit Committee.

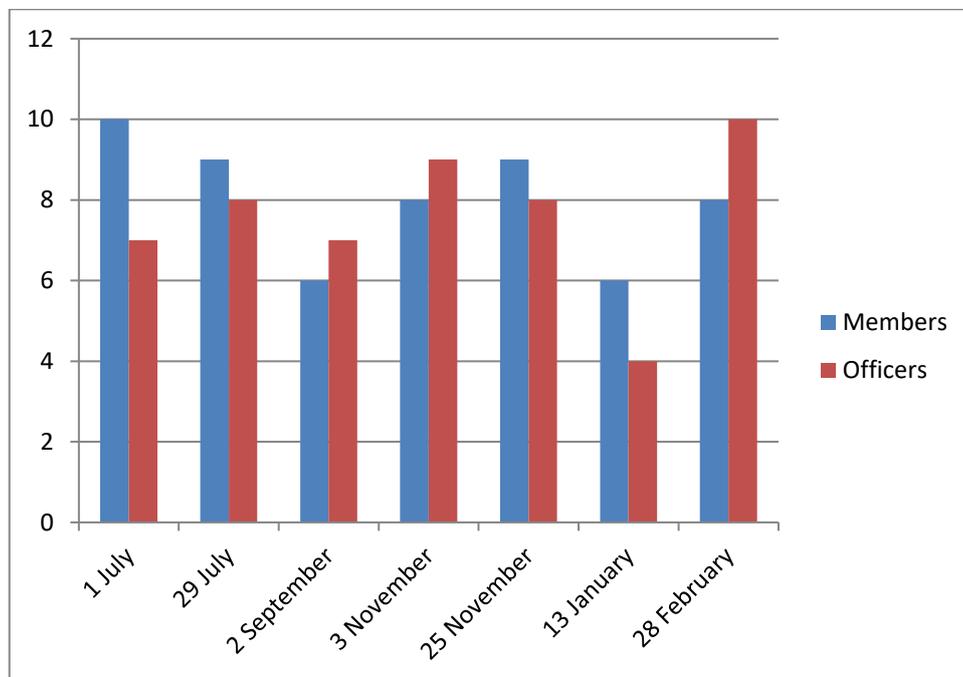
3.3 The terms and conditions of the Governance and Audit Committee in 2021/22 are set out in the Council's Constitution dated 8 September 2021 and are in accordance with the Local Government (Wales) Measure (2011) and the Local Government and Elections (Wales) Act 2021.

3.4 The Local Government and Elections (Wales) Act 2021 came into effect during the year, which required the Committee to be re-named as the Governance and Audit Committee (formerly the Audit Committee). Other changes required by the legislation, such as an increase in the number of lay members to comprise one third of the Committee, will be made during 2022/23.

3.5 The Governance and Audit Committee is supported by Democratic Services with the, Deputy Chief Executive and Chief Officer Resources, the Acting Assistant 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 2021/22 the Council's Governance and Audit Committee formally met 7 times (all remotely), with all meetings being quorate. Audit Wales was represented at all meetings.

Governance and Audit Committee meetings 2021/22
1 st July 2021
29 th July 2021
2 nd September 2021
3 rd November 2021
25 th November 2021
13 th January 2022
28 th February 2022

Attendance at Meetings:



3.6 Regular reports were received by the Governance and 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 Governance and Audit Committee seriously.

- 3.7** A standard agenda item for the Governance and 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.
- 3.8** A further meeting was held in September 2021, where Committee members considered the requirements of the Local Government and Elections (Wales) Act 2021. At the meeting held on 28th February 2022, the Chief Officer, Resources, provided a paper 'Governance and Audit Committee Review and Changes' which summarised the issues discussed and the conclusions reached to ensure compatibility with the Act. This paper can be viewed on the agenda of the 28 February meeting.
- 3.9** Recruitment of new lay members to join the Committee in 2022/2023 took place in January 2022. Interviews were conducted by a panel of four members of the current Committee, including the Chair. The current Chair has decided to step down from the Committee at the end of the 2021/22 year.

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 2020/21, 'ISA 260' Response to the Accounts
 - Certificate of Compliance for the audit of Monmouthshire County Council's assessment of performance for 2020/21
 - Monmouthshire Annual Audit Summary
 - Audited Trust Fund Accounts (Welsh Church Fund/Monmouthshire Farm Educational Trust)
 - Annual Grants Report
 - Cyber Resilience in the Public Sector
 - Audit Wales Work Programme and Timetable
 - Financial Sustainability Assessment
 - Welsh Procurement Review
- 3.11** The Internal Audit outturn report for 2020/21 and the annual plan for 2021/22 were presented to and endorsed by the Committee. During 2020/21 the work of Internal Audit had been significantly impacted by the pandemic, and 2021/22 would be the recovery period when things were to be put back on track. 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
- Contract Procedure Rules – exemption update
- Internal Audit Progress Reports
- Internal Audit Charter
- Implementation of Agreed Internal Audit Recommendations

Terms of Reference: To review and assess the risk management, internal control and corporate governance arrangements of the Authority and to make reports and recommendations.

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 and the implementation of recommendations (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.

3.15 The Performance Manager provided reports on the Overview of Performance Management Arrangements and the Review of the Strategic Risks Register.

3.16 A report on Information Breaches was presented by the Head of Digital Services.

3.17 The Customer Relations Manager introduced the Whole Authority Annual Complaints Report 2020/21 providing feedback from complaints, comments and compliments received by the Authority.

Terms of Reference: To review and scrutinise the Authority's financial affairs, to make reports and recommendations, and to review the financial statements prepared by the Authority.

3.18 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 July with the final audited accounts in November. In addition, the Committee received the annual accounts of Monmouthshire County Council Welsh Church Act Fund and the Monmouthshire Farm School Endowment Trust Fund.

- 3.19** The Treasury Outturn Report for 2020/21 and the subsequent Mid-Year Treasury Report were reviewed by the Committee in November.
- 3.20** The Authority's Capital and Treasury Strategies for 2022//23 were presented to the Committee in February 2022, with a mid-year Treasury Report for 2020/21 presented in November.
- 3.21** In February 2022 a paper was presented to the Committee on the Assessment of the Budget Process and the Adequacy of Reserves.

Extract from the Governance and Audit Committee Minutes 14th July 2022

- 3.22 The Chief Internal Auditor introduced the Governance and Audit Committee Annual Report 2021/22; jointly authored with Philip White, Former Chair of the Governance and Audit Committee. Following presentation of the report, comments and questions were invited particularly from Members who sat on the previous Committee. A Member commented that it is a balanced report adding that the Committee was well-chaired, and the Chair was committed, dealt with Members questions and followed matters up appropriately. Members of the previous committee supported these comments. As recommended in the report, the Governance and Audit Committee endorsed the report and recommended its presentation to Council, and that Council accepts and endorses the report.

4 RESOURCE IMPLICATIONS

None.

5 CONSULTEES

Chief Internal Auditor.
Members of the Governance and Audit Committee

6 RESULTS OF CONSULTATION:

Report agreed.

7 BACKGROUND PAPERS

Governance and Audit Committee Agendas and Minutes 2021/22.

8 AUTHOR AND CONTACT DETAILS

Andrew Blackmore, Chair, on behalf of the Governance and Audit Committee

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