

Meeting of:	Governance and Audit Committee
Date of Meeting:	Monday, 23 September 2024
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Draft Governance and Audit Committee Annual Report 2023/24
Purpose of Report:	To provide members of the Governance and Audit Committee an opportunity to comment on the Governance and Audit Committee Annual Report 2023/24
Report Owner:	Chair of Governance and Audit Committee / Head of Regional Internal Audit Service
Responsible Officer:	Head of Finance & Section 151 Officer
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget
<p>Executive Summary:</p> <ul style="list-style-type: none"> • This report provides an opportunity for members of the Governance and Audit Committee to consider and comment on the Draft Governance and Audit Committee Annual Report 2023/24. • The report demonstrates how the Committee has met its terms of reference as per the Council's Constitution as set out by the Local Government Measure 2011 and the Local Government and Elections (Wales) Act 2021. • It has achieved this by concentrating on its core responsibilities during the year. • During the year Members demonstrated they were keen to challenge the reports presented to them, the robustness of information and process and made suggestions to improve governance reporting moving forward. They were also keen to ensure officers learnt lessons from issues identified and held senior management accountable for making the required improvements. 	

Recommendations

1. It is recommended that Members give due consideration and comment on, the Draft Governance and Audit Committee Annual Report 2023/24.
2. That Council accept and endorse this report.

Reason for Recommendations

- 1&2** To ensure effective monitoring of the Governance and Audit Committee in relation to its agreed terms of reference and in line with the Local Government and Elections (Wales) Act 2021.

1. Background

- 1.1** The Council's Governance and Audit Committee has responsibility for ensuring that there are procedures in place within the Council to guarantee the adequacy and effectiveness of financial control and corporate governance arrangements.
- 1.2** A key component of good governance for all organisations is to have in place a Governance and Audit Committee. The Vale of Glamorgan Council complies with this requirement; the Terms and Reference, as included within the Council's Constitution, is 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 the Annual Report.
- 1.3** 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. The Vale of Glamorgan's Governance and Audit Committee had its full quota of 3 lay members and 6 elected Councillors during 2023/24. The Committee held 8 meetings during the municipal year.
- 1.4** In setting the workplan for the year, the Governance and Audit Committee was mindful of the need for robust and proportionate oversight of the Council's governance, internal control and risk management to be in place.

2. Key Issues for Consideration

- 2.1 The Governance and Audit Committee focussed on its core responsibilities which include:
- 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.
- 2.2 The report at **Appendix A**, sets out the Governance and Audit Committee's Annual Report for 2023/24, how it has complied with its terms of reference and outlines its performance during the year.
- 2.3 The CIPFA Guidance 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 of the Annual Report.
- 2.4 During the year Members demonstrated they were keen to challenge the reports presented to them, the robustness of information and process and made suggestions to improve governance reporting moving forward. They were also keen to ensure officers learnt lessons from issues identified and held senior management accountable for making the required improvements.
- 2.5 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.
- 2.6 100% of responses from members of this Committee indicated that their level of knowledge and experience across the 10 statements, as shown in Appendix 3 of the Annual Report, was good or satisfactory. There were no areas where Members indicated they had little knowledge or experience.

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.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The well-being goals identified in the Wellbeing and Future Generations Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

The Governance and Audit Committee receives assurance from Internal Audit, External Audit and corporate initiatives around the effectiveness of the internal control, governance and risk management arrangements in place within the Council with the aim of preventing fraud and error and making improvements over the longer term.

4. Climate Change and Nature Implications

- 4.1** None as a consequence of this report.

5. Resources and Legal Considerations

Financial

- 5.1** There are no resource implications as a direct consequence of this report.

Employment

- 5.2** None as a direct consequence of this report.

Legal (Including Equalities)

- 5.3** The provision of an adequate and effective Governance and Audit Committee is a legal requirement under the Local Government and Elections (Wales) Act 2021. There are no equalities implications as a direct consequence of this report.

6. Background Papers

None



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

Directorate: **Corporate Resources**

Meeting: **Governance and Audit Committee**

Date: **23 September 2024**

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

1. PURPOSE

- 1.1 To present the Council's Governance and Audit Committee's Annual Report for 2023/24.

2. RECOMMENDATIONS

- 2.1 That the Governance and Audit Committees annual report for 2023/24 is submitted for consideration by the Committee. The report sets out that, over this period, the Committee has fulfilled its role as defined within its terms of reference.
- 2.2 That the Committee notes that the report reflects that the work of the Committee continues to be both valuable and productive, providing assurance to the Council regarding the Committee's activities in the effective governance of financial affairs and other matters by the Council.
- 2.3 That Governance and Audit Committee endorse this report and recommend it is referred 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. The Vale of Glamorgan Council complies with this requirement; the Terms and Reference, as included within the Council's Constitution, is 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**.
- 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. The Vale of Glamorgan's Governance and Audit Committee had its full quota of 3 lay members, including the Chairperson, and 6 elected councillors during 2023/24. The Committee held 9 meetings during the municipal year.
- 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 management 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 at **Appendix 2**.

4. WORK DELIVERED IN 2023/24

4.1 The CIPFA Guidance 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 Senior Leadership Team and Governance and Audit Committee. Members suggested improvements with its presentation to make it more user-friendly and more explanatory in some areas.

