

**SUBJECT: GOVERNANCE AND AUDIT COMMITTEE
ANNUAL REPORT 2022/23**

DIRECTORATE: Resources

MEETING: Governance and Audit Committee

DATE: July 2023

DIVISION/WARDS AFFECTED: All

Foreword by Andrew Blackmore, Chair of the Governance & Audit Committee

I am pleased to present the Annual Report of the Governance & Audit Committee which outlines the Committee's work and conclusions for the year ending 31 March 2023.

The Governance & Audit Committee is a key component of the Council's governance framework and provides independent oversight on the effectiveness of its governance, risk, financial management, and internal control arrangements.

The Committee has received valued reports, insights and professional advice from the Council's internal and external auditors in addition to various informative and relevant papers, and other inputs from officers.

I would like to thank all of the officers who have supported the work of this Committee through their attendance at meetings, presentation of reports and papers, constructive responses to the committee over issues and concerns raised, or their provision of much valued administrative support. Similarly, I would like to thank members for their valuable contribution throughout the period.

I am broadly comfortable that the committee has, over the period, substantively met its terms of reference and has made progress in encouraging officers to make targeted improvements across the Council's overall risk and control environment however, within the body of this report I, on behalf of the committee, have highlighted some matters which require addressing by officers. These matters have been previously raised with officers who are considering options for their resolution and are committed to working collaboratively with the committee.

**Andrew Blackmore,
Chair Governance & Audit Committee, June 2023**

1. PURPOSE

To set out the 2022/23 Annual Report from the Chair of the Council's Governance & Audit Committee which the Committee endorsed at its meeting on 27 July 2023.

2. CONCLUSION & RECOMMENDATIONS

The Committee concluded that it had substantively achieved the majority of its core responsibilities during the 2022/23 period and as a consequence the Council can be reasonably assured over its work, outputs and conclusion noting that the committee is broadly satisfied with the Authority's overall governance, risk and control arrangements. Notwithstanding this conclusion, these arrangements will need to evolve in response to key developments including the updated Corporate and Community Plan and the revised enabling strategies (e.g. asset and HR) and consequential impacts arising from the ongoing financial and operating challenges facing the Council.

During the period the committee scrutinised officers' overall response to the budgetary challenge and highlighted the likely disproportionate, adverse control assurance impacts arising from the proposed reduction of 1 FTE from the Council's internal audit function and recommended to the Cabinet and Council that this headcount reduction not be implemented. The committee is grateful to the Cabinet and Council for accepting this recommendation.

During the year, the committee periodically challenged both the adequacy and sufficiency of the actions taken, and information presented, by officers with a view to ensuring the robustness of the Council's overall governance, risk and control frameworks. Officers have responded positively and constructively to these challenges and the committee is confident that the anticipated improvements, when fully implemented, will provide greater confidence in achieving the objectives as encapsulated within the Council's Corporate and Community Plan.

The Council is invited to consider the conclusion and observations set out within this Annual Report and:

- re- confirm its expectations of the Governance & Audit Committee and in particular whether it wishes to confer on it any additional responsibilities,
- agree that the highlighted improvement areas should be addressed, and as appropriate
- endorse this Report.

3. THE COMMITTEE'S RESPONSIBILITIES

3.1 The core responsibilities for the Governance & Audit Committee are set out in summary form at section 10.2 within the Council's Constitution (18 May 2023 version) with further information on responsibilities and expectations dispersed throughout the remainder of what is a very lengthy document. Section 10.2 states the Committee's responsibilities are to:

- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- review and approve the annual statement of accounts, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 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

3.2 The Committee understands that it also has the following functions as required by s81, Local Government (Wales) Measure 2011) noting that these functions are not explicitly reflected in the Constitution (paragraph 3.1 above):

- review and scrutinise the authority's financial affairs,
- make reports and recommendations in relation to the authority's financial affairs,
- review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority,
- make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,
- review and assess the authority's ability to handle complaints effectively,
- make reports and recommendations in relation to the authority's ability to handle complaints effectively,
- oversee the authority's internal and external audit arrangements, and
- review the financial statements prepared by the authority.

