

AUDIT AND GOVERNANCE COMMITTEE – 29 November 2023

COMMITTEE TERMS OF REFERENCE

Report of the Director of Law & Governance and Monitoring Officer

RECOMMENDATION TO COUNCIL

- 1. To make the changes to the terms of reference of the Audit and Governance Committee (Part 5.1A of the Constitution) as highlighted in Annex A to the report. This reflects the latest guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) - *Audit Committees: Practical Guidance for Local Authorities and Police (2022)*.**

Background

2. Proposed changes to the terms of reference were previously presented to the Audit and Governance Committee on 13 November 2019 but did not go through the normal approval process due to the interruption in meetings at the start of the Covid-19 Pandemic.
3. The proposed changes were in line with those recommended in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on the function and operation of audit committees *Audit Committees in Local Authorities and Police 2018* edition.

Proposed changes

4. The terms of reference have been updated at Annex A to reflect the 2018 CIPFA guidance along with the latest 2022 CIPFA guidance on audit committees.
5. The revised terms of reference are split into seven areas:
 - Governance, risk and control
 - Internal Audit
 - External Audit

- Financial reporting
- Accountability arrangements
- Treasury management
- Ethical governance

6. For reference, the present terms of reference for the committee in the Constitution are included at Annex B.

Corporate policies and priorities

7. The role of the Audit and Governance Committee underpins good corporate governance in the Council.

Financial implications

8. There are no direct financial implications arising from the report. The proposed changes to the terms of reference will however strengthen financial management reporting arrangements.

Legal implications

The Audit and Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The expectation is that the terms of reference for the Committee comply with CIPFA guidance as the leading national body for public sector accountancy and audit and are set out in the Constitution as recommended Council.

Comments checked by: Anita Bradley, Director of Law and Governance

Staff implications

9. None arising directly from this report

Equality and inclusion implications

10. None arising directly from this report

Anita Bradley
Director of Law & Governance and Monitoring Officer

Annex A: Updated terms of reference for the Audit and Governance Committee

Annex B: Current terms of reference for the Audit and Governance Committee

Background papers: CIPFA publication *Audit Committees: Practical Guidance for Local Authorities and Police (2022)*

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Annex A – updated terms of reference for the Audit and Governance Committee

Statement of purpose

1. The Audit and Governance Committee is a key component of Oxfordshire County Council's corporate governance framework. It provides an independent and high-level focus on the adequacy of the risk management framework, the internal control environment, the integrity of the financial reporting and governance processes. By overseeing Internal and External Audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Governance, risk and control

2. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the Local Code of Governance.
3. To be responsible for ensuring effective oversight of the Council's functions: making arrangements for proper administration of financial affairs, that processes are in place for the appointment of 'proper officers' and making arrangements for the designation of the Head of Paid Service and the Monitoring Officer (including the provision of staff).
4. To review the AGS (Annual Governance Statement) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
5. To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
6. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
8. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

9. To monitor the effective development and operation of risk management in the Council.
10. To monitor progress in addressing risk-related issues reported to the committee.
11. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
12. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
13. To monitor the counter-fraud strategy, actions and resources
14. To review the governance and assurance arrangements for significant partnerships or collaborations.
15. To draw to the attention of the appropriate scrutiny committee any issues which in the committee's view would benefit from a scrutiny review or further investigation.

Internal Audit

16. To approve the Internal Audit Charter
17. To review proposals made in relation to the appointment of external providers of Internal Audit Services and to make recommendations.
18. To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
19. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
20. To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
21. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of Internal Auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.

