



Subject **Draft Governance and Audit Committee
Annual Report 2023/24**

Directorate: **Finance, Housing & Change**

Meeting: **Governance and Audit Committee**

Date: **26 September 2024**

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

1. PURPOSE

- 1.1 The purpose of the report, subject to further comments from Members, is for the Committee to approve the Governance and Audit Committee's Annual Report and determine whether it forms a balanced summary of the work undertaken by the Committee during 2023/24 for presentation to full Council.
- 1.2 On behalf of the Governance and Audit Committee the Annual Report for 2023/24 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.
- 1.3 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. RECOMMENDATIONS

- 2.1 It is recommended that, subject to further comments from Members, the Committee approve the Governance and Audit Committee's Annual Report and determine whether it forms a balanced summary of the work undertaken by the Committee during 2023/24 for presentation to full 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 (Wales) 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 3 out of 4 lay members and 8 elected councillors on the Committee during 2023/24. The Committee held 6 meetings during the municipal year. Progress was ongoing to appoint the fourth lay member.

3.4 The Governance and Audit Committee was mindful of new and different ways of working 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 2023/24 are shown in the forward work plan as at **Appendix 2**.

4. WORK DELIVERED IN 2023/24

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 2023/24 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 2022/23 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 2022/23 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. Members were keen to challenge the process and sought clarification of certain aspects of the draft statement.

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 1st 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. [With effect from 1st April 2024, Rhondda Cynon Taf County Borough Council have decided to take Internal Audit back in-house for strategic reasons citing no issues with quality, experience or relationships with the regional service].

4.3.2 An assessment of key risks and changes in service delivery arrangements following Covid-19 were taken into account as part of compiling the Internal Audit Annual Strategy and Risk Based Internal Audit Plan 2023/24.

4.3.3 The Internal Audit Annual Plan for 2023/24 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. Members were keen to understand how the plan was compiled and challenged the robustness of it.

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 2023/24.

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 6 *Limited Assurance* audit reports were issued in 2023/24 which were reported to the Governance and Audit Committee within Internal Audit's (IA) 'Progress against the IA Risk Based Plan 2023/24 reports during the year. There were no 'No Assurance' reports issued.

4.4.2 Following the *Limited Assurance* opinion issued regarding school vehicles, Members requested that further work be undertaken and that the Director write to all schools in order to obtain the assurances that appropriate controls were in place.

4.4.3 Members also requested that the Corporate Management Board be made aware of their concern that some audit recommendations were not being actioned on a timely basis and requested progress reports. Directors / Heads of Service were requested to provide written progress reports on the implementation of audit recommendations.

4.4.4 Throughout the year Members demonstrated that they challenged senior management around governance issues arising and held them accountable for taking appropriate action to make the necessary improvements. Consideration was given to calling in Directors where action was not evident for them to provide assurances that improvements in the control environment would be made.

4.4.5 The results of Internal Audit's work for the financial year are brought together in the form of the *Head of Internal Audit's Annual Report*, which for 2022/23 was reported to Committee in June 2023. For 2023/24 the *Head of Internal Audit's Annual Report* was reported in the first half of the 2024/25 financial year.

4.4.6 Based on the internal audit reviews completed during 2022/23, the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2022/23 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.

4.4.7 With regard to the risks of fraud and corruption:

- In July 2023 the Annual Corporate Fraud Report 2022/23 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.
- Following the presentation of the Annual Fraud Report, Members suggested DWP be invited to outline their approach to fraud.

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. Members suggested improvements in the presentation of risk reports which were taken into consideration. Members received and debated the governance on a report on Cyber Security as one of the risks on the Corporate Risk Register.

4.5.2 In line with the requirements of the Local Government and Elections (Wales) Act 2021, the Committee reviewed the Council's draft Self-Assessment for 2022/23 (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). Members were given the opportunity to discuss and comment on the Corporate Self-Assessment exercise before being approved by Cabinet and Council. Members challenged the content of the report and sought further clarifications of specific areas.

4.5.3 Reports on corporate complaints were also considered and discussed by the Committee who contributed to future improvements of the process and presentation.

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 2022/23 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. Members discussed and challenged the merits of the budget setting process and sought further clarification on certain aspects of the statements presented.

