



**Subject**                      **Governance and Audit Committee Annual Report 2022/23**

**Directorate:**                **Finance, Performance & Change**

**Meeting:**                    **Governance and Audit Committee**

**Date:**                        **9 November 2023**

**Division/Wards Affected**    **All**

## 1. **PURPOSE**

- 1.1 The purpose of the report is to present the Governance and Audit Committee's Annual Report for the Committee to determine whether it forms a balanced summary of the work undertaken by the Committee during 2022-23 and to approve its presentation to full Council.

## 2. **RECOMMENDATIONS**

- 2.1 On behalf of the Governance and Audit Committee, the annual report for 2022/23 is submitted for consideration by the Governance and Audit Committee. It shows that, over this period, the Committee has fulfilled its role as defined in its terms of reference.
- 2.2 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.
- 2.3 That Governance and Audit Committee endorse this report and recommend its presentation to Council.

## 3. **INTRODUCTION**

- 3.1 The Council's Governance and 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.
- 3.2 A key component of good governance for all organisations is to have in place a Governance and Audit Committee. Bridgend County Borough Council complies with this requirement; the Terms and Reference of the Committee, as included within the Council's Constitution, are set in line with the Local Government Measure 2011 and the Local Government and Elections (Wales) Act 2021. The responsibilities of Governance and Audit Committee, as required by the above legislation, are included at **Appendix 1** of this report.
- 3.3 The Local Government and Elections (Wales) Act 2021 determined that former Audit Committees would be re-named Governance and Audit Committees and from May 2022 the Chair of the Governance and Audit Committee had to be a lay member and that one third of its membership had to be lay members. Bridgend's Governance and Audit Committee had its full quota of 4 lay members and 8 elected councillors during 2022/23. The Committee held 6 meetings during the municipal year.
- 3.4 Changes to the way the Council is operating since Covid-19, including new risks as a result of different ways of working, remote and digital working and other service changes have continued to influence the delivery of Council services.

The Governance and Audit Committee was mindful of this in setting its workplan for the year and also of the need for robust and proportionate oversight of the Council's governance, internal control and risk managements to be in place. The Governance and Audit Committee focussed on its core responsibilities:

- Reviewing the draft financial statements;
- Scrutinising and being satisfied with the Council's Annual Governance Statement, to demonstrate how governance supports the achievement of objectives, and monitor management action in-year to further improve arrangements;
- Monitoring the Council's internal audit function in terms of overseeing independence, objectivity, performance and professionalism, through the regular reporting of performance and finalised audit assignments;
- Considering the effectiveness of the authority's risk management arrangements;
- Considering reports and recommendations of external audit in respect of the Council;
- Supporting the ongoing development and effectiveness of Governance and Audit Committee; and
- Ensuring compliance with legal requirements, namely the Local Government and Elections (Wales) Act 2021, in respect of overseeing the Council's performance assessment and the arrangements for handling complaints.

3.5 All reports presented to the Governance and Audit Committee during 2022/23 are shown at **Appendix 2**.

#### **4. WORK DELIVERED IN 2022/23**

4.1 The CIPFA Guidance ('Audit Committees – Practical Guidance for Local Authorities & Police 2022 Edition') identifies 'Core Functions' of a Governance and Audit Committee along with what it refers to as possible 'wider functions' of a Governance and Audit Committee. The Committee undertook its role during 2022/23 by receiving a comprehensive suite of reports in line with its work programme for the year, as shown at **Appendix 2**.

4.2 *Be satisfied that the Council's assurance statements, including the annual governance statement (AGS), properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives.*

4.2.1 The Draft AGS for 2021/22 was reported to the Governance and Audit Committee; the Committee endorsed it and recommended its certification by the Leader of the Council and the Chief Executive for inclusion within the Council's 2021/22 Statement of Accounts. As part of this process, the Review of Effectiveness and proposals for improvement have been reviewed and challenged by the Council's Corporate Management Board and Governance and Audit Committee.

