

ANNEX 1

Audit & Governance Committee Annual Report

Report of the work of the Audit & Governance Committee during 2024-25

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Chair's Introduction

This is my first year as Chair of the Audit and Governance Committee. As Chair, I am very pleased to present this annual report which sets out the role of the Audit & Governance Committee and summarises the work we have undertaken both as a committee, and through the support of the Audit Working Group during the financial year 2024/25.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA), revised 2022. The Committee is operating effectively in accordance with the standards, providing an independent and high-level resource which supports good governance and strong public financial management.

Members of the Committee continue to be well supported by Officers, providing a high standard of reports and presentations. I would like to thank the Internal Audit, External Audit, Law and Governance and Finance teams for their input.

I should like to take this opportunity to give my personal thanks to all the officers, Dr Geoff Jones, Chair of the Audit Working Group, the Deputy Chair Councillor Roz Smith and all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year.

COUNCILLOR TED FENTON

Chair, Audit & Governance Committee

Role of the Audit & Governance Committee

The Audit and Governance Committee operates in accordance with the 'Audit Committees, Practical Guidance for Local Authorities' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022. The Committee complies with the CIPFA's position statement. The Guidance defines the purpose of an Audit Committee as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

The key functions of the Audit and Governance Committee are defined within the Council's Constitution. In discharging these functions, the Committee is supported by the Audit Working Group.

How the Committee has discharged its responsibilities during 2024/25

Key A&G Committee Activities	May 24	July 24	Sept 24	Nov 24	Jan 25	March 25
Financial Reporting						
Statement of accounts 2022/23 & 2023/24						
Review of Treasury Management Outturn 2023/24						
Treasury Management Performance Report						
Treasury Management Annual Investment Strategy 2025/26						
Treasury Management mid-term review						
Financial Management Code Compliance Assessment						
Financial Procedure Rules and Financial Regulations						
Accounting Polices						
Internal Audit						
Annual Report of the Chief Internal Auditor 2023/24						
Internal Audit Strategy and Plan 2024/25						
Reports from Audit Working Group						
Review of Internal Audit Reports and monitor of in-year progress						
Review of Internal Audit Charter and Quality Assurance Programme						
External Audit						
External audit updates						
Reforms to clear backlog in local audit. / Consultation Local Audit Strategy						
Pension Fund Audit						
Governance & Risk Management						
Annual Governance Statement (AGS) for 2023/24						
Review of AGS action plan						
Risk Management update						
Oxfordshire Fire & Rescue Statement of Assurance						
Oxford Fire & Rescue Annual Report						
Local Government Ombudsman annual report						

Key A&G Committee Activities	May 24	July 24	Sept 24	Nov 24	Jan 25	March 25
Monitoring Officer annual report						
Annual Report of A&G committee – draft						
Whistleblowing annual report						
Annual report of Health and Safety						
Constitutional changes from HR						
Constitution update						
Oxfordshire Code of Corporate Governance						
Policy on Councillor Training & Development						
Changes to Constitution of Pension Fund Committee						
RIPA policy						
Consultation – Strengthening the Standards and Conduct Framework						
Highways Contract Arrangements						
Electoral Fees and Charges						
Counter-Fraud						
Approval of Counter-Fraud Strategy and plan for 2024/25						
Counter-Fraud Plan update						

The Committee is supported by the Audit Working Group (AWG):

Key Audit Working Group activities	July 24	Oct 24	March 25
Internal Audit of Procurement Cards			
Internal Audit of Health Funded Payments			
Internal Audit of Adults Payments to Providers			
Internal Audit of Legal Case Management			
Internal Audit of Supported Transport – Contract Procurement & Contract Management			
Internal Audit of Strategic Contract Management			
Update on Counter Fraud Activity and Counter Fraud Risk Register			

2024/25 Key Achievements:

- The Committee and the Audit Working Group (AWG) have continued to review and monitor material weaknesses identified from the internal audit reports with Senior Managers attending to provide assurance on how the issues were being addressed. This has supported the implementation of the actions plans to deliver the required improvements in key areas for the Council.
- The Committee is pleased to note through review of the Internal Audit reports and monitoring by the Committee and AWG, of the agreed management actions that significant weaknesses in the system of internal control are being prioritised and addressed.
- The Committee has provided effective scrutiny of the treasury management strategy and policies. Receiving regular reports of activity, reviewing the treasury risk profile and adequacy of treasury risk management processes has contributed to good performance in this area.
- The Committee and AWG continue to consider key topics / areas of risk, seeking assurance from lead officers in the relevant areas that robust processes are in place. Areas considered during 2024/25 have included Whistleblowing, Highways Contract governance arrangements, Health & Safety, Risk Management and follow up of audits including Adults Payments to Providers, Procurement Cards, Legal Case Management and Supported Transport Contract Procurement and Contract Management.

Our work in 2024/25

The key activities of both the Committee and the Audit Working Group are captured in the tables above. In summary:

Financial Reporting

The Committee is responsible for the review and approval of the annual statement of accounts on behalf of the Council. The Committee has received regular updates on progress from the external auditors and officers.

The Committee receives and reviews the results of the Financial Management Code annual self-assessment.

The Committee receives reports from the Treasury Management Team, exercising its stewardship role. The Committee reviewed the Treasury Management Outturn Report 2023/24, the Treasury Management Mid-term Performance Report 2024/25 and the Treasury Management Strategy Statement and Annual Investment Strategy 2025/26.