22. To consider reports from the Head of Internal Audit on Internal Audit's performance during the year, including the performance of external providers of Internal Audit Services. These will include:
- Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - Regular reports on the results of the QAIP (Quality Assurance Improvement Programme).
 - Reports on instances where the internal audit function does not conform to the PSIAS, (Public Sector Internal Audit Standards) considering whether the non-conformance is significant enough that it must be included in the AGS.
23. To consider the Head of Internal Audit's annual report:
- The statement of the level of conformance with the PSIAS – this will indicate the reliability of the conclusions of Internal Audit.
 - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
24. To consider summaries of specific Internal Audit reports as requested.
25. To receive reports outlining the action taken where the head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
26. To contribute to the QAIP and in particular to the external quality assessment of Internal Audit that takes place at least once every five years.
27. To consider a report on the effectiveness of internal audit to support the AGS.
28. To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.

External Audit

29. To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by PSAA (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.
30. To consider the External Auditor's Annual Letter, relevant reports and the

report to those charged with governance.

31. To consider specific reports as agreed with the External Auditor.
32. To comment on the scope and depth of External Audit work and to ensure it gives value for money.
33. To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.
34. To provide free and unfettered access to the Audit Committee Chair for the Council's External Auditor, including the opportunity for a private meeting with the committee.

Financial reporting

35. To review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
36. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
37. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

38. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and Internal and External Audit functions.
39. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
40. To publish an annual report of the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

Treasury management

41. To be responsible for ensuring 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.

Ethical governance

42. To promote high standards of conduct by councillors and co-opted members.

43. To have oversight of the process for granting dispensations to councillors and co-opted members from the requirements relating to interests set out in the code of conduct for members. This includes making recommendations to Council on general dispensations relating to a wider group of councillors. Note: the Monitoring Officer is authorised to grant individual dispensations where appropriate.

44. To advise the Council as to the adoption or revision of the members' code of conduct and arrangements for complaints against members.

Elections

45. To be responsible for ensuring effective oversight of the Council's functions relating to elections including ensuring that arrangements are in place to appoint a Returning Officer, advertise casual vacancies and hold elections.

Regulation of Investigatory Powers (RIPA) Act 2000

46. To be responsible for effective scrutiny of the Council's Regulation of Investigatory Powers (RIPA) Policy and related processes.

Annex B – current terms of reference for the Audit and Governance Committee

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| Audit & Governance Committee | (1) | The functions relating to elections specified in Section D of Schedule 1 to the Functions Regulations. | (5) |
| | (2) | The functions in relation to the designation of particular officers for certain purposes specified in Paragraphs 39, 40, 43 and 44 in Section I of Schedule 1 to the Functions Regulations. | |
| | (3) | The functions in relation to the approval of the statement of accounts etc specified in Paragraph 45 in Section I of Schedule 1 to the Functions Regulations including the Annual Governance Statement (including Statement on Internal Control). | |
| | (4) | To monitor the risk, control and governance arrangements within the Council, together with the adequacy of those arrangements and those of others managing Council resources: <ul style="list-style-type: none">- to ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;- to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks; and | |

- to ensure coordination between internal and external audit plans to maximise the use of resources available as part of a total control assurance framework;

and to draw to the attention of the appropriate scrutiny committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

- (5) To consider and comment on the Council's External Auditor's annual work plan, the annual audit letter and any reports issued by the Audit Commission or the Council's External Auditor. Where issues affect the discharge of executive functions, to make recommendations as appropriate to the Cabinet, and where any issues affect the discharge of non-executive functions, to make recommendations to the appropriate Council Committee.
- (6) To systematically monitor:
 - the performance and effectiveness of Internal Audit Services processes within the Council, including undertaking an annual review using key performance indicators e.g., client satisfaction, percentage of plan completed, percentage of non-chargeable time;
 - the strategic Internal Audit Services Plan and annual work plan, advising on any changes required to ensure that statutory duties are fulfilled;
 - resourcing for the service, making recommendations to the Cabinet and Council on the budget for the service;
 - arrangements for the prevention and detection of fraud and corruption; and
 - the system for Treasury Management
 - and to draw to the attention of the appropriate scrutiny committee any issues which in the Committee's view

would benefit from a scrutiny review or further investigation.