



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2021/22**

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|--|---|
| <p><b>GOVERNANCE AND AUDIT COMMITTEE</b></p> <p><b>12<sup>th</sup> July 2021</b></p> | <p><b>AGENDA ITEM NO. 9</b></p>   |
| <p><b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b></p>                 | <p><b>AUDIT COMMITTEE ANNUAL REPORT 2020/21, INCORPORATING A SELF ASSESSMENT AGAINST THE CIPFA 2018 PRACTICAL GUIDANCE NOTE</b></p> |

Author: Paul Griffiths (Service Director – Finance and Improvement Services)

**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to present the Audit Committee Annual Report 2020/21 together with a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition'.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Review the Annual Report and self-assessment (**Appendix 1** and **Appendix 1B** respectively) and determine whether the Annual Report forms a balanced summary of the work undertaken by Audit Committee during 2020/21.
- 2.2 Subject to 2.1, endorse the proposals for improvement to further support Audit Committee in the effective discharge of its Terms of Reference (and incorporate proposals for improvement within the Committee's Support and Development Action Plan where relevant).
- 2.3 Approve the Audit Committee Annual Report 2020/21 and its presentation to full Council.

**3. REASON FOR RECOMMENDATIONS**

3.1 To ensure the Council's Audit Committee is held to account for its work through, amongst other things, the publication of an Annual Report.

#### **4. BACKGROUND**

4.1 The CIPFA publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition' (from hereon the CIPFA Guidance) sets out the purpose of audit committees as:

- *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 purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.*

4.2 The publication also sets out the importance for audit committees to be held to account on the extent to which it has fulfilled its purpose, with an annual report being a helpful way to address this. As Members will recall, an overview of the CIPFA Guidance was presented to the 17<sup>th</sup> September 2018 Audit Committee.

#### **5. DRAFT AUDIT COMMITTEE ANNUAL REPORT 2020/21**

5.1 In line with the CIPFA Guidance, a draft Audit Committee Annual Report setting out the work of Audit Committee during 2020/21 is included at **Appendix 1**.

5.2 As part of compiling the draft Annual Report, a 'self-assessment exercise of good practice' has been undertaken using the checklist provided within the CIPFA Guidance. The outcome of the self-assessment process is included at **Appendix 1B** and has been used to inform new proposals for improvement that will further support Audit Committee in the effective discharge of its Terms of Reference.

5.3 Audit Committee is requested to review the draft Annual Report and self-assessment, and:

- Determine whether it forms a balanced summary of the work undertaken by Audit Committee during 2020/21; and
- Consider and if appropriate, endorse the proposed areas for improvement.

5.4 Subject to consideration of the above, Audit Committee is requested to approve the Annual Report and its presentation to full Council.

## **6. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 6.1. There are no equality and diversity or socio-economic implications as a result of the recommendations set out in the report.

## **7. CONSULTATION**

- 7.1 There are no consultation implications as a result of the recommendations set out in the report.

## **8. FINANCIAL IMPLICATION(S)**

- 8.1 There are no financial implications as a result of the recommendations set out in the report.

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 The production of an Audit Committee Annual Report supports the principles within The Local Government (Wales) Measure 2011 (Chapter 2 / section 81) and is in line with the CIPFA Guidance.

## **10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

### THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 The work of the Council's Audit Committee aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020 – 2024 'Making a Difference', in particular 'Living Within Our Means' through ensuring that appropriate governance arrangements are in place to effectively manage resources.

### WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

## **11. CONCLUSION**

- 11.1 The Audit Committee Annual Report 2020/21 is attached at Appendix 1. It provides a summary of the work the Committee has undertaken during 2020/21, incorporates a self-assessment against the CIPFA Guidance checklist (Appendix 1B) and sets out new proposed areas for improvement to help further strengthen the effectiveness of Audit Committee's work.

**Other Information:-**

**Relevant Scrutiny Committee - Not applicable.**  
**Contact Officer – Paul Griffiths**

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**GOVERNANCE AND AUDIT COMMITTEE**

**12<sup>th</sup> July 2021**

**AUDIT COMMITTEE ANNUAL REPORT 2020/21, INCORPORATING A SELF  
ASSESSMENT AGAINST THE CIPFA 2018 PRACTICAL GUIDANCE NOTE**

**REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES**

Author: Paul Griffiths (Service Director – Finance and Improvement Services)

**Item: 9**

**Background Papers**

None.

