

**SUBJECT: GOVERNANCE AND AUDIT COMMITTEE
ANNUAL REPORT 2023/24**

DIRECTORATE: Resources

MEETING: Governance and Audit Committee

DATE: July 2024

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 2024.

The Governance & Audit Committee is a key component of the Council's overall governance framework and exercises oversight of its governance, internal control and risk management arrangements and its financial affairs.

I would like to thank all of the officers who have supported the work of the Committee by attending meetings, presenting papers and addressing concerns raised by the Committee. Similarly, I would like to thank committee members for their valued contribution throughout the period.

I am satisfied that the Committee has, over the period, met its terms of reference and has made a positive difference to the effectiveness of the Council's governance arrangements. Nonetheless, it is clear that the unprecedented financial challenges facing all local authorities alongside heightened demand for services will give rise to material financial sustainability concerns requiring public bodies to develop and implement effective financial strategies alongside further embedding robust financial disciplines. Monmouthshire County Council clearly recognises these challenges and has already taken steps to address these matters.

**Andrew Blackmore,
Chair Governance & Audit Committee, June 2024**

1. PURPOSE

To set out the 2023/24 Annual Report from the Chair of the Council's Governance & Audit Committee which the Committee endorsed at its meeting on 6 July 2024.

2. CONCLUSION & RECOMMENDATIONS

The Committee concluded that it had discharged its responsibilities during the 2023/24 period and as a consequence the Council can be reasonably assured over its work, outputs and conclusion that the Authority's overall governance, risk and control arrangements are broadly effective. Notwithstanding this conclusion, these arrangements will likely need to continue evolving to reflect developments in its financial position and consequential changes to how the Council re-shapes its service delivery.

During the year, the Committee considered all material elements of the Council's governance, risk, financial control, and internal and external auditing arrangements. Given the critical importance of independent control assurance and effective financial management, the Committee has taken a keen interest in ensuring that the proposed target operating models (TOM) for the Council's Internal Audit and Central Finance functions were appropriate, and are being implemented promptly. It is the Committee's expectation that the TOM for these functions will have been substantively implemented by the Autumn.

In discharging its responsibilities the Committee has legitimately challenged officers over the design and operating effectiveness of its risk and control infrastructure with officers generally responding positively to these challenges.

The Council is invited to consider the conclusion and observations set out within this Annual Report and 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 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 it is acknowledged that the Committee's responsibilities extend to those matters set out in paragraph 3.2 above (and to other matters such as whistleblowing). The Committee understands that the Constitution is being updated but notes that it appears to have no formal role in proposing, reviewing or recommending revisions to this critical element of the Council's governance infrastructure. This is a clear omission that needs addressing.

3.4 Over the year the Committee has carefully considered the work of the Internal Audit function and noted the increased incidence of limited audit opinions which the Committee believes is reflective of a more assertive internal auditing approach, but also is symptomatic of some emerging strain across elements of the Authority's internal control environment, which is unsurprising given the scale of the ongoing financial and operational pressures. In response, the Authority's Senior Leadership Team has quite rightly taken a more visible and forceful role in holding officers to account for promptly and fully implementing audit recommendations and more generally maintaining control disciplines. Continued vigilance in this area remains essential.

- 3.5 The Committee previously expressed a preference for more collaborative working with officers which provides an opportunity to make more timely and constructive interventions reducing levels of required re-work. Officers constructively engaged with the Committee in relation to proposing significant improvements to the Authority’s overall strategic risk management framework. At its meeting in April this year the Committee congratulated officers on the work completed and duly endorsed the revised risk policy and appetite framework, noting that fully embedding this throughout the Authority should provide greater confidence in achieving the Community and Corporate Plan. The Committee will carefully monitor progress being made in implementing this framework.
- 3.6 In response to previous concerns expressed by the Committee in respect of, for example, the quality and timeliness of papers and the pace at which officers responded to the Committee’s concerns, it is pleasing to note significant improvements across all areas.

4. COMMITTEE CONSTITUTION, MEMBERSHIP & ATTENDANCE

- 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 meaning that the Committee has a total of 12 members (comprises eight elected and four lay members).
- 4.2 There have been minor changes to membership over the period with all new members, along with existing members, offered an appropriate training and support programme which ensures that all members feel able to contribute effectively and to do so in a non-partisan manner. This training and support programme continues to be available to all members.
- 4.3 The Committee is supported by Democratic Services with the, Deputy Chief Executive and Chief Officer Resources, the Head of Finance and the Chief Internal Auditor, Performance and Data Insights Manager in attendance at most meetings. Representatives from our external auditors (Audit Wales) are invited to, and attend meetings as appropriate.
- 4.4 The Committee met on seven occasions during 2023/24. 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
29 June 2023
27 July 2023

20 September 2023
19 October 2023
4 December 2023
11 January 2024
22 February 2024

4.5 During late 2023 the Committee undertook a self assessment exercise which aimed to identify the extent to which members felt equipped to make an effective, individual contribution and then to consider whether collectively, the Committee was operating effectively. A small number of improvement areas were identified which have been implemented. The output from this exercise has informed the ongoing programme of training and development for members.

5. RESOURCE IMPLICATIONS

None.

7. CONSULTEES

- Governance & Audit Committee members
- Deputy Chief Executive/ S151 Officer
- Monitoring Officer.

8. RESULTS OF CONSULTATION:

Report agreed.

9. BACKGROUND PAPERS

Papers for the Governance & Audit Committee meetings during 2023/24.

10. AUTHOR AND CONTACT DETAILS

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

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