

# Gwynedd Council

## Operational Arrangements of the Audit and Governance Committee (May 2021)

### 1 BACKGROUND

#### 1.1 Statement of Purpose

- 1.1.1 The Committee has a continuous role in the process of providing good governance. The core purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework and associated control environment, independent scrutiny of the authority and non-financial performance to the extent that it affects their exposure to risk and weakens the control environment and to oversee the financial reporting process.
- 1.1.2 The Audit and Governance Committee meets at least 4 times a year.

#### 1.2 Local Government (Wales) Measure 2011

- 1.2.1 In accordance with the Local Government (Wales) Measure 2011 Part 6, Chapter 2 Gwynedd Council must establish an Audit Committee with some mandatory functions, and also has the right to perform any other suitable functions.
- 1.2.2 Section 81 of the Measure states:

<b>81</b>	<b>Local authorities to appoint governance and audit committees</b>
(1)	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,
(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.
(1A)	See Chapter 1 of Part 6 of the Local Government and Elections (Wales) Act 2021 (performance and governance of principal councils) for further functions of governance and audit committees.
(2)	A local authority may confer on its audit committee such other functions as the authority considers suitable to be exercised by such a committee.
(3)	It is for an audit committee to determine how to exercise its functions.

- 1.2.3 In addition to this statutory role, the Audit and Governance Committee is also responsible for reviewing and scrutinising matters relating to the Council’s internal operation such as corporate strategies, partnerships, engagement, business transformation, efficiency arrangements and the workforce.

### 1.3 Purpose of the Operational Arrangements

I.3.1 The purpose of the Operational Arrangements of the Audit and Governance Committee are:

- To set out how the Audit and Governance Committee will exercise its functions, in accordance with Section 81(3).
- To refer to any guidance given by the Welsh Ministers, and outline how the Council will respond to them.
- Explain what additional roles that the Council has been given the Audit and Governance Committee and how it will achieve these.

### 1.4 Welsh Government Guidance

I.4.1 Section 85 of the Measure states:

<b>85</b>	<b>Guidance</b>
(1)	The Welsh Ministers may give guidance to local authorities—
(a)	about the functions of audit committees and the exercise of those functions, or
(b)	about the membership of audit committees.
(2)	A local authority and its audit committee must have regard to guidance given by the Welsh Ministers under subsection (1).

I.4.2 The current guidance pursuant to Section 85 of the Measure was published in June 2012. The relevant section on this statutory guidance is also included in the Appendix.

I.4.3 The Audit and Governance Committee will receive a report, at the earliest practical meeting, about any new guidance issued by Welsh Ministers in accordance with Section 85 of the Measure.

## 2 STATUTORY FUNCTIONS PURSUANT TO THE 2011 MEASURE

### 2.1 Reviewing the Authority's financial affairs

*How does the Audit and Governance Committee meet its statutory duties to review and scrutinise the authority's financial affairs and make reports and recommendations in relation to the authority's financial affairs?*

- 2.1.1 The Committee will receive quarterly reports by the Head of Finance that outline the situation of the Authority's revenue and capital budgets. The role of the Committee is not to challenge policy decisions (other than where it has a scrutiny function), but rather to obtain assurance that sound budgetary and financial management arrangements are practiced across the Council.
- 2.1.2 The Committee will scrutinise and challenge the following:
- The Treasury Management Policy Statement for the following year to the February / March meeting
  - Treasury Management Strategy Statement to the February / March meeting
  - Minimum Revenue Provision Strategy to the February / March meeting
  - Annual Investment Strategy for the following year to the February / March meeting
  - Mid Year Review of Treasury Management activities to the November meeting
  - Annual Report on actual Treasury Management activities to the September meeting
- 2.1.3 Consideration will be given to any adjustments to the Treasury Management Strategy or Policy Statements during the financial year

### 2.2 Risk management, internal control and corporate governance

*How does the Audit and Governance Committee meet its statutory duties to review and assess the risk management, internal control and corporate governance arrangements of the authority? How will it make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements?*

#### ***Raising awareness of risk management, internal control and corporate governance***

- 2.2.1 To achieve fully its role, the Committee will raise awareness across the Council on issues relating to risk management, internal control and corporate governance.

