

AUDIT & GOVERNANCE COMMITTEE
16 MARCH 2022

ANNUAL REPORT OF AUDIT AND GOVERNANCE COMMITTEE

Report by Lorna Baxter, Director of Finance

RECOMMENDATION

1. The Audit & Governance Committee is RECOMMENDED to

To review the draft report, agree any amendments and finalise in preparation for presentation to Council by the Chair of the Audit & Governance Committee.

Executive Summary

2. In accordance with CIPFA (The Chartered Institute of Public Finance & Accountancy) Audit Committee Guidelines for Local Authorities 2018, it is recommended practice for an annual public report to be produced and reported to Council demonstrating how the committee has discharged its responsibilities.

Annual Report of Audit & Governance Committee

3. A draft report of the activities of the committee for the financial year 2021/22 has been prepared and is included within Appendix 1. It has previously been circulated for review and comment to Audit Working Group members. It is proposed that any suggested amendments/additional comments are discussed and agreed at the committee.
4. The final report will then be produced for the Chair of the committee, to schedule and present to Council.
5. Compliance with CIPFA's guidance for Local Authority Audit Committees 2018, demonstrates the committee's commitment to high standards and the production of the annual report demonstrates the role the committee exercises in being a key component of good governance for Oxfordshire County Council.

Financial Implications

6. There are no financial implications arising from this report.

Comments checked by: Lorna Baxter, Director of Finance,
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Legal Implications

7. There are no legal implications arising from this report.

Comments checked by:

Comments checked by: Sukdave S. Ghuman
Head of Legal Services & Deputy Monitoring Officer
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Staff Implications

8. There are no staffing implications arising from this report.

Equality & Inclusion Implications

9. There are no equality and inclusion implications arising from this report.

Sustainability Implications

10. There are no sustainability implications arising from this report.

Risk Management

11. There are no risk management implications arising from this report.

Lorna Baxter, Director of Finance

Annex: Draft Annual Report of the Audit and Governance Committee.
The draft report includes Appendix 1 – Audit & Governance Terms of Reference and Appendix 2 – Audit Working Group Terms of Reference.

Background papers: None.

Contact Officer: Sarah Cox, Chief Internal Auditor,
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March 2022.

**Audit & Governance Committee
Annual Report**

**Report of the work of the Audit & Governance
Committee during 2021-22**

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Chair's Introduction

Having been appointed the Chair of the Audit and Governance Committee in May 2021, 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 2021/22.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA) in 2018. 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.

The Committee continues 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 Brad Baines 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 ROZ SMITH

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) in 2018. The Guidance defines the purpose of an Audit Committee as follows:

1. 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.
2. The purpose of and 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 annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The key functions of the Audit and Governance Committee are defined within the Council's Constitution; the relevant extract is attached as Appendix 1 to this report. In discharging these functions, the Committee is supported by the Audit Working Group, their terms of reference are attached as Appendix 2 to this report.

How the Committee has discharged its responsibilities during 2021/22

Key A&G Committee Activities	June 21	July 21	Sept 21	Nov 21	Jan 22	March 22
Financial Reporting						
Review of statement of accounts – narrative statement 2020-21	•					
2020-21 Annual Statement of Accounts - updates		•	•	•	•	•
Review of Treasury Management Outturn 2020-21	•					
Treasury Management 2021-22 mid-term review				•		
Treasury Management Annual Investment Strategy 2022-23					•	
Treasury Management industry update briefing from Link					•	
Financial Management Code Compliance Assessment 2021-22					•	
Internal Audit						
Annual Report of the Chief Internal Auditor 2020-21	•					
Internal Audit Strategy and Plan 2021-22	•					
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 progress updates and technical updates	•		•	•		•
External Auditor appointments				•		
Update re: Audit Results Report 2020-21						•
Pension Fund Audit Results Report 2020-21				•		
Governance & Risk Management						
Approval of Annual Governance Statement (AGS) for 2020-21	•					
Review of AGS action plan				•		•
Oxfordshire Fire & Rescue Statement of Assurance				•		
Local code of Corporate Governance						•
Provision Cycle					•	

Key A&G Committee Activities	June 21	July 21	Sept 21	Nov 21	Jan 22	March 22
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act			•			
Local Government Ombudsman annual report			•			
Monitoring Officer annual report			•			
Annual Report of A&G committee						•
Scale of election fees and expenditure						•
Whistleblowing Policy				•		
Appointment of Independent Persons					•	
Constitution Review			•	•	•	•
Counter-Fraud						
Approval of Counter-Fraud Strategy and plan for 2021-22		•				
Anti-fraud and corruption strategy		•				
Counter-Fraud Plan update				•		•
Update on CF investigation						•

