

**SUBJECT: AUDIT COMMITTEE
 ANNUAL REPORT 2018/19**

**DIRECTORATE: Resources
MEETING: County Council
DATE: 20 June 2019
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To present the Chair of the Council's Audit Committee's Annual Report for 2018/19.

2. RECOMMENDATION(S)

On behalf of the Audit Committee I submit this annual report for 2018/19 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 2018/19, the lay member was the Chair of the Audit Committee, as in previous years. The Committee's main responsibilities include:

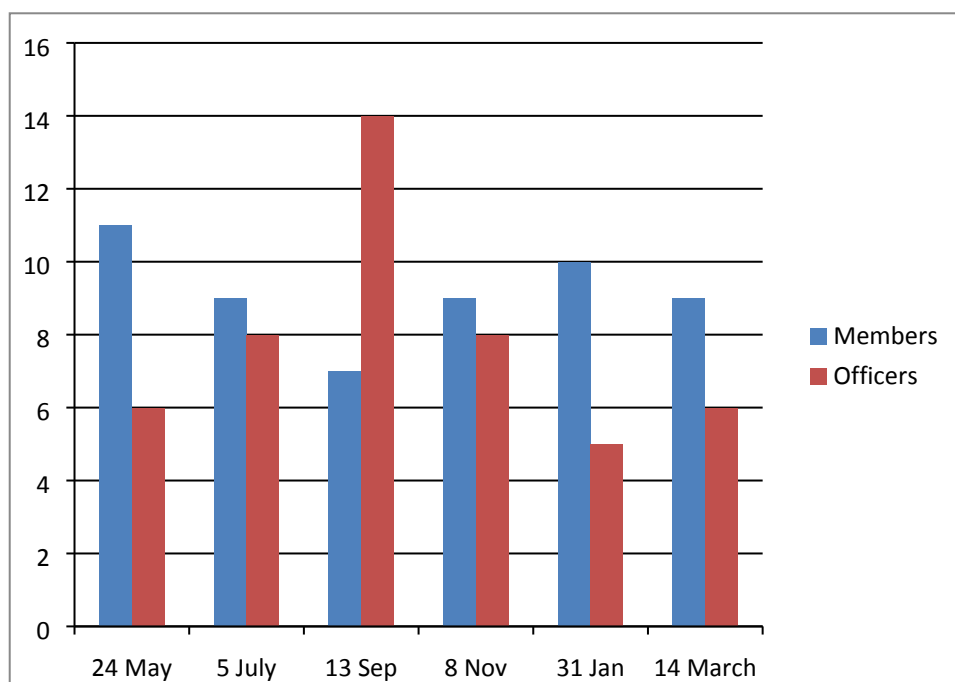
- Approving the internal audit strategy, plan & performance
- Review internal audit reports and seek assurances of change where required
- Consider the reports of external audit and inspection agencies
- Consider the effectiveness of the Authority's risk management arrangements
- Maintain an overview 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 are set out in the Council's Constitution amended and agreed by Council in September 2014 which are in accordance with the Local Government (Wales) Measure (2011).

3.4 The Audit Committee is supported by Democratic Services with the Head of Finance, Chief Officer Resources and the Chief Internal Auditor in attendance at all meetings. External Audit (The Wales Audit Office) are invited to all meetings. During 2018/19 the Council's Audit Committee formally met 6 times, with all meetings being quorate. The Wales Audit Office was represented at 5 meetings.

Audit Committee meetings 2018/19
24 th May 2018
5 th July 2018
13 th September 2018
8 th November 2018
31 st January 2019
14 th March 2019

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.

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

3.7 Reports were received and considered from the Wales Audit Office (WAO). 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 2017/18, WAO 'ISA 260' response to the accounts
- WAO presentation – 'Aligning the Levers of Change'
- Overview of Scrutiny – WAO thematic review 'Fit for the Future'
- WAO Annual Improvement Report
- Joint progress report – Statement of Accounts – Refinements.
- WAO Audit Plan 2019/20
- Certification of Grants and Returns 2017/18
- Audited Trust Funds Accounts (Welsh Church Fund and Monmouthshire Farm School Endowment Trust Fund)

3.8 The Internal Audit Outturn report for 2017/18 and the annual plan for 2018/19 and the draft plan for 2019/20 were presented to and endorsed by the Committee. Members challenged 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. Members challenged the information provided to ensure continual improvement.

3.9 Reports presented for consideration included:

- Internal Audit (IA) Reports on Unfavourable Audit Opinions
- IA Outturn Report on 2017/18
- IA Plan 2018/19
- IA Quarterly Progress Reports
- Contract Procedure Rules and Exemptions
- Implementation of Internal Audit Recommendations
- Internal Audit Standards External Review 2018
- Report on Compliance with Bribery Act

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

3.10 Reports from Internal Audit and from other departments within the Authority and WAO inform the Committee in respect to these terms of reference, for example the regular reports on Unfavourable Audit Opinions (see 3.9, above).

3.11 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.

3.12 A report on the Whole Authority Complaints, Comments and Compliments 2017/18 was considered and accepted in January 2019.

3.13 During the year, the Policy and Performance Manager provided reports for the Committee's consideration. These were:

- An overview of the Council's Performance Management arrangements
- Progress reports on WAO Proposals for Improvement
- Strategic Risk Assessment

3.14 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. There were, however, no instances of such invitations in 2018/19.

3.15 The Audit Committee also received a six-monthly update 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.

3.16 In July the Committee considered proposals for governance arrangements for an 'Alternative Delivery Model' for Tourism, Culture, Leisure and Youth services, and in September with a performance and evaluation framework for the proposals.

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

3.17 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 September. In addition the Committee received the annual accounts of Monmouthshire County Council Welsh Church Act Fund and the Monmouthshire Farm School Endowment Trust Fund.

3.18 The Treasury Outturn Report 2017/18 was presented and noted by the Committee in July with a mid-year Treasury Report for 2018/19 presented in November.

3.19 Treasury Strategy (including strategy for investment of resources) was the subject of papers presented to the Committee in January 2019.

3.20 The Committee receives quarterly 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 Minutes 2018/19

8 AUTHOR AND CONTACT DETAILS

Philip White, Chair, on behalf of the Audit Committee