Officer to contact: Paul Griffiths

**APPENDIX 1 – ANNUAL REPORT 2020/21**

**Rhondda Cynon Taf County  
Borough Council**

**Audit Committee**

**Annual Report 2020/21**

## **1. INTRODUCTION**

- 1.1 A key component of good governance for all organisations is to have in place an Audit Committee. Rhondda Cynon Taf County Borough Council complies with this requirement and the [Terms of Reference](#) for its Audit Committee, 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 Audit Committee, as required by the above legislation, is included at Appendix A.
- 1.2 2020/21 has been an unprecedented year, with the Covid-19 pandemic having a widespread impact on the delivery of Council services, local communities and wider society. Audit Committee was mindful of this backdrop in setting its workplan for the year on [5th October 2020](#) and also of the need for robust and proportionate oversight of the Council's governance, internal control and risk managements to be in place. This translated into an approach where Audit Committee focussed on its core responsibilities:
- Reviewing the draft financial statements and monitoring management action in response to the issues raised by external audit;
  - Scrutinising and be satisfied with the Council's Annual Government 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; and
  - Supporting the ongoing development and effectiveness of Audit Committee.
- 1.3 Section 2 of this report summarises the work delivered by Audit Committee during 2020/21 and Section 3 presents the outcome of the self-assessment against the CIPFA publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition' (from herein the CIPFA Guidance).

## **2. WORK DELIVERED IN 2020/21**

- 2.1 The CIPFA Guidance identifies 'Core Functions' of an Audit Committee along with what it refers to as possible 'wider functions' of an Audit Committee.
- 2.2 The Core Functions are set out below (capital and bold text headers) and the work delivered in support of these core functions is summarised under each.

## **2.3 BE SATISFIED THAT THE AUTHORITY'S ASSURANCE STATEMENTS, INCLUDING THE ANNUAL GOVERNANCE STATEMENT, PROPERLY REFLECT THE RISK ENVIRONMENT AND ANY ACTIONS REQUIRED TO IMPROVE IT, AND DEMONSTRATE HOW GOVERNANCE SUPPORTS THE ACHIEVEMENT OF THE AUTHORITY'S OBJECTIVES**

2.3.1 Legislation requires the Council to prepare an Annual Governance Statement (AGS). The Draft AGS for 2019/20 was reported to Audit Committee at its meeting on the [20th July 2020](#) and concluded that the '*Council's governance arrangements operated effectively, ensured business was properly conducted and publicly demonstrated the proper use of resources in the delivery of Corporate Plan priorities*'. Audit Committee endorsed the 2019/20 AGS and recommended its certification by the Leader of the Council and the Chief Executive for inclusion with the Council's 2019/20 Statement of Accounts.

2.3.2 During 2020/21 the Committee monitored the extent of progress made by the Council to implement the agreed proposals for improvement set out within the 2019/20 AGS, and this update was reported to Audit Committee on [1st February 2021](#).

2.3.3 The draft AGS for 2020/21 is to be presented to the 12<sup>th</sup> July 2021 Audit Committee and sets out, amongst other things, confirmation that all agreed 2019/20 proposals for improvement have been implemented.

## **2.4 IN RELATION TO THE AUTHORITY'S 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**

2.4.1 As set out in the 2019/20 Audit Committee Annual Report, from the 1<sup>st</sup> April 2019 the Council's Internal Audit Service transferred to a regional Internal Audit Service, led 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.

2.4.2 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 during 2020/21. A similar approach was also applied by the Internal Audit Service, whereby an **Interim Risk Based Audit Plan 2020/21** was compiled taking into account: an updated assessment of key risks; revised service delivery arrangements in place across the Council; and Covid-19 specific functions undertaken by the Council, for example, administration of a range of financial support for businesses and free school meal payments to eligible families, a number of which being administered on

behalf of Welsh Government. The Interim Risk Based Audit Plan was reported to and approved by Audit committee on [20th July 2020](#) and the Head of the Regional Internal Audit Service outlined that the plan would need to be flexible to respond to changing circumstances and events that may occur (e.g. future 'waves' of the coronavirus, ability to access staff and evidence to obtain assurance around internal controls in place, Covid-19 related staff absences).