4.2.2 For information, the draft AGS for 2022/23 was presented to the Governance and Audit Committee in July 2023.

4.3 *Internal Audit functions:*

- *oversee its independence, objectivity, performance and professionalism;*
- *support the effectiveness of the internal audit process;*
- *promote the effective use of internal audit within the assurance framework.*

4.3.1 From the 1<sup>st</sup> April 2019 the Council's Internal Audit Service transferred to a Regional Internal Audit Service, hosted by the Vale of Glamorgan Council and comprising four local authorities: Bridgend County Borough Council, Merthyr Tydfil County Borough Council, Rhondda Cynon Taf County Borough Council and Vale of Glamorgan Council.

4.3.2 The Covid-19 pandemic required Council Services to quickly adapt and implement changes to service delivery arrangements to ensure continued provision of essential frontline services. Although the situation settled during 2022/23, an assessment of key risks and changes in service delivery arrangements were taken into account as part of compiling the Internal Audit Annual Strategy and Risk Based Internal Audit Plan 2022/23.

4.3.3 The Internal Audit Annual Plan for 2022/23 was reported to and approved by the Governance and Audit Committee. The Head of the Regional Internal Audit Service outlined that the proposed plan would need to continue to recognise particular risks and challenges arising from revised working arrangements, such as remote ways of working.

4.3.4 During the year, the Governance and Audit Committee received Internal Audit performance updates, details of all finalised audit assignments and progress on implementation of audit recommendations; this suite of information has enabled Members to consider the effectiveness of the Internal Audit process for 2022/23.

4.3.5 A key part of the Governance and Audit Committee's role is to support the Council's Internal Audit Service to remain independent, assess whether it has adequate resources available to it and to monitor the performance and quality of work delivered throughout the year. The Internal Audit Service fulfilled this requirement through its Internal Audit Charter, that was presented to and approved by the Governance and Audit Committee and provided the Committee with information to assess the independence of the Internal Audit Service.

4.4 *Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption.*

4.4.1 Only 1 *Limited Assurance* audit report was issued in 2022/23 which was reported to the Governance and Audit Committee within Internal Audit's (IA) 'Progress against the IA Risk Based Plan 2022-23 reports during the year. The results of Internal Audit's work for the financial year is brought together in the form of the *Head of Internal Audit's Annual Report*, which for 2021/22 was reported to Committee in June 2022. For 2022/23 the *Head of Internal Audit's Annual Report* was reported in the first half of the 2023/24 financial year.

4.4.2 Based on the internal audit reviews completed during 2021/22, the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2021/22 was *Reasonable* - is 'Effective with a small number of areas identified for improvement'. In addition, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses that have been identified are service specific.

4.4.3 1 audit assignment completed to final report stage during 2021/22 received an audit opinion of *Limited Assurance*, there were no *No Assurance* opinions. This audit was followed up during 2022/23 and was given a *Reasonable Assurance* audit opinion.

4.4.4 With regard to the risks of fraud and corruption:

- In July 2022 the Annual Corporate Fraud Report 2021/22 was presented. This update provided assurance on the Council's arrangements to tackle potential fraud and covered the internal control environment that supports this area.
- The Anti-tax Evasion Policy was reported to Committee prior to it being presented to Cabinet for approval.

4.5 *Consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.*

4.5.1 Quarterly updates were presented to Committee throughout the year which enabled officers and Members to identify and assess trends and the crosscutting nature of risks with the ability to drill down to the detail of risks as and when required.