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

Key AWG activities	April 21	June 21	Sept 21	Oct 21	Dec 21	Jan 21
Internal Audit & Counter-Fraud						
Internal Audit and Counter-Fraud update, including review of Internal Audit Reports and monitoring of progress with implementation of agreed management actions	•		•		•	
Review of Audit of Adults Direct Payments and implementation of management actions		•				
Review of Audit of Childrens Placements and implementation of management actions			•			
Governance & Risk Management						
Review of corporate risk management arrangements, including Leadership Team Risk Register		•		•		
Review of directorate risk management arrangements		•				

Key AWG activities	April 21	June 21	Sept 21	Oct 21	Dec 21	Jan 21
including risk register – Customers, OD and Resources						
Risk Management Reporting arrangements to A&G/AWG			•			
Oxfordshire Fire & Rescue Statement of Assurance				•		
Whistleblowing policy				•		
Review of risk management processes in relation to HIF (Housing Infrastructure Fund) programmes.					•	•

2021/22 Key Achievements:

- The Committee and 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.
- A continued focus for the AWG has been monitoring the improvement actions agreed following the audit of Adults Direct Payments 2020/21, which was graded Red, due to the significant weaknesses identified. The committee / AWG are now pleased to note the significant progress that has now been made to effectively address the weakness identified and implement the agreed improvement actions.
- The Committee is pleased to particularly note through review during the year of the Internal Audit reports and monitoring by the Committee & 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 2021/22 have included the Implementation of the Provision Cycle and also the Risk management processes for the Housing Infrastructure Fund programme.

Our work in 2021/22

The key activities of both the Committee and AWG 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. In line with many councils the external audit of 2020/21 accounts has not yet been completed. The Committee has received regular updates on progress from the external auditors and officers.

The Committee receives reports from the Treasury Management Team three times a year, exercising its stewardship role. The Committee reviewed the Treasury Management Outturn Report 2020/21, the Treasury Management Mid-term Performance Report 2021/22 and the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23. The committee members attended an industry update briefing from Link, the Council's advisors, to help inform the review of the 2022/23 Treasury Management Strategy.

Internal Audit

The Committee approved the Internal Audit Strategy for 2021/22, 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.

In response to Internal Audit reports the Committee/Audit Working Group, has looked in detail at the following areas: Adults Direct Payments (overall conclusion graded red) and Childrens Placements (overall conclusion graded amber).

The review of the effectiveness of the system of Internal Audit, commissioned by the Committee was reported and considered in March 2019. Overall, the results are very favourable and demonstrated a strong level of satisfaction about the nature and effectiveness of the service. There were no issues as regards the integrity, or capability, of any of the officers of Internal Audit; the comments continue to reflect that the service is well-regarded. The next review will be scheduled for 2022.

The Committee has continued to monitor the resourcing of Internal Audit. The Committee recognise the challenges in recruitment in this area and continue to be updated regarding the recruitment and retention strategies being adopted, which includes the introduction of an Audit Apprentice post 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 September 2021 and are 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 2021 meeting.

External Audit

The Council's external auditors, Ernst and Young, attended all the committee meetings during 2021/22, providing regular updates on their work plan and any matters arising.

The Committee met with the external auditors in a private session in September 2021. The Committee is satisfied that they are free to carry out their duties without restrictions. We are also assured that if identified they would bring any material issues to the attention of the Committee.

Governance & Risk Management

The Committee approved the Annual Governance Statement (AGS) for 2020/21. This included improvement actions for 2021/22, within the following areas; Provision Cycle and Review of post covid governance arrangements.

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

The Committee, through the Audit Working Group, has continued to receive risk management updates, which included detailed review of the Leadership risk register. The Audit Working Group is satisfied from their review that the process for reporting, escalating, and managing Leadership level risks is being maintained and acknowledge the ongoing work to improve and properly embed risk management as a routine part of OCC's everyday work.

The Committee and Audit Working Group also considered the annual report of the Monitoring Officer; the annual report of the Local Government Ombudsman; the use of the Regulation of Investigatory Powers Act 2000 (RIPA); review of scale of election fees; and the Fire and Rescue Service Annual Statement of Assurance. There were no material issues or concerns arising.

The Committee approved the scope for a review of the Constitution and agreed to the appointment of an informal cross-party Working Group and its terms of reference. The purpose of the Working Group is to make recommendations to this Committee on potential changes to the Constitution. The Committee receive regular updates on progress made with the review.

Counter-Fraud

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

The Committee and Audit Working Group receive regular updates from the Chief Internal Auditor on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the Audit & Governance 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 very few cases.

The Committee were updated at the March meeting regarding the outcome of a fraud investigation that had recently been concluded, including actions taken to address the issues identified and control improvements now implemented.

Appendix 1

Audit & Governance Committee Terms of Reference

Statement of purpose

1. The Audit & 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.

Generally

2. To draw to the attention of the appropriate scrutiny committee, or Cabinet or any other committee, as appropriate any issues which in the Committees view would benefit from a scrutiny review or Cabinet's or a committee's further investigation.