2.4.3 During the year, Audit Committee received Internal Audit performance updates, including how the Service was adapting and undertaking audit work remotely, and details of all finalised audit assignments; this suite of information enabled Members to consider the effectiveness of the Internal Audit process for 2020/21.

2.4.4 A key part of 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<sup>1</sup>, that was presented to and approved by Audit Committee on [5th October 2020](#), and provided the Committee with information to assess the independence of the Internal Audit Service.

## **2.5 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**

2.5.1 Summary reports of finalised audit assignments were reported to Audit Committee during the year to assist the Committee in forming an opinion on the overall control environment in place within the Council for 2020/21. The results of Internal Audit's work is brought together at the end of each financial year in the form of **Internal Audit Annual Report**, and for 2020/21 the Annual Report concludes that (subject to approval by Audit Committee on 12<sup>th</sup> July 2021):

*Taking into account the results of the internal audit reviews completed during 2020/21, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2020/21 is **'Effective with a small number of areas identified for improvement'**. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.*

2.5.2 Consistent with the above conclusion, there were:

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<sup>1</sup> Internal Audit Charter - a formal document that establishes the Internal Audit Service's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Board (i.e. the Council's Audit Committee).



- No areas identified during the year where the standard of internal control / governance arrangements were insufficient and required improvement; and
- No follow-up reviews have been requested by Governance and Audit Committee to be built into the 2021/22 Annual Audit Plan.

### 2.5.3 With regard to the risks of fraud and corruption:

- At the 2<sup>nd</sup> November 2020 Audit Committee meeting, the Council's Service Director – Pensions, Procurement and Transactional Services provided an overview of the National Fraud Initiative, along with an update on the work delivered by the Corporate Fraud Team. 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-Fraud Annual Report for 2020/21 is to be reported to the 12<sup>th</sup> July 2021 Audit Committee for consideration / approval.
- At the [26th April 2021](#) Audit Committee, the Whistleblowing Annual Report 2020/21 was reported to Audit Committee. The overall conclusion, as set out in the 2020/21 Whistle-blowing Annual Report, was that *'the Council's whistleblowing arrangements are appropriate'*.

## **2.6 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**

### 2.6.1 The work-plan for 2020/21 built on the work undertaken in the previous year and continued to widen the coverage of governance and risk management through:

- AGS – the continuation of in-year and year-end progress updates to Audit Committee on the implementation of proposals for improvement.
- A programme of Strategic Risk Register updates to Audit Committee commenced to improve Committee Members' understanding of the strategic risks facing the Council and the arrangements in place to manage / mitigate such risks. During the year, 2 updates were presented to Audit Committee: Delivery of the 21<sup>st</sup> Century Schools Programme (1<sup>st</sup> February 2021) and Workforce Planning – 22<sup>nd</sup> March 2021), and further updates will be built into the 2021/22 workplan as part of Governance and Audit Committee's work in understanding and reviewing the Council's risk profile.
- A Learning and Development plan compiled and reported to Audit Committee on the [1st February 2021](#), following an on-line training needs assessment questionnaire completed by Audit Committee Members. The feedback has identified risk management as an area requiring on-going

support and as such has been built into the Committee's Learning and Development Plan for 2021/22.

## **2.7 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**

2.7.1 At the [20th July 2020](#) Audit Committee, the Head of Finance – Education and Financial Reporting presented the certified draft 2019/20 Statements of Account for the Council and the Rhondda Cynon Taf Pension Fund<sup>2</sup>. At the 5<sup>th</sup> October 2020 Audit Committee meeting, Audit Wales provided a verbal update on the progress on the audit of the draft Statements of Account for 2019/20 and informed the Committee, amongst other things, that to date no significant areas of concern had arisen for the Committee to be made aware of in relation to the audit of the draft Statements of Account.