#### ***Annual Governance Statement***

- 2.2.2 Part of the key duties of the Committee will be to support and review the arrangements for preparing the Annual Governance Statement, by ensuring that the committee's work programme includes tasks to check how the Council maintains its governance framework, and to review its effectiveness.
- 2.2.3 The draft version of the Annual Governance Statement will be presented to the Committee at its June meeting.
- 2.2.4 The Committee will receive assurance that the contents of the Annual Governance Statement action plan is receiving attention.

#### ***Internal Audit Report***

- 2.2.5 The Audit will receive the annual report of the Head of Internal Audit, who is the Audit Manager.

- 2.2.6 A report will be submitted to each meeting of the Audit Committee outlining the results of Internal Audit work during the previous period. This report will usually include the audit report; if a memorandum was released, the report will contain a brief summary. Where appropriate, the audit report will have been placed in an opinion category that reflects the overall view of the standards of internal controls found during an audit, and how effective the internal controls were being implemented. The Committee does not have the powers to force a change in the opinion category for any individual report.
- 2.2.7 The Audit Committee will approve any changes in the method for placing audit reports in opinion categories.
- 2.2.8 Information will be presented to the Audit Committee about the results of Internal Audit follow-up work on the progress of actions agreed upon during audits.
- 2.2.9 Where significant and serious control weaknesses are discovered, or irregularities have arisen from such weaknesses, a full report will be presented to the Committee for further consideration.

#### ***Anti-Fraud***

- 2.2.10 The Committee will promote an anti-fraud and anti-corruption culture within the Council.
- 2.2.11 It will receive regular confirmation that the Council's procedures to prevent and detect fraud against it continue to operate effectively.
- 2.2.12 The Committee will review and approve the Council's Anti Fraud and Anti Corruption Strategy and the Fraud Response Plan.
- 2.2.13 Reports on issues relating to irregularities or fraud will not be presented to the Committee until any criminal procedures and / or disciplinary hearing is completed.

#### ***Risk Management***

- 2.2.14 Regular reports will be presented to the Committee so that it can obtain assurance that the risk management arrangements are operating as outlined in the Council's Risk Management Strategy.
- 2.2.15 It will hold officers and members to account for any failures to give due consideration to risk matters.
- 2.2.16 As part of its governance role, it will consider the risks that various partnerships present to the Council.
- 2.2.17 The Committee will consider the risks presented by individual projects, and ensure that appropriate attention is given to those risks.

#### ***Reports by External Auditors and Regulators***

- 2.2.18 As a matter of course, the Audit and Governance Committee will receive an annual report from the Financial Auditors on the Statements of Accounts for Gwynedd Council.
- 2.2.19 It will also receive reports from the external auditor on any matter regarding corporate governance, or on issues that are within the purview of the Committee's scrutiny work, namely those relating to the Council's internal operation.
- 2.2.20 In addition, twice a year the Committee will receive an assurance that every recommendation or proposal for improvement by external regulators or auditors are addressed, by reviewing a list of them and agreeing to remove from the list those that the Committee is satisfied have received due and sufficient attention.

### ***Accountability***

- 2.2.21 Any officer or member called to attend an Audit and Governance Committee meeting must do so. They must answer any questions asked of them save ones which they could refuse to answer if they were in court. The committee can invite other persons to attend before it, but anyone else so invited to attend is under no compulsion to do so.

### ***Annual Report***

- 2.2.22 The Audit and Governance Committee will publish an annual report, supported by relevant officers, on its work during the previous period.

## **2.3 Internal and External Audit**

*How does the Audit and Governance Committee meet its statutory duties to oversee the authority's internal and external audit arrangements?*

### ***Internal Audit***

- 2.3.1 The Committee will approve the annual work plan of the Internal Audit service after challenging its contents, and will approve any amendments during the year.
- 2.3.2 As part of this work, there is a need to ensure that there is a link between the annual work plan and the Council's risks.
- 2.3.3 A report monitoring progress against the agreed audit plan will be presented regularly to meetings of the Committee.