3.3 In practice officers and members largely acknowledge that the committee's responsibilities do extend to those matters set out in paragraph 3.2 above (and to other matters such as whistleblowing)

however the lack of a comprehensive but concise terms of reference for the Committee has resulted in some inconsistent understanding and unproductive discussions which has adversely impacted the Committee's effectiveness as an oversight body. Officers are aware of the Committee's concerns and are committed to addressing these matters.

- 3.4 In reviewing the extent to which the Committee has fully and effectively discharged its responsibilities during the year, the Committee believes that it has not considered sufficient information to it to opine on matters pertaining to contract procedure rules and financial regulations.
- 3.5 As referenced elsewhere the Committee fully recognises the work and dedication of officers with which it engages. Notwithstanding this, the committee has periodically challenged the timeliness, adequacy and sufficiency of papers and reports presented with a view to ensuring that the topics covered more fully reflected the committee's interpretation of its remit. The Committee has also expressed a preference for more collaborative type working with officers on the proposed design/ re-design of governance, risk and control processes and topics, e.g. the design of the Council's Annual Self-Assessment exercise, as opposed to solely being requested to review the final process design as a by-product of reviewing the process output. The Committee's view is that this upfront engagement provides an opportunity to make more timely and constructive interventions which potentially reduces levels of required re-work by officers.
- 3.6 Officers have generally responded positively and constructively to these challenges and suggestions with the Committee being reasonably confident that the anticipated improvements, when fully implemented, will provide greater confidence in achieving the Council's strategic objectives.
- 3.7 Of perhaps more pertinence, the Council may wish to consider whether it has sufficient clarity and visibility over the Committee's responsibilities, the extent to which these are being discharged and the coherence and balance of responsibilities across its sub-committee structure.

4. RE-CONSTITUTION OF THE COMMITTEE

- 4.1 Following the Local Government and Elections (Wales) Act 2021 coming into effect the Council's former Audit Committee was re-named as the Governance & Audit Committee with other changes as required by the legislation, such as an increase in the number of lay members to comprise one third of the Committee were made with three lay members (including the Chair) appointed in May 2022 with the final remaining lay member appointed in February 2023 meaning that the Committee has a total of 12 members (comprises eight elected and four lay members).
- 4.2 As a consequence of these changes alongside the results of the 2022 Local Elections, the overwhelming majority of committee members were either new to the Authority and/ or newly appointed to the committee. In recognition of this an induction programme was established to equip elected and lay members with the appropriate information and knowledge

to enable us to make an effective contribution to the committee. There has been a period of adjustment before the Committee settled into a rhythm and on behalf of members I would like to express my gratitude to those officers who have helped with this process.

- 4.3 As an integral and critical component of this adjustment process, Committee members have legitimately challenged the Committee's previous focal points, scope and modus operandi with officers being periodically challenged over the proposed agenda items for the committee and adequacy and sufficiency of papers presented to committee meetings. This level of constructive challenge and purposeful, healthy tension between officers and the Committee's members is a desirable characteristic of any well-functioning governance body with officers generally responding positively to this.
- 4.4 For completeness the Committee acknowledges that there are ongoing discussions with senior officers on the interpretation of key elements of the Committee's responsibilities with a collaborative approach being taken (between members and officers) to designing and delivering concise but meaningful papers, reports and other artefacts to the committee to enable the more effective discharge of its responsibilities.
- 4.5 During the year Councillor Bob Greenland, a long standing and highly respected committee member sadly passed away and was replaced by Councillor Tony Kear. Subsequent to the year-end I note that Councillors Ian Chandler, Laura Wright and Tony Kear have stood down and have been replaced by Ben Callard, Ann Webb and David Jones. The committee acknowledges the valuable contributions made by its ex-members and welcomes the new members.
- 4.6 Our focus for the forthcoming period will be to support officers in demonstrating that governance standards remain appropriate; to refine the Council's approach to risk management and ensure it is embedded consistently across the Authority and to ensure that, inter alia, financial and operational risk controls, including people risks are managed effectively. Further, following the departure of Andrew Wathan, the Council's Chief Internal Auditor (CIA), the Committee intends to ensure that the newly appointed (de facto) CIA is adequately supported by chief officers and is empowered to exercise sufficient influence and authority across the Authority at the earliest opportunity. The Committee will continue to provide to the CIA with whatever guidance, support and encouragement is necessary to ensure that levels of control assurance are maintained, and that officers continue to act on internal audit recommendations.
- 4.7 Whilst the interim arrangements for Internal Audit currently appear adequate (noting the Committee's concerns over the current resourcing position), it is critical that the target resourcing and delivery model is finalised and implemented within a reasonable timeframe so as not to compromise the progress made over recent times. The Committee expects regular updates from the accountable officer on progress in this area.