2.7.2 The Council and Pension Fund audited Statement of Accounts for 2019/20 were subsequently reported to and approved by full Council on the [25th November 2020](#), following completion of the external audit process, with both sets of Accounts being issued with unqualified opinions by Audit Wales (i.e. clean bills of health). Following on, at the [1st February 2021](#) Audit Committee, Audit Wales presented the 'Audit of Accounts Report Addendum' that set out two recommendations arising from the 2019/20 audit process. Both recommendations were accepted by the Council and Management agreed for the recommendations to be implemented by 1<sup>st</sup> April 2021.

## **2.8 CONSIDER THE REPORTS AND RECOMMENDATIONS OF EXTERNAL AUDIT AND INSPECTION AGENCIES AND THEIR IMPLICATIONS FOR GOVERNANCE, RISK MANAGEMENT OR CONTROL**

2.8.1 At the [26th April 2021](#) Audit Committee meeting, an update was reported on the progress made to date by the Council to implement proposals for improvement reported by Audit Wales in its Annual Audit Summary 2020 (the Annual Audit Summary 2020 being reported to full Council on 10<sup>th</sup> March 2021). Following Audit Committee's consideration of the progress update, the Committee determined that there were no matters of a governance, internal control or risk management nature that require further action or attention by Audit Committee nor any matters at this stage to be referred to the Council's scrutiny committees.

2.8.2 With regard to possible wider functions of an audit committee, as set out within the Cl<sub>4</sub>FA Guidance, this covers, for example, considering governance, risk or control matters at the request of other committees.

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<sup>2</sup> 20<sup>th</sup> July 2020 Audit Committee – the Committee also considered the certified draft 2019/20 Statement of Accounts for the Central South Consortium Joint Education Service Joint Committee and the certified draft 2019/20 Annual Return for the Llwydcoed Crematorium Joint Committee

2.8.3 At the 5<sup>th</sup> October 2020 Audit Committee, following the Committee's consideration of finalised audit assignments, further information was requested on the areas of Governor Vacancies, Safeguarding and School Attendance. The Council's Director of Education and Inclusion Services provided an update to the 2<sup>nd</sup> November 2020 Audit Committee and following consideration of the information, Audit Committee referred the matter of school attendance and 6<sup>th</sup> form attendance to the Children and Young People Scrutiny Committee for further review. It is noted that the Children and Young People Scrutiny Committee will provide feedback to Audit Committee in 2021/22.

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

- 3.1 The self-assessment checklist included within the CIPFA Guidance has been completed and has been based on the Audit Committee arrangements in place during 2020/21 and from a review of the information reported to Audit Committee over this period. The self-assessment is set out at **Appendix 1B** and also includes the results of previous years self-assessments for information purposes.
- 3.2 The 2020/21 self-assessment process demonstrates that the Council's Audit Committee has made good progress to implement the proposals for improvement reported in 2019/20 and has also identified a small number of new proposals for improvement to further reinforce the existing arrangements in place.
- 3.3 An update on the progress made to implement proposals for improvement reported in 2019/20 and also new proposals for improvement are set out in Table 1.

Table 1 – 2019/20 Self-Assessment Progress Update and 2020/21 Self-Assessment Proposals for Improvement