4.5.2 The draft AGS was presented prior to its inclusion with the Statement of Accounts.

- 4.5.3 In line with the requirements of the Local Government and Elections (Wales) Act 2021, the Committee reviewed the Council's draft Self-Assessment for 2021/22 (incorporating the Council's Corporate Performance Report) in advance of consideration at a meeting of the full Council (noting that the self-assessment included information in respect of partnership / collaboration arrangements).
- 4.6 *Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.*
- 4.6.1 Governance and Audit Committee were presented with the draft 2021/22 Statements of Account for the Council and Audit Wales provided a verbal update on the progress on the audit of those accounts; they informed the Committee that no significant matters had been identified to date although there were delays due to the issues around infrastructure assets.
- 4.6.2 Following review by Committee, the Council's 2021/22 audited Statement of Accounts were reported back through Cabinet and approved by full Council; an unqualified opinion was issued by Audit Wales (i.e. clean bill of health).
- 4.6.3 The Council's Treasury Management and Investment Strategy was updated and presented to Committee for review prior to it being reporting to full Council.
- 4.7 *Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.*
- 4.7.1 At the first Governance and Audit Committee meeting of the 2022/23 Municipal Year, Audit Wales reported the 2022 Audit Plan for the Council, and thereafter provided quarterly Audit Wales Work Programme Updates during the year to enable the Committee to be kept up-to-date with the work of Audit Wales and providing opportunity to seek clarity / further information where deemed required.
- 4.7.2 Audit Wales presented finalised reports to the Governance and Audit Committee during the year (accompanied by Council progress updates on the implementation of recommendations / proposals for improvement contained within the reports):
- Direct Payments for Adult Social Care
  - Assurance and Risk Assessment Review for 2021/22
  - Springing Forward – Strategic Workforce Management – Bridgend County Borough Council
  - Springing Forward – Strategic Asset Management – Bridgend County Borough Council

- Transformational Leadership Programme Board – Baseline Governance Review – Cwm Taf Morgannwg Regional Partnership Board
- Performance Management Review - Bridgend County Borough Council

## 5. **SELF-ASSESSMENT AGAINST THE CIPFA PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES & POLICE 2018 EDITION**

- 5.1 The self-assessment checklist based on the CIPFA Guidance was circulated to members of the Committee in order to assess the existing skills, knowledge and areas of expertise of members and to identify any gaps or training requirements.
- 5.2 88% of responses from members of this Committee indicated that their level of knowledge and experience across the 10 statements, as shown in **Appendix 3**, was good or satisfactory. The areas where little knowledge or experience was indicated as highest were Complaints Handling and Council Performance Self-Assessment.
- 5.3 The results indicate that Governance and Audit Committee members have an overall sound base of knowledge and experience in the areas of responsibility for this Committee.

## 6. **CURRENT SITUATION**

- 6.1 The draft report was presented to Governance and Audit Committee on 28 September 2023. A Member noted that there did not seem to be any strong improvements recommended as part of this report and wondered if there could be a section to do with how Members could do better next year; this will be incorporated in next year's report. Members were given the opportunity to feedback any further comments to the Head of the Regional Internal Audit Service; no further comments were received.

## 7. **CONCLUSIONS**

- 7.1 During 2022/23 the Council's Governance and Audit Committee has reviewed and challenged a range of topic areas, including the work of Internal and External Audit, the Committee's responsibilities as set out in the Local Government and Elections (Wales) Act 2021 and its responsibility in respect of reviewing and scrutinising the Council's Treasury Management arrangements.
- 7.2 From a review of the coverage of Governance and Audit Committee's work and oversight during the year, as set out in Section 2, it is considered that the Committee has delivered its workplan and responsibilities in line with its Terms of Reference.

- 7.3 The Annual Report also sets out, in Section 5 / **Appendix 3**, the results of the self-assessment undertaken against the checklist included within the CIPFA Guidance. The outcome of the 2022/23 self-assessment process, consistent with previous years, demonstrates that the Council has sound arrangements in place in respect of its Governance and Audit Committee, noting that the level of knowledge and experience of members was good or satisfactory.



**RESPONSIBILITIES OF AUDIT COMMITTEE IN LINE WITH THE LOCAL GOVERNMENT (WALES) MEASURE 2011 AND LOCAL GOVERNMENT AND ELECTIONS (WALES) ACT 2021****Chapter 2, section 81 of the Local Government (Wales) Measure 2011 (revised)****Local authorities to appoint governance and audit committees**

A local authority must appoint a committee (a "Governance and Audit Committee") to—

- a) review and scrutinise the authority's financial affairs,
- b) make reports and recommendations in relation to the authority's financial affairs,
- c) review and assess the risk management, internal control and corporate governance arrangements of the authority,
- d) make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,
- (da) review and assess the authority's ability to handle complaints effectively,
- (db) make reports and recommendations in relation to the authority's ability to handle complaints effectively
- e) oversee the authority's internal and external audit arrangements, and
- f) review the financial statements prepared by the authority.

