

**SUBJECT:           AUDIT COMMITTEE  
                          ANNUAL REPORT 2019/20**

**DIRECTORATE: Resources  
MEETING:         Audit Committee  
DATE:             April 2020  
DIVISION/WARDS AFFECTED: All**

**1.     PURPOSE**

To present the Chair of the Council's Audit Committee's Annual Report for 2019/2020.

**2.     RECOMMENDATION(S)**

On behalf of the Audit Committee I submit this annual report for 2019/2020 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 2019/20, the lay member was the Chair of the Audit Committee, as in previous years. The Committee's main responsibilities include:

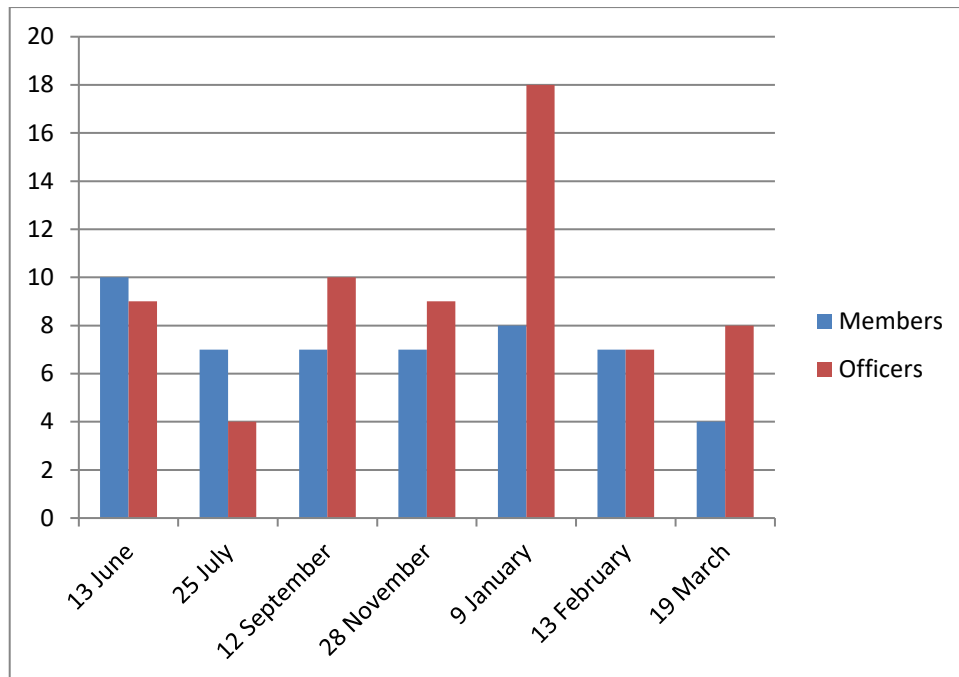
- Approving the internal audit strategy, plan & performance
- Review internal audit reports and seek assurances of change where required
- Consider the reports of external audit and inspection agencies
- Consider the effectiveness of the Authority's risk management arrangements
- Maintain an overview 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, Head of Resources and the Chief Internal Auditor or, occasionally, representatives, in attendance at most meetings. External Audit (The Wales Audit Office) are invited to all meetings. During 2019/20 the Council's Audit Committee formally met 7 times, with all meetings being quorate. The Wales Audit Office was represented at all meetings.

Audit Committee meetings 2018/19
13 <sup>th</sup> June 2019
25 <sup>th</sup> July 2019
12 <sup>th</sup> September 2019
28 <sup>th</sup> November 2019
9 <sup>th</sup> January 2020
13 <sup>th</sup> February 2020
19 <sup>th</sup> March 2020

### 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 June 2019 the chair attended a meeting of the Scrutiny Chairs group at which training for Committee members was discussed. In January 2020 the Chair attended the Scrutiny Chairs' training session. In October 2019 the Chair attended an Audit Committee Chairs' networking event, which was well attended by many Chairs of Audit Committees from across Wales.

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

**3.8** 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 2018/19, WAO 'ISA 260' Response to the Accounts
- WAO Certificate of Compliance for the Audit of MCC's 2019/20 Improvement Plan
- WAO Report: Well-being of Future Generations: An examination of developing a range of options to improve rural transport
- WAO Service Users Perspective Review, Customer Contact plus Managers' Response
- WAO Annual Improvement Report
- Audited Trust Funds Accounts (Welsh Church Fund and Monmouthshire Farm School Endowment Trust Fund)
- WAO Audit of Financial Statements Report and Management Letter for Welsh Church Act Fund
- WAO Independent Examination of Financial Statements Report – Monmouthshire Farm School Endowment Trust Fund
- WAO Review of Whistleblowing and Fairness at Work (Grievance) Arrangements at MCC
- WAO Environmental Health follow-up review for MCC
- WAO Leisure Services follow-up review for MCC
- WAO Annual Audit Plan
- WAO Certification of Grants and Returns 2018/19
- WAO Follow-up Review of Corporate Arrangements for Safeguarding of Children for MCC

**3.9** The Internal Audit annual report for 2018/19 and the annual 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.

**3.10** Reports presented for consideration included:

- Internal Audit (IA) Reports on Unfavourable Audit Opinions
- IA Outturn Report on 2018/19
- IA Plan 2019/20
- IA Quarterly Progress Reports
- Contract Procedure Rules and Exemptions
- Implementation of Internal Audit Recommendations 2017/18
- Draft Annual Governance Statement 2018/19

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

**3.11** 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 3.10, above).

**3.12** 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.

**3.13** 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 report on WAO Proposals for Improvement
- Whole Authority Strategic Risk Assessment

**3.14** A report on the IT Risk Register was presented in July by the Head of Digital.

**3.15** The Chief Officer for Resources provided the Committee with a presentation on Anti-bribery Compliance Update and Annual Risk Assessment in September 2019. In January 2020, the Committee received a presentation on Anti Bribery training.

**3.16** 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 2019/20 operational managers attended the Committee to report on what progress was being made concerning consecutive unsatisfactory Internal Audit reports on the administration of the use of fuel cards by the Authority.

**3.17** The Audit Committee also receives 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.

**3.18** In March 2020, the Committee received the Annual Performance Review of the Investment Committee.

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

**3.19** 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.

**3.20** The Treasury Outturn Report 2018/19 was presented and noted by the Committee in September with a mid-year Treasury Report for 2019/20 presented in November.

**3.21** Treasury Policy and Strategy was the subject of a paper presented to the Committee in January 2019.

**3.22** 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 Agendas and Minutes 2019/20

#### **8 AUTHOR AND CONTACT DETAILS**

Philip White, Chair, on behalf of the Audit Committee