| Good Practice Questions |   | 2019/20 Self-Assessment |        |    |  | 2020/21 Self-Assessment |        |    |   |
|-------------------------|---|-------------------------|--------|----|--|-------------------------|--------|----|---|
|                         |   | Yes                     | Partly | No | Response & Proposal for Improvement  | Yes                     | Partly | No | Progress made since 2019/20 and 2020/21 Proposal for Improvement  |
| 12b.                    | <p><b><u>MEMBERSHIP AND SUPPORT</u></b></p> <p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>an appropriate mix of knowledge and skills among the membership</li> </ul> |                         | ✓      |    | <p>Learning and development has continued during 2019/20 in line with the Committee's terms of reference and agreed work-plan for the year. This has been supported through Members having a broad range of knowledge and experience overall (e.g. specific Members having scrutiny committee responsibilities) that has complemented the work of Audit Committee during the year.</p> <p>Work also commenced to compile an approach to enable the knowledge and skills of the Committee to be assessed, as referenced at the 3<sup>rd</sup> February 2020 Audit Committee, and will be shared with the Committee in 2020/21. Thereafter, the assessment process will commence and will be progressed in parallel with the Wales Audit Office Project – Rhondda Cynon Taf Audit Committee Support and Development.</p> <p><u>Proposals for Improvement</u></p> <ul style="list-style-type: none"> <li>Complete the skills assessment for Members of Audit Committee; and</li> <li>Agree a refreshed programme of learning and development (informed by the skills assessment exercise) and incorporate into the Audit Committee annual work-plan.</li> </ul> |                         |        |    | <p><u>2019/20 Update</u></p> <ul style="list-style-type: none"> <li>Skills assessment of Audit Committee Members – COMPLETED and reported to Audit Committee on 1<sup>st</sup> February 2021.</li> <li>Agree a refreshed programme of learning and development – COMPLETED and agreed by Audit Committee on 22<sup>nd</sup> March 2021 (and will be incorporated into the Committee's 2021/22 workplan.</li> </ul> <p><u>NEW Proposal for Improvement (2020.21)</u></p> <ul style="list-style-type: none"> <li>As part of the on-going support and development of Audit Committee, the 2021/22 Workplan and Learning and Development Plan should be updated to reflect the work needed in preparation for the implementation of the requirements of the Local Government and Elections (Wales) Act 2021 (for example, the Governance and Audit Committee's new responsibilities in respect of performance assessment and complaints handling).</li> </ul> |

| Good Practice Questions |  | 2019/20 Self-Assessment |        |    |  | 2020/21 Self-Assessment |        |    |  |
|-------------------------|--|-------------------------|--------|----|--|-------------------------|--------|----|--|
|                         |  | Yes                     | Partly | No | Response & Proposal for Improvement  | Yes                     | Partly | No | Progress made since 2019/20 and 2020/21 Proposal for Improvement   |
| 16                      | <p><b><u>MEMBERSHIP AND SUPPORT</u></b></p> <p>Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p>                               |                         |        | ✓  | <p>As noted for 12b above.</p> <p><u>Proposals for Improvement</u></p> <ul style="list-style-type: none"> <li>• Complete the skills assessment for Members of Audit Committee; and</li> <li>• Agree a refreshed programme of learning and development (informed by the skills assessment exercise) and incorporate into the Audit Committee annual work-plan.</li> </ul> |                         |        |    | <p>Completed – see 12b ‘2019/20 Update’ for details of action taken.</p>   |
| 19                      | <p><b><u>MEMBERSHIP AND SUPPORT</u></b></p> <p><u>Good practice question</u></p> <p>Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?</p> |                         |        |    | Not Applicable   |                         |        | ✓  | <p>Due to the need to prioritise reporting arrangements during the Covid-19 pandemic, the Audit Committee Annual Report 2019/20 was not reported to full Council. It is noted however that:</p> <ul style="list-style-type: none"> <li>• Ordinarily the Audit Committee Annual Report would be reported to full Council (i.e. the 2018/19 Annual Report was presented to the Council Annual General Meeting in May 2019); and</li> <li>• The 2019/20 Audit Committee Annual Report was published, reviewed and agreed by Audit Committee at its meeting on 20<sup>th</sup> July 2020.</li> </ul> |