A local authority may confer on its Governance and Audit Committee such other functions as the authority considers suitable to be exercised by such a committee.

It is for a Governance and Audit Committee to determine how to exercise its functions.

**Local Government and Elections (Wales) Act 2021****Council Performance Arrangements**

- (i) To consider the Council's draft Annual Performance Self-Assessment report and if deemed necessary may make recommendations for changes to the Council.
- (ii) To receive the Council's finalised Annual Self-Assessment report in respect of a financial year as soon as reasonably practicable after the end of that financial year.
- (iii) At least once during the period between two consecutive ordinary elections of councillors to the Council, consider the independent Panel Performance Assessment report into which the Council is meeting its performance requirements.
- (iv) To receive and review the Council's draft response to the report of the independent Panel Performance Assessment and if deemed necessary may make recommendations for changes to the statements made in the draft response to the Council.

**Complaints Handling**

- (i) To review and assess the Council's ability to deal with complaints effectively.
- (ii) To make reports and recommendations in relation to the Council's ability to deal with complaints effectively.



Final Nov 23

Appendix A

|   |   |   |  |   |   |   |   |
|---|---|---|--|---|---|---|---|
| Treasury Management                                 |   |   |  |   |   |   |   |
| Treasury Management Outturn Report 2021-22          |   | ✓ |  |   |   |   |   |
| Treasury Management Half Year Report 2022-23        |   |   |  |   | ✓ |   |   |
| Treasury Management Strategy 2023-24                |   |   |  |   |   | ✓ |   |
|   |   |   |  |   |   |   |   |
| Risk Assurance                                      |   |   |  |   |   |   |   |
| Corporate Risk Assessment                           | ✓ |   |  |   | ✓ | ✓ |   |
|   |   |   |  |   |   |   |   |
| Counter Fraud                                       |   |   |  |   |   |   |   |
| Corporate Fraud Report 2021-22                      |   | ✓ |  |   |   |   |   |
| Anti Tax Evasion Policy                             |   |   |  |   |   |   | ✓ |
|   |   |   |  |   |   |   |   |
| Others  |   |   |  |   |   |   |   |
| Complaints Process                                  |   |   |  |   |   |   | ✓ |
| Disabled Facilities Grants                          |   |   |  | ✓ |   |   |   |
| Annual Self Assessment of the Council's Performance | ✓ |   |  | ✓ |   |   |   |
|   |   |   |  |   |   |   |   |

### Self-assessment of Good Practice

#### BRIDGEND COUNTY BOROUGH COUNCIL - GOVERNANCE & AUDIT COMMITTEE - ANALYSIS OF THE KNOWLEDGE & SKILLS SELF ASSESSMENT QUESTIONNAIRE

|  | Good Knowledge | Satisfactory Knowledge | Little Knowledge | Total | Any Comments                                    |
|--|----------------|------------------------|------------------|-------|---|
| 1. Organisational Knowledge                          | 4              | 5                      | 1                | 10    |   |
| 2. Governance and Audit Committee Role and Functions | 5              | 4                      | 1                | 10    |   |
| 3. Internal Audit                                    | 5              | 4                      | 1                | 10    |   |
| 4. Financial Management and Accounting               | 4              | 5                      | 1                | 10    |   |
| 5. External Audit                                    | 5              | 4                      | 1                | 10    |   |
| 6. Risk Management                                   | 4              | 4                      | 2                | 10    |   |
| 7. Counter Fraud                                     | 4              | 4                      | 2                | 10    | Further work to consider councils arrangements. |
| 8. Values of Good Governance                         | 5              | 4                      | 1                | 10    |   |
| 9. Council Performance Self-Assessment               | 4              | 5                      | 1                | 10    |   |
| 10. Complaints Handling                              | 3              | 6                      | 1                | 10    |   |

#### All comments received

I have very limited knowledge in these areas and welcome any training opportunities.

Training and briefings provided so far have been most useful.

Keen to understand further the Council's specific arrangements across compliants handling, risk management (including fraud)

Training has provided a working knowledge to be supplemented over the coming months

I have the required support and glad the Council Team is available at all time to support.