4.6.2 Following review by Committee, the Council's 2022/23 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 reported to full Council. Members welcomed the training provided by officers to help them better understand this process.

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 2023/24 Municipal Year, Audit Wales reported the 2023 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. Members challenged some content of these reports and raised concerns around timeliness and availability of reports, audit fees and the impact of Welsh Government legislation on local government.

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 89% 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. There were no significant areas where Members felt they had little knowledge or experience, although they would welcome further sessions on the arrangements for complaint handling and were happy to be guided by officers on other areas of knowledge requiring development.

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. **CONCLUSIONS**

- 6.1 During 2023/24 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.
- 6.2 Members have demonstrated that they have held senior management to account for making improvements in the control environment, challenged officers and sought clarification and progress reports to obtain the assurances required.
- 6.3 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.
- 6.4 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 2023/24 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 its 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.

Appendix 2

GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME 2023-24	Frequency	01 June 2023	26 July 2023	28 September 2023	09 November 2023	25 January 2024	18 April 2024
Standing Items							
Governance and Audit Committee Action Record	Each meeting	✓	✓	✓	✓	✓	✓
Audit Wales Governance and Audit Committee Reports	Each meeting	✓	✓	✓	✓	✓	✓
Updated Forward Work Programme	Each meeting	✓	✓	✓	✓	✓	✓
Annual Accounts							
Statement of Accounts 2022-23 (unaudited)	Annually		✓				
Porthcawl Harbour Return 2022-23 (unaudited)	Annually		✓				
Audited Statement of Accounts and Annual Governance Statement	Annually				✓		
Porthcawl Harbour Return (audit letter)	Annually				✓		
Governance							
Annual Governance Statement 2023-24	Annually		✓				
Half Year Review of the Annual Governance Statement 2023-24	Annually				✓		
Audit Wales Annual Audit Plan <i>(included in Audit Wales Governance and Audit Committee Reports item)</i>	Annually						✓
Annual Audit Summary <i>(included in Audit Wales Governance and Audit Committee Reports item)</i>	Annually					✓	
Internal Audit Reports							
Annual Internal Audit Report 2022-23	Annually	✓					
Internal Audit Shared Service Charter	Annually						✓
Internal Audit Annual Strategy and Audit Plan 2023-24	Annually	✓					
Self Assessment of the Governance and Audit Committee	Annually					✓	
Internal Audit Progress Reports	Quarterly		✓		✓	✓	✓
Internal Audit Recommendation Monitoring Report	Quarterly		✓		✓	✓	✓
Treasury Management							
Treasury Management Outturn Report 2022-23	Annually		✓				
Treasury Management Half Year Report 2023-24	Annually				✓		
Treasury Management Strategy 2024-25	Annually					✓	
Risk Assurance							
Corporate Risk Assessment	At regular intervals	✓			✓	✓	
Counter Fraud							
Corporate Fraud Report 2022-23	Annually		✓				
Anti Tax Evasion Policy (previously considered April 2023, due April 2025)	Biennially						
Performance Related							
Complaints Process	Ad hoc						✓
Regulatory Tracker	6 monthly		✓			✓	
Annual Self Assessment of the Council's Performance	Annually	✓					

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
1. Organisational Knowledge	5	1	1	7
2. Governance and Audit Committee Role and Functions	5	1	1	7
3. Internal Audit	5	1	1	7
4. Financial Management and Accounting	3	3	1	7
5. External Audit	4	3	0	7
6. Risk Management	3	3	1	7
7. Counter Fraud	4	2	1	7
8. Values of Good Governance	4	3	0	7
9. Council Performance Self-Assessment	3	3	1	7
10. Complaints Handling	3	3	1	7
Total	39	23	8	70
Percentage	89%		11%	

All comments received

Good understanding of risk management. Satisfactory of Council approach.

If there has been a change in the advice given during training regarding Fraud, perhaps we should have an update.

Further session on councils specific arrangements for complaints handling would be beneficial.

It is always worth having a refresher if the audit team feel that we need some CPD to exercise our functions effectively.

If there is a member of staff that can advise/help us as members if there is something that we really don't understand that would be helpful