| Good Practice Questions |  | 2019/20 Self-Assessment |        |     |   | 2020/21 Self-Assessment |        |   |  |
|-------------------------|--|-------------------------|--------|-----|---|-------------------------|--------|---|--|
|                         |  | Yes                     | Partly | No  | Response & Proposal for Improvement   | Yes                     | Partly | No  | Progress made since 2019/20 and 2020/21 Proposal for Improvement |
|                         |  |                         |        |     |   |                         |        | <u>NEW Proposal for Improvement (2020/21)</u> <ul style="list-style-type: none"> <li>An agreed version of the Audit Committee Annual Report 2020/21 should be reported to full Council to enable opportunity for feedback to be provided on the performance of Audit Committee.</li> </ul>  |  |
| 21                      | <b><u>EFFECTIVENESS OF THE COMMITTEE</u></b><br>Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? |                         |        | N/A |   | ✓                       |        | <u>NEW Proposal for Improvement (2020/21)</u> <ul style="list-style-type: none"> <li>Progress updates in relation to Audit Wales recommendations are reported to Audit Committee annually. It is recommended that updates on the progress being made by the Council to implement Audit Wales recommendations are timetabled within the Governance and Audit Committee Workplan for 2021/22 at mid-year and year-end intervals (or in line with specific requirements).</li> </ul> |  |
| 23                      | <b><u>EFFECTIVENESS OF THE COMMITTEE</u></b>   |                         | ✓      |     | The Committee has undertaken specific work, in line with its Terms of Reference, to add value to the operations of the Council – for example: |                         |        | <u>2019/20 Update</u><br>Audit Committee continues to take steps to improve the impact of its work, for example, undertaking a training needs assessment and agreeing a learning and development  |  |

| Good Practice Questions  | 2019/20 Self-Assessment |        |    |   | 2020/21 Self-Assessment |        |    |   |
|--|-------------------------|--------|----|---|-------------------------|--------|----|---|
|  | Yes                     | Partly | No | Response & Proposal for Improvement   | Yes                     | Partly | No | Progress made since 2019/20 and 2020/21 Proposal for Improvement  |
| <p><u>Good practice question</u><br/>Has the committee evaluated whether and how it is adding value to the organisation?</p> |                         |        |    | <ul style="list-style-type: none"> <li>Reviewing and approving a local code of corporate governance;</li> <li>Reviewing and challenging the AGS; and</li> <li>Monitoring the implementation of recommendations made by the Wales Audit Office (from an internal control perspective).</li> </ul> <p><u>Proposal for Improvement</u></p> <ul style="list-style-type: none"> <li>Using one area of the Audit Committee's Terms of Reference, pilot an approach to evaluating the impact of its work (with the aim of learning lessons and developing an approach to evaluate other areas of the Committee's work).</li> </ul> |                         | ✓      |    | <p>plan and referring specific matters for more in-depth review to the Council's Scrutiny function.</p> <p>This area will be an on-going action as part of the Audit Committee's development and completion of the self-assessment process for 2021/22.</p> |

3.4 Subject to a version of the Audit Committee Annual Report 2020/21 being agreed, the proposals for improvement (as per Table 1) will form the basis of an action plan that will be led and managed by the Governance and Audit Committee during 2021/22. The action plan will be a living document to ensure account is taken of any relevant changes, for example, in service delivery, strategic risks and Audit Committee's on-going responsibilities.

#### **4. CONCLUSIONS**

- 4.1 During 2020/21 the Council's Audit Committee has reviewed and challenged a wide range of topic areas, including the work of Internal and External Audit.
- 4.2 From a review of the coverage of 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.
- 4.3 The Annual Report also sets out, in Section 3 / Appendix 1B, the results of the self-assessment undertaken against the checklist included within the CIPFA Guidance. The outcome of this process demonstrates that the Council's Audit Committee has made good progress to implement the proposals for improvement reported in 2019/20 and has also identified a small number of new proposals for improvement to further reinforce the existing arrangements in place.



**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**

**Local authorities to appoint audit committees**

**4.0A** *A local authority must appoint a committee (an “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,*
- e) oversee the authority's internal and external audit arrangements, and*
- f) review the financial statements prepared by the authority.*

**5.0A** *A local authority may confer on its Audit Committee such other functions as the authority considers suitable to be exercised by such a committee.*

