

**AUDIT &
GOVERNANCE
COMMITTEE
ANNUAL REPORT
2018/19**

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Chairman's introduction

As the Chairman of the Audit and Governance Committee 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 2018/19.

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

The Committee continues to be well supported by Officers, providing a high standard of reports and presentations. I would also like to thank the Internal Audit and the External Audit teams for their input.

I should like to take this opportunity to give my personal thanks to all the officers, Dr Geoff Jones, Chairman of the Audit Working Group, my Vice Chairman Cllr Tony Ilott and without exception, 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 NICK CARTER

Chairman, 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 Annex 1 to this report. In discharging these functions the Committee is supported by the Audit Working Group, their terms of reference are attached as Annex 2 to this report.

Our work in 2018/19

In this section the activities of the Committee during 2018/19, including the Audit Working Group, are summarised under the headings of the key functions.

Internal Control

The Audit & Governance Committee approved the Annual Governance Statement (AGS) for 2017/18 in April 2018. This included actions for 2018/19, within the following areas, to improve existing governance arrangements. The Committee actively monitors progress with the implementation of the actions.

- Mental Health
- GDPR
- Transformation
- Corporate Security
- Financial Management
- Property
- External Reports
- Procurement

In response to Internal Audit reports the Committee/Audit Working Group, has looked in detail at the following areas:

- Mental Health – A follow up audit in this area was finalised in April 2018, 18 months after the completion of the previous audit. The overall conclusion remained graded as Red as there had been insufficient progress in addressing the weaknesses identified. The Committee / Audit Working Group have therefore closely monitored the implementation of the action plan. The responsibility for the delivery of social work provision for the over 65's has been brought back from Oxford Health to the OCC teams. The Committee / Audit Working Group have noted the significant improvements made and continue to monitor the remaining outstanding actions in relation to the under 65s.
- Health & Safety – The Committee / Audit Working Group noted weaknesses with the governance structure and assurance arrangements for the management of health and safety across the Council following an audit, finalised in October 2018, with an overall grading of Red. The action plan and implementation progress has been reviewed and monitored by the Committee / Audit Working Group. Significant progress has been made to improve governance and controls in this area.
- Highways Payments – following several audits (graded Amber) which highlighted weaknesses with the contractor's cost management system and promised developments to the system not being progressed satisfactorily, the contractor was invited to attend the Committee. The challenge offered by the Committee has supported OCC officers with the escalation of the issues with the contractor to ensure proper resolution. A recent audit, finalised at the beginning of April 2019, has concluded that the contractor's improvement plan to address the system weaknesses identified has been implemented and the Committee / Audit Working

Group noted the significant improvement in terms of cost transparency and data capture. The Committee / Audit Working Group will continue to monitor this whilst the new system is fully embedded into business as usual processes.

- Business Continuity – The audit report finalised in January 2019, had an overall grading of Red. The Committee / Audit Working Group have reviewed the weaknesses identified and continue to regularly monitor the implementation of the action plan, noting recently that actions are on track for full implementation and good progress already made to improve the governance and controls within this area.
- Contingency Care – Following the audit finalised in December 2018, the Committee / Audit Working Group have reviewed the weaknesses and action plan in place to address. There is now a review of contracting arrangements and good progress with the implementation of required improvements.
- Security Bonds (Developer-S106 and S38/S278 bond agreements) – since the audit report was finalised in April 2018, there has been regular monitoring by the Committee / Audit Working Group to ensure the actions for improvement have been implemented.
- Safer Recruitment – Following an audit completed near the end of 2017/18, the Committee and Audit Working Group noted concerns with accuracy of records held in relation to Disclosure and Barring Service (DBS) ensuring that checks are up-to-date. The Committee / Audit Working Group reviewed the weaknesses identified and monitored the implementation of the actions, which have all now been addressed.
- GDPR – The Committee / