



Draft Internal Audit Report

Authority

Bridgend County Borough Council

Directorate

Cross Cutting

Audit Title

Effectiveness of the Governance & Audit Committee

Audit Year

2020/21

Report Distributed To:	Chair of Governance and Audit Committee - Councillor Lyn Walters Members of Governance and Audit Committee	
Report Produced & Issued By :	Filippa Daniels – Auditor Joan Davies – Audit Client Manager	
Report Dates	Draft: 8th April 2021	Final:
Audit Ref	AA923	

1. Introduction

- 1.1. Internal Audit reviewed the effectiveness of the Governance and Audit Committee in line with the Self-Assessment of Good Practice included in CIPFA guidance.
- 1.2. This report sets out the findings of the assessment and subsequent feedback by members of the Governance and Audit Committee as well as the responses to a skills questionnaire issued to all committee members.
- 1.3. The CIPFA Audit Committee Practical Guidance for Local Authorities and Police 2018 Edition states, as part of its Position Statement, that '*Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management*'. The scope of this Position Statement includes all principal local authorities in the UK.

2. Objectives & Scope

- 2.1. The objectives of the audit were to review the effectiveness of the Governance & Audit Committee in line with the Self-Assessment of Good Practice included in CIPFA guidance.

3. Strengths & Areas for Improvement

- 3.1. During the audit a number of strengths and areas of good practice were identified as follows:
 - Members of the Governance and Audit Committee engaged with the Self-Assessment Checklist process.
 - Members of the Governance and Audit Committee have completed a training needs assessment.

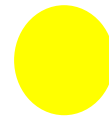
3.2. The following issues were identified during the audit which need to be addressed:

- A number of members felt they lacked reasonable knowledge or skills in certain areas.
- The Governance and Audit Committee did not fully meet all the requirements of the self-assessment checklist.

3.3 A number of recommendations contained within the report are for advisory purposes and have been categorised as Merits Attention. No formal response to these recommendations is required; hence they are not contained within the Management Implementation Plan.

4. Audit Opinion

Based on an assessment of the strengths and weaknesses of the areas assessed, it has been concluded that the effectiveness of the Governance & Audit Committee is **reasonable**. This overall opinion is supported by the identification of weaknesses in some areas, which although not substantial in nature could compromise the overall control environment. Action is considered necessary to avoid potential exposure to risks.



**Reasonable
Assurance**

5. Acknowledgement

- 5.1.** A number of staff and members gave us their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.
- 5.2.** The work undertaken in performing this audit has been conducted in conformance with the Public Sector Internal Audit Standards.
- 5.3.** Any enquires regarding the disclosure or re-issue of this document to third parties should be sent to the Head of Audit via cmthomas@valeofglamorgan.gov.uk

6. Findings & Recommendations

Risk may be viewed as the chance, or probability, of one or more of the organisation’s objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results.

The criticality of each recommendation is as follows:

- Fundamental: Action that is considered imperative to ensure that the organisation is not exposed to high risks*
- Significant: Action that is considered necessary to avoid exposure to significant risks*
- Merits Attention: Action that is considered desirable and should result in enhanced control*

6.1. Self-Assessment Checklist

Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.1.1.	<p>Expected Control: Areas are not fully compliant are identified</p> <p>Possible Risk: Committee fails to meet all areas of good practice.</p>	<p>A checklist based on the CIPFA Audit Committees Practical Guidance 2018 Self-Assessment of Good Practice was completed by Internal Audit in January 2021. The checklist indicated that the overall effectiveness of the Governance and Audit Committee is good and a few areas were identified where improvements can be made.</p> <p>The main areas identified for consideration were:</p> <ul style="list-style-type: none"> • The Committee does not currently produce an Annual Report on its work. • The Terms of Reference for the Committee did not clearly reflect the purpose in accordance with CIPFA’s Position Statement • Changes in legislation set out in the Local Government & Elections (Wales) Act will need to be 	<p>The Governance & Audit Committee considers producing an Annual Report that is presented to Full Council.</p> <p>The Governance & Audit Committee’s Terms of Reference is reviewed and updated in line with CIPFA’s Position Statement</p> <p>The changes in legislation set out in the Local Government and Elections (Wales) Act need to be reflected in the Terms of Reference.</p>	<p>Merits Attention</p> <p>Merits Attention</p> <p>Significant</p>

Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<p>reflected once they are confirmed.</p> <ul style="list-style-type: none"> • A training needs assessment for members was required, (this has since been completed). • Feedback is not sought from those relying on the Committee’s work. • The Committee does not currently evaluate whether and how it is adding value. <p>The findings of this checklist were presented to the Governance and Audit Committee held on 28th January 2021.</p>	<p>The Committee seek feedback from those interacting with it or relying on its work.</p> <p>The Committee evaluates whether and how it is adding value and an action plan is put in place to improve any weaknesses.</p>	<p>Merits Attention</p> <p>Merits Attention</p>
6.1.2.	<p>Expected Control: Members have been given the opportunity to feedback on the self-assessment</p> <p>Possible Risk The self assessment is not a true reflection of the Committee</p>	<p>Members were provided with an opportunity to discuss and feedback on the findings of the self-assessment following the Governance and Audit Committee meeting on 28th January 2021.</p> <p>As agreed in this meeting a number of members decided to feedback as a group whilst others fed back individually.</p> <p>The feedback provided was:</p> <ul style="list-style-type: none"> • The Ethical Framework for BCBC needs to be enhanced and better articulated so the Committee is able meet this responsibility. • Additional meetings should be considered to avoid excessively voluminous papers that can be difficult to absorb prior to meetings. 	<p>The suggestions obtained through feedback are considered by the Committee to agree which points are to be taken forward in an appropriate manner.</p>	<p>Merits Attention</p>

Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<ul style="list-style-type: none"> • A 30 minute pre-meeting for members only (to reflect approach in Scrutiny Committees) to discuss issues and agree questions. This would not stop other questions being raised during the meeting but may assist in streamlining the questions and processes. • New members who join the Audit Committee after the first year do not receive specific audit committee training. • Only partly instead of fully agreeing that there is an appropriate mix of knowledge and skills among the membership. • There is inadequate knowledge of what the Governance & Audit Committee does by other members of the Council (not on this Committee) • Some members do not have the knowledge to perform their function effectively. • As this committee in comparison to other overview and scrutiny committees of the Council requires a very specific skill set, it is suggested that all Group Leaders and non-aligned Independent Members undertake a skills audit to identify those in their political groups who are best placed to sit on this committee. This will ensure that the committee is comprised of those members with the most appropriate professional background and knowledge. • Slightly disagree that the arrangements to hold the committee to account for its performance are operating satisfactorily. 		

Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		<ul style="list-style-type: none"> There is not always a good level of discussion and engagement from all members in meetings. Response to <i>Does the audit committee report directly to full council?</i> Should be no and not partly met. 		

6.2. Members Knowledge & Skills Questionnaire

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality																
6.2.1.	<p>Expected Control: It is known what areas of training are required by the Committee.</p> <p>Possible Risk: Members lack necessary skills to perform their role confidently.</p>	<p>The questionnaire was issued to all 13 members of the Governance & Audit Committee to assess their individual knowledge and experience. 12 members completed and returned their completed questionnaire with the other member being on maternity leave.</p> <p>The results of the questionnaire are summarised below:</p> <table border="1"> <thead> <tr> <th></th> <th>Reasonable Knowledge & Experience</th> <th>Limited Knowledge & Experience</th> <th>No Knowledge or Experience</th> </tr> </thead> <tbody> <tr> <td>Organisational Knowledge</td> <td>9</td> <td>3</td> <td>0</td> </tr> <tr> <td>Audit Committee Role & Functions</td> <td>8</td> <td>4</td> <td>0</td> </tr> <tr> <td>Internal Audit</td> <td>8</td> <td>4</td> <td>0</td> </tr> </tbody> </table>		Reasonable Knowledge & Experience	Limited Knowledge & Experience	No Knowledge or Experience	Organisational Knowledge	9	3	0	Audit Committee Role & Functions	8	4	0	Internal Audit	8	4	0	<p>A training programme for members of the Governance & Audit Committee is developed.</p> <p>Members of the Governance & Audit Committee attend training when made available.</p>	<p>Merits Attention</p> <p>Merits Attention</p>
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		<table border="1" data-bbox="584 405 1382 691"> <tr> <td>Financial Management & Accounting</td> <td>9</td> <td>2</td> <td>1</td> </tr> <tr> <td>External Audit</td> <td>9</td> <td>2</td> <td>1</td> </tr> <tr> <td>Risk Management</td> <td>9</td> <td>3</td> <td>0</td> </tr> <tr> <td>Counter Fraud</td> <td>7</td> <td>4</td> <td>1</td> </tr> <tr> <td>Values of Good Governance</td> <td>8</td> <td>3</td> <td>1</td> </tr> </table> <p data-bbox="584 727 1382 858">These responses show that there are a number of areas where members feel they have a gap in their knowledge and experience. This demonstrates that there would be a benefit for additional training.</p> <p data-bbox="584 895 1382 995">Of the 12 responses, 6 members felt they had reasonable knowledge in all 8 areas and 2 members felt they did not have reasonable knowledge in any of the areas.</p>	Financial Management & Accounting	9	2	1	External Audit	9	2	1	Risk Management	9	3	0	Counter Fraud	7	4	1	Values of Good Governance	8	3	1		
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6.2.2.	<p data-bbox="226 1031 555 1161">Expected Control: The knowledge and skills members possess are known and utilised.</p> <p data-bbox="226 1198 555 1366">Possible Risk: Individual members knowledge and skills not used to benefit the whole Committee.</p>	<p data-bbox="584 1031 1382 1131">Part of the questionnaire requested members to state the areas where they had knowledge that could add value to the work of the Committee. The responses are shown below:</p> <table border="1" data-bbox="584 1163 1382 1374"> <thead> <tr> <th>Skill</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Accountancy</td> <td>2</td> </tr> <tr> <td>Internal Audit</td> <td>3</td> </tr> <tr> <td>Risk Management</td> <td>5</td> </tr> <tr> <td>Governance & Legal</td> <td>5</td> </tr> <tr> <td>Service and Organisational</td> <td>3</td> </tr> </tbody> </table>	Skill	Number	Accountancy	2	Internal Audit	3	Risk Management	5	Governance & Legal	5	Service and Organisational	3										
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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality						
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Knowledge Programme & Project Management	3									
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Other	2									
6.2.3.	<p>Expected Control: Members of the Committee have been given the opportunity to raise other areas of support/ advice they feel would be beneficial.</p> <p>Possible Risk: Committee misses out on opportunities to improve.</p>	<p>The questionnaire included a section to allow members to raise any other areas of support/advice they considered would be beneficial. The responses and comments were as follows:</p> <ul style="list-style-type: none"> • Prior to Audit Committee meetings members should go through the agenda with an officer from the Audit department to help understand the importance of item. • Initial training missed and any training would be welcome. • Would benefit from a regular programme of member development. • Specific training as an audit committee has probably been insufficient. • Strange there is no mandatory training before you can sit on this committee. • Should not be a dominance of any political party on this committee. • An annual training update to include any changes to Welsh Government's/other regulations for the Council that have a bearing on the future of the Committee's remit would be helpful. • Prior to the first audit meeting of the year, a meeting 	The additional points raised are considered when developing the training programme.	Merits Attention						

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
		to discuss Governance and Audit and the Committee members' roles.		

7. Management Implementation Plan

Rec no.	Recommendation	Cat. Code (see Key)	Criticality	Report Ref.	Agreed (Y/N)	Management Comments	Job Title of Officer Responsible	Date to be implemented
1	The Governance & Audit Committees' Terms of Reference is reviewed and updated in line with CIPFA's Position Statement and the forthcoming changes in legislation set out in the Local Government and Elections (Wales) Bill once they are confirmed.	A	Significant	6.1.1.	Y	Report prepared by Legal for presentation to the Governance and Audit Committee to be followed by a report to Council on the changes.	Monitoring Officer	Date of Annual Council meeting 19 May 2021.
2	The Governance & Audit Committee considers producing an Annual Report that is presented to Full Council.	A	Merits Attention	6.1.1.				

Rec no.	Recommendation	Cat. Code (see Key)	Criticality	Report Ref.	Agreed (Y/N)	Management Comments	Job Title of Officer Responsible	Date to be implemented
3	The Committee seeks feedback from those interacting with it or relying on its work.	A	Merits Attention	6.1.1.				
4	The Committee evaluates whether and how it is adding value and an action plan is put in place to improve any weaknesses.	A	Merits Attention	6.1.1.				
5	The suggestions obtained through feedback are considered by the Committee to agree which points are to be taken forward in an appropriate manner.	A	Merits Attention	6.1.2.				
6	A training programme for members of the Governance & Audit Committee is developed	A	Merits Attention	6.2.1.				
7	Members of the Governance & Audit Committee attend training when made available.	A	Merits Attention	6.2.1.				
8	The additional points raised	A	Merits	6.2.3.				

Authority BCBC

Audit Effectiveness of the Governance & Audit Committee

Rec no.	Recommendation	Cat. Code (see Key)	Criticality	Report Ref.	Agreed (Y/N)	Management Comments	Job Title of Officer Responsible	Date to be implemented
	within the questionnaire are considered when developing the training programme.		Attention					

DRAFT

Management Implementation Plan Category Code Key

Category Code	Category Description	Category Code	Category Description
A	Accomplishment of objectives	S	Safeguarding of assets
C	Compliance	X	Governance
R	Reliability and integrity of information	Y	Corporate impact
E	Value for money	Z	Self-audit

Audit Assurance Category Code Key

The objective of an audit is to evaluate the system with a view to delivering reasonable assurance as to the adequacy of the application of the internal control system. The control system is put in place to ensure that risks to the achievement of the Authority's objectives are managed effectively.

Based upon the recommendations made, the categorisation of them and the areas that they relate to, an overall conclusion as to the level of assurance that can be provided will be given, as below:

Substantial Assurance

- Key controls exist and are applied consistently and effectively; and,
- Objectives are being achieved efficiently, effectively and economically (VFM).

Reasonable Assurance (some risk of loss, fraud, impropriety, or damage to reputation)

- Key controls exist but there may be some inconsistency in application;
- Compensating controls operating effectively; and,
- Objectives achieved after a fashion, e.g. VFM could be improved.

Limited Assurance (a high risk of loss, fraud, impropriety, or damage to reputation)

- Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively; and,
- Objectives are not being met, or are being met without achieving VFM.

No Assurance (a very high risk of loss, fraud, impropriety, or damage to reputation)

- Key controls do not exist; and,
- Objectives are either not met, or are met without achieving VFM.