### ***External Auditors***

- 2.3.4 The Audit and Governance Committee will receive the external auditor's work plan on the Accounts of the Council.
- 2.3.5 The Committee needs to receive timely reports on any changes in professional standards or code of practice for the provision of Internal Audit.
- 2.3.6 The Committee will consider any changes to the external audit system suggested by the Auditor General or his representative.
- 2.3.7 The Committee will ensure that Internal Audit and the external auditor comply with any joint protocol between them to ensure that duplication of work is kept to the minimum possible.

## **2.4 Financial statements**

*How does the Audit and Governance Committee meet its statutory duties to review the financial statements prepared by the authority?*

- 2.4.1 The Audit Committee will act as "those charged with governance" pursuant to international standards relating to accounting and auditing.
- 2.4.2 The Audit and Governance Committee will receive Gwynedd Council's Statements of Accounts, once certified by the Head of Finance but subject to audit, before the end of July 2021, when there will be an opportunity to challenge their content.
- 2.4.3 The Audit and Governance Committee will receive the final post-audit version of Gwynedd Council's Statements of Accounts before the end of November 2021, and an opportunity to challenge the content of the relevant report by the external auditors, Audit Wales.
- 2.4.4 The Committee will give consideration to compliance with applicable accounting policies.

### 3 SCRUTINY FUNCTIONS

#### 3.1 Area of work

3.1.1 In accordance with the Council's Constitution, the Audit and Governance Committee is responsible for reviewing and scrutinising matters relating to the Council's **internal operation** such as corporate strategies, partnerships, engagement, business transformation, efficiency arrangements and the workforce.

3.1.2 However, the Constitution is also clear that the Audit and Governance Committee is an "audit committee" in accordance with Part 6 Chapter 2 of the Local Government (Wales) Measure 2011 in all its deeds, not a "scrutiny and overview committee" in accordance with Part 2 of the Local Government Act 2000 and Part 6 Chapter 1 of the Local Government (Wales) Measure 2011.

#### 3.2 Operational Arrangements

3.2.1 To ensure that the Committee conducts its scrutiny functions consistently and to the expected standards, it will meet regularly with Scrutiny Officers to agree on issues for scrutiny, and any investigations to be held.

3.2.2 The Committee, when conducting its scrutiny functions, will do so in accordance with those specific functions that are outlined in Part 7 of the Council's Constitution, which are:

##### **Policy Development and Review**

- (a) Consider the impact of policies to assess if they have made a difference;
- (b) Assist the Council and the Cabinet in the development of its Budget and Policy Framework by in depth analysis of policy issues;
- (c) Conduct research, community and other consultation in the analysis of policy issues and possible options;
- (d) Question Members of the Cabinet and/or Committees and Chief Officers from the Council about their views on issues and proposals affecting the area; and
- (e) Liaise with other external organisations operating in the area, whether national, regional or local, to ensure that the interest of local people are enhanced by collaborative working

##### **Scrutiny**

- (a) Review and scrutinise the decisions by and performance of the Cabinet and/or Committees and Council Officers in relation to individual decisions and over time;
- (b) Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;
- (c) Question Members of the Cabinet and/or Committees and Chief Officers from the Council about their decisions and performance, whether generally in comparison with service plans and targets over a period of time, or in relation to particular decisions, initiatives or project;
- (d) Make recommendations to the Cabinet and/or appropriate Committee and/or Council arising from the outcome of the scrutiny process;
- (e) Review and scrutinise the performance of other public bodies and designated persons in the area and invite reports from them by requesting them to address the Scrutiny Committees and local people about their activities and performance; and
- (f) Question and gather evidence from any person (with their consent).

### 4 COMMITTEE EFFECTIVENESS

4.1.1 The Committee will conduct an annual self-assessment using the checklist provided by CIPFA in its publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2018).

4.1.2 The Committee will adopt an appropriate training program for its members.