**6.0** *It is for an 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.*

## Self-assessment of good practice

| Good practice questions                       |   | 2018/19 Self-Assessment |        |    | 2019/20 Self-Assessment |        |    | 2020/21 Self-Assessment |        |    |
|---|---|-------------------------|--------|----|-------------------------|--------|----|-------------------------|--------|----|
|   |   | Yes                     | Partly | No | Yes                     | Partly | No | Yes                     | Partly | No |
| <b>Audit committee purpose and governance</b> |   |                         |        |    |                         |        |    |                         |        |    |
| 1   | Does the authority have a dedicated audit committee?  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 2   | Does the audit committee report directly to Full Council?   | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 3   | Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?   | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 4   | Is the role and purpose of the audit committee understood and accepted across the authority?  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 5   | Does the audit committee provide support to the authority in meeting the requirements of good governance?   | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 6   | Are the arrangements to hold the committee to account for its performance operating satisfactorily?   | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| <b>Functions of the committee</b>             |   |                         |        |    |                         |        |    |                         |        |    |
| 7   | Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? <ul style="list-style-type: none"> <li>• good governance</li> <li>• assurance framework, including partnerships and collaboration arrangements</li> <li>• internal audit</li> <li>• external audit</li> <li>• financial reporting</li> <li>• risk management</li> </ul> |                         | ✓      |    | ✓                       |        |    | ✓                       |        |    |

| Good practice questions       |   | 2018/19 Self-Assessment |        |    | 2019/20 Self-Assessment |        |    | 2020/21 Self-Assessment |        |    |
|-------------------------------|---|-------------------------|--------|----|-------------------------|--------|----|-------------------------|--------|----|
|                               |   | Yes                     | Partly | No | Yes                     | Partly | No | Yes                     | Partly | No |
|                               | <ul style="list-style-type: none"> <li>value for money or best value</li> <li>counter fraud and corruption</li> <li>supporting the ethical framework</li> </ul>           |                         |        |    |                         |        |    |                         |        |    |
| 8                             | Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas? | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 9                             | Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?      | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 10                            | Where coverage of core areas has been found to be limited, are plans in place to address this?  | N/A                     |        |    | N/A                     |        |    | N/A                     |        |    |
| 11                            | Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?                                    | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| <b>Membership and support</b> |   |                         |        |    |                         |        |    |                         |        |    |
| 12                            | Has an effective audit committee structure and composition of the committee been selected?<br><br>This should include:  |                         |        |    |                         |        |    |                         |        |    |
| a.                            | separation from the executive   | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| b.                            | an appropriate mix of knowledge and skills among the membership   |                         | ✓      |    |                         | ✓      |    | ✓                       |        |    |
| c.                            | a size of committee that is not unwieldy  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| d.                            | consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |

| Good practice questions               |  | 2018/19 Self-Assessment |        |    | 2019/20 Self-Assessment |        |    | 2020/21 Self-Assessment |        |    |
|---------------------------------------|--|-------------------------|--------|----|-------------------------|--------|----|-------------------------|--------|----|
|                                       |  | Yes                     | Partly | No | Yes                     | Partly | No | Yes                     | Partly | No |
| 13                                    | Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full Council?                                | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 14                                    | Does the chair of the committee have appropriate knowledge and skills?   | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 15                                    | Are arrangements in place to support the committee with briefings and training?  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 16                                    | Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?                                    |                         |        | ✓  |                         |        | ✓  |                         |        |    |
| 17                                    | Does the committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Finance Officer?          | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 18                                    | Is adequate secretariat and administrative support to the committee provided?  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| <b>Effectiveness of the committee</b> |  |                         |        |    |                         |        |    |                         |        |    |
| 19                                    | Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?   |                         |        | ✓  | ✓                       |        |    |                         |        | ✓  |
| 20                                    | Are meetings effective with a good level of discussion and engagement from all the members?  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 21                                    | Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? | ✓                       |        |    | ✓                       |        |    |                         | ✓      |    |

| Good practice questions |   | 2018/19 Self-Assessment |        |    | 2019/20 Self-Assessment |        |    | 2020/21 Self-Assessment |        |    |
|-------------------------|---|-------------------------|--------|----|-------------------------|--------|----|-------------------------|--------|----|
|                         |   | Yes                     | Partly | No | Yes                     | Partly | No | Yes                     | Partly | No |
| 22                      | Does the committee make recommendations for the improvement of governance, risk and control and are these acted on? | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 23                      | Has the committee evaluated whether and how it is adding value to the organisation?                                 |                         | ✓      |    |                         | ✓      |    |                         | ✓      |    |
| 24                      | Does the committee have an action plan to improve any areas of weakness?  | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |
| 25                      | Does the committee publish an annual report to account for its performance and explain its work?                    | ✓                       |        |    | ✓                       |        |    | ✓                       |        |    |

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