5. SELF-ASSESSMENT, TRAINING & DEVELOPMENT

- 5.1 As a result of the continuing changes in the Committee's membership from May 2022 and the release of the updated CIPFA guidance for Governance & Audit Committees, a formal self-assessment has not yet taken place however, members have been invited to provide feedback to the Chair as appropriate during the year with such feedback being acted upon to the extent possible.
- 5.2 It is now anticipated that this self-assessment exercise will take place during the early autumn. Whilst it is primarily a self-assessment exercise by the Committee's members, relevant officers will be invited to participate and share observations.
- 5.3 The output from this exercise will inform the ongoing programme of training and development for members noting that Democratic Services will schedule and deliver induction training for new members.

6. COMMITTEE MEMBERSHIP & ATTENDANCE

- 6.1 The Committee is supported by Democratic Services with the, Deputy Chief Executive and Chief Officer Resources, the Head of Finance and the CIA or, occasionally, representatives, in attendance at most meetings. External Audit (Audit Wales) are invited to, and attended, all meetings.
- 6.2 The Committee met on nine separate occasions during 2022/23. For each meeting, the Committee was quorate and there were sufficient members to enable an informed discussion on the matters raised. The high attendance rate by members demonstrates their continued commitment to the work of the Committee.

Governance & Audit Committee meetings 2022/23
6 June 2022
20 June 2022
14 July 2022
8 September 2022
13 October 2022
24 November 2022
26 January 2023
16 February 2023
30 March 2023

Attendance at Meetings:

Members Attendance/ Committee Date	06.06.22	20.06.22	14.07.22	08.09.22	13.10.22	24.11.22	26.01.23	16.02.23	30.03.23	Meetings attended
Andrew Blackmore	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Peter Strong	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Colin Prosser	✓	✓	✓	x	✓	✓	✓	✓	✓	8
Martin Veale	x	✓	✓	✓	✓	✓	✓	✓	x	7
Rhodri Guest							✓	✓	✓	3
CC Ian Chandler	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC John Crook	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Tony Easson	✓	✓	✓	✓	✓	✓	✓	x	✓	8
CC Bob Greenland	✓									
CC Malcolm Lane	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Phil Murphy	✓	x	✓	✓	✓	✓	✓	✓	✓	8
CC Laura Wright	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Tony Kear						✓	✓	✓	✓	4
Total for Committee	10	9	10	9	10	11	12	11	11	
Attendance Ratio for 2022/23										
94.9%										
Attendance Ratio for 2021/22										
69%										
Attendance Ratio for 2020/21										
79%										

6.3 Regular reports were received by the Governance and Audit Committee throughout the year. 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 committee seriously.

6.4 A standard agenda item for the 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 material issues.

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Deputy Chief Executive/ S151 Officer.

9. RESULTS OF CONSULTATION:

Report agreed.

10. BACKGROUND PAPERS

Papers for the Governance & Audit Committee meetings during 2022/23.

11. AUTHOR AND CONTACT DETAILS

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

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