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 and the prioritisation of audits included in 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 of the Committee 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 Summary reports of finalised audit assignments were reported to the Governance and Audit Committee during the year. The results of Internal Audit's work for the financial year are brought together in the form of the *Head of Internal Audit Annual Report*, and for 2023/24 was reported in the first half of the 2024/25 financial year.

4.4.2 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*, that is 'Effective with a small number of areas identified for improvement'. In addition, no significant cross-cutting control issues were identified that would impact on the Council's overall control environment and the weaknesses that have been identified are service specific.

4.4.3 Members were interested to learn about any impact of working from home had on the overall control environment of council services provided; they sought a clearer understanding on the prioritisation of audits during the year; they were keen to ensure officers learnt lessons and took accountability for improvements following *Limited Assurance* audit reports and requested progress reports to ensure appropriate action had been taken.

4.4.4 8 audit assignments completed during 2022/23 received an audit opinion of *Limited Assurance*, and 1 *No Assurance* opinion. Recommendations within these reports have been continually followed up by the Audit team. Of the reviews which were followed up during 2023/24, all resulted in more positive audit assurance opinions; Members were keen to ensure action had been taken to demonstrate the necessary improvements.

4.4.5 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. Members suggested improvements in presentation to include year on year comparable statistics where relevant.
- The Whistleblowing Annual Report for 2022/23 was reported to Committee which included the staff survey results.

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 Members challenged the robustness of the risk management process, the scoring process and the risks included within the Corporate Risk Register. Members suggested improvements in the presentation of risk reports which were taken into consideration.

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 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.

4.5.4 Members challenged the content of the report and sought further clarifications of specific areas.

4.5.5 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. although there were delays due to the issues around infrastructure assets.

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 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 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).

4.8 The Chair of the Governance and Audit Committee, on his and the Committee's behalf, would like to express their thanks to the Internal Audit Team for their continued professionalism, and hard work throughout the year.

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 all 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 Although the response rate was lower than the previous year, 100% of those Committee Members who did respond indicated that their level of knowledge and experience across the 10 statements, as shown in **Appendix 3**, was good or satisfactory. There were no areas where little knowledge or experience was indicated. Some members stated that they would like to learn more about counter fraud and have more workshops to better understand Risk Management; better clarity on the Committee's role was required in particular when reports were presented "to be noted".

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 governance arrangements and the control environment, challenged officers and sought clarification and progress reports to obtain the assurances required to support continued good governance.
- 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 the results of the self-assessment undertaken against the checklist included within the CIPFA Guidance as shown in Section 5 above and **Appendix 3**. 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 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	12 June 2023	17 July 2023	18 September 2023	23 October 2023	16 November 2023	11 December 2023	05 February 2024	11 March 2024	22 April 2024
Standing Items										
Audit Wales Governance and Audit Committee Reports	Each meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓
Updated Forward Work Programme	Each meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accounts										
Statement of Accounts 2022/23 (unaudited)	Annually		✓							
Audited Statement of Accounts and Annual Governance Statement	Annually					✓				
Financial Management Code	Annually									✓
Accounting Policies	Annually									✓
Lessons Learnt from the Accounts	Annually									✓
Governance										
Draft Annual Governance Statement 2022/23	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	✓								
Internal Audit Progress Report	Quarterly			✓			✓			✓
Recommendation Monitoring Report	Quarterly			✓			✓	✓	✓	✓
Governance & Audit Committee Self Assessment	Annually								✓	✓
Treasury Management										
Treasury Management Strategy	Annually							✓		
Risk Assurance										
Corporate Risk Register	Quarterly		✓		✓				✓	✓
Counter Fraud										
Corporate Fraud Report 2022/23	Annually		✓							
Others										
Governance & Audit Committee Annual Report	Annually			✓			✓			
Corporate Complaints 2022/23 Annual Report	Annually			✓						✓
Whistleblowing Policy & Performance Update	Annually						✓			
Corporate Self Assessment Report	Annually			✓	✓					

Self-assessment of good practice

VALE OF GLAMORGAN COUNCIL - GOVERNANCE & AUDIT COMMITTEE - ANALYSIS OF THE KNOWLEDGE & SKILLS SELF ASSESSMENT QUESTIONNAIRE

	Good Knowledge	Satisfactory Knowledge	Little Knowledge	Total
1. Organisational Knowledge	3	2	0	5
2. Governance and Audit Committee Role and Functions	3	2	0	5
3. Internal Audit	3	2	0	5
4. Financial Management and Accounting	1	4	0	5
5. External Audit	3	2	0	5
6. Risk Management	3	2	0	5
7. Counter Fraud	2	3	0	5
8. Values of Good Governance	4	1	0	5
9. Council Performance Self-Assessment	2	3	0	5
10. Complaints Handling	2	3	0	5
Total	26	24	0	50
Percentage	100%		0%	

All comments received

I have nothing at the present time, but would certainly seek any advice and support as and when necessary.

I'm not an accountant and so would never say that I am 100% confident when faced with Financial reports, despite best efforts. My other area that I have said I have a satisfactory knowledge of, but would be open to learn more about is counter fraud.

I am still unclear what our role is with regards to some of the papers – we seem to 'note' a lot of papers.

I still believe there are significant opportunities to improve Risk Management and no workshop with Members occurred to my knowledge.