Governance, risk and control

3. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
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 ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;
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 the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
8. To monitor the effective development and operation of risk management in the council.
9. To monitor progress in addressing risk-related issues reported to the committee.
10. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
11. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
12. To monitor the counter-fraud strategy, actions and resources.
13. To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

14. To approve the internal audit charter.
15. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
16. 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.
17. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
18. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
19. 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.
20. 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.
21. 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.
22. To consider summaries of specific internal audit reports as requested.
23. 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.
24. 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.
25. To consider a report on the effectiveness of internal audit to support the AGS.
26. 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

27. 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.
28. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
29. To consider specific reports as agreed with the external auditor.
30. To comment on the scope and depth of external audit work and to ensure it gives value for money.
31. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

32. 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.
33. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

34. 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.
35. 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.
36. To publish an annual report on the work of the committee.

Treasury Management

37. 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

38. To promote high standards of conduct by councillors and co-opted members.
39. To grant dispensations to councillors and co-opted members from the requirements relating to interests set out in the code of conduct for members
40. To receive a report from member-officer standards panels appointed to investigate allegations of misconduct under the members' code of conduct.
41. To advise the Council as to the adoption or revision of the members' code of conduct.

Elections

42. To appoint the County Returning Officer for the purposes of county council elections
43. To carry out other relevant electoral functions under Section D of Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, including the annual setting of the scale of fees for County Council elections.

Appeals & Tribunals Sub – Committee

44. The Committee will appoint an Appeals & Tribunals Sub-Committee which will have the following responsibilities and membership:

Responsibilities:

- (i) The determination of appeals against decisions made by or on behalf of the authority as specified in Paragraph 2 of Schedule 2 to the Functions Regulations.
- (ii) To hear and determine appeals in cases where the relevant procedure rules require this function to be performed by a formally constituted committee or sub-committee.
- (iii) To hear and determine appeals in other cases under the relevant procedure rules.

Membership:

The Appeals & Tribunal Sub-Committee will meet as needed and its membership will be:

- (i) A member of the Audit & Governance Committee (or substitute)
- (ii) Two other members of the Council (one being a Cabinet member in the case of Fire Discipline issues)

November 2019.

Appendix 2 - this will be reviewed and updated at March committee – then we will insert up-to-date version in this annex.

AUDIT WORKING GROUP TERMS OF REFERENCE

Membership

The Audit Working Group shall consist of:-

The independent member of the Audit and Governance Committee who will chair the Group, together with four members of the Audit and Governance Committee, one of whom shall be the Chairman of the Committee. There will also be up to four named members of the Audit and Governance Committee who will deputise as required. Where the Chairman of the Audit and Governance Committee cannot attend the Audit Working Group, the Deputy Chair of the Audit and Governance Committee will be the named deputy.

The Director of Finance and/or Assistant Director of Finance Officer, Director of Law and Governance (& Monitoring Officer), and the Chief Internal Auditor, or their representatives shall attend the Group meetings.

Members of the Group and their deputies should have suitable background and knowledge to be able to address satisfactorily the complex issues under consideration and should receive adequate training in the principles of audit, risk and control.

All members of the Audit and Governance Committee can attend Audit Working Group Meetings as observers.

Role

The Audit Working Group shall:

act as an informal working group of the Audit and Governance Committee in relation to audit, risk and control to enable the Committee to fulfil its responsibilities effectively in accordance with its terms of reference;

routinely undertake a programme of work as defined by the Audit and Governance Committee;

consider issues arising in detail as requested by the Audit and Governance Committee;

receive private briefings on any matters of concern;

at least annually hold a private session with the External Auditors not attended by any officers, and a further private session on Internal Audit matters with the Chief Internal Auditor only.

Reporting

The Director of Finance will report to the Audit and Governance Committee on matters identified by the Group following consultation with the Chairman and members of the Group.

Meeting

The Group shall meet regularly in cycle with the Audit and Governance Committee. The Group may invite any officer or member of the Council to attend its meetings to discuss a particular issue and may invite any representative of an external body or organisation as appropriate.

Confidentiality

The Group will meet in private to allow full and frank consideration of audit, risk and control issues.

All matters discussed and papers submitted for the meetings including minutes of the previous meeting must be treated as confidential. Papers will be circulated in advance to all members of the Audit and Governance Committee for information whether attending the Group or not.

Where any other member wishes to inspect any document considered by the Group and believes that s/he has a "need to know" as a County Councillor, the procedure in the Council's Constitution relating to Members Rights and Responsibilities (Part 9.3) shall apply.

UpdatedMarch 2020

Review Date.....April 2021

Officer Responsible:

Sarah Cox, Chief Internal Auditor
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