Internal Audit

The Committee approved the Internal Audit Strategy for 2024/25, including the annual audit plan. The Committee receives regular progress reports from the Chief Internal Auditor, including summaries of the outcomes from Internal Audit work. Through the Audit Working Group, the Committee monitors the progress with the implementation of management actions arising from audit reports.

Upon finalisation of an internal audit report, the executive summary is included in the quarterly update report to the Audit & Governance Committee. The Committee will request the Audit Working Group consider in more detail any internal audit reports which are graded Red and also any Amber reports where the Committee wants further assurance on. Senior Managers are asked to attend the Audit Working Group and explain how the issues identified are being addressed and the progress with implementation of the agreed management actions.

In response to Internal Audit reports the Committee and the Audit Working Group, has looked in detail at the following areas: Legal Case Management (overall conclusion graded red), Supported Transport Contract Procurement and Contract Management (overall conclusion graded red), Procurement cards (overall conclusion graded amber), Health Funded Payments (overall conclusion graded amber), Adults Payments to Providers (overall conclusion graded amber) and Strategic Contract Management (overall conclusion graded amber).

The Committee has continued to monitor the resourcing of Internal Audit. The Committee recognises the challenges in recruitment in this area and continue to be updated regarding the recruitment and retention strategies being adopted, which includes the recruitment of apprentice auditors within the team.

The completion of the Internal Audit Plan and the annual statement of the Chief Internal Auditor is produced for the Committee at the end of the financial year. Based on the evidence of the reports presented to the Audit Working Group and the Committee, the team continues to provide an effective challenge and therefore assurance on the key risk activities.

The Committee also met with the Chief Internal Auditor in a private session during November 2024 and is satisfied Internal Audit are free to carry out their duties without restrictions.

The Committee approve the Internal Audit Charter on an annual basis, this was approved at the July 2024 meeting.

(As previously reported: A review of the effectiveness of internal audit was undertaken by the Monitoring Officer during Autumn 2023 and reported to the November 2023 committee meeting. This concluded a strong level of satisfaction about the nature and effectiveness of the service. An external assessment of internal audit was also completed (this is undertaken once every five years) which was reported to the January 2024 committee meeting. The results of the external assessment were that internal audit are fully compliant with Public Sector Internal Audit Standards, and there were no recommendations arising.)

External Audit

The Council's external auditors, Ernst and Young, attended committee meetings, providing regular updates on their work plan and any matters arising.

The Committee met with the external auditors in a private session in November 2024. The Committee is satisfied that they are free to carry out their duties without restrictions. The Committee are also assured that if identified, External Audit would bring any material issues to the attention of the Committee.

The statement of accounts for 2022/23 was published on 23 January 2024 following the resolution of the issues with the valuation of infrastructure assets. As a result of the delay, together with the wider requirements of the local audit reset the council's external auditors informed the council that they did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report. Therefore, the council has received a disclaimed opinion on the 2022/23 financial statements.

The 2023/24 accounts were published on 28 June 2024 and the external audit opinion was received in February 2025. Since it was not possible to have assurance over the brought forward balances from 2022/23 the council has received a disclaimed opinion on the 2023/24 accounts.

Governance & Risk Management

The Committee approved the Annual Governance Statement (AGS) for 2023/24. This included improvement actions for 2024/25, within the following areas: Directorate Schemes of Delegation, HR Policies, Constitution Review, Information Commissioner's expectations when handling freedom of information requests, Review of CCTV and alarm monitoring arrangements, Review of Members and Officers fiduciary responsibilities, Governance Training Sessions.

The Committee and AWG receives and considers updates from officers on key topics/areas of risk such as seeking assurance that robust risk management, governance and internal control processes are in place. Regular risk management updates are provided to the Committee.

The Committee also considered the annual report of the Monitoring Officer; the annual report of the Local Government and Social Care Ombudsman; the annual report of Health & Safety; and the Fire and Rescue Service Annual Statement of Assurance, and the annual report of Whistleblowing. There were no material issues or concerns arising.

Counter-Fraud

The Audit & Governance Committee receives annually the Counter Fraud Strategy and work plan. The Committee is regularly updated on progress on delivery of the work plan for counter fraud.

The Chief Internal Auditor provided regular updates to the Committee and the AWG on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the Committee. The Committee plays a key role in monitoring the effectiveness of the Council's counter fraud arrangements.

The Committee received a report on Whistleblowing from the Monitoring Officer, that highlighted there have been few cases and where these have arisen, they have been investigated appropriately.

Audit & Governance Committee self-assessment 2023/2024

At the end of 2022, CIPFA (The Chartered Institute of Public Finance & Accountancy), issued updated guidelines and a position statement to local authority audit committees. As part of those guidelines it is recommended that the committee undertakes a regular self-assessment exercise against the recommended standards set out in the CIPFA 2022 guidelines. The Audit & Governance Committee met in February 2023 and completed the self-assessment of good practice, which included a review of core knowledge and skills.

As previously reported, the self-assessment exercise concluded that the committee has a high degree of performance against good practice principles, that it is soundly based and has in place knowledge membership. The committee complies with the CIPFA position statement 2022 and has fulfilled its terms of reference, and the key issues escalated during the year.

One of the key recommendations of the CIPFA 2022 guidance is that all audit committees within local authorities have two independent members. The Audit and Governance Committee had already identified this as a required action. A recruitment exercise was conducted in 2024; however, the Council was unable to fill the roles. A further recruitment exercise is planned for early 2025. The Committee already has one independent member who has a well-developed knowledge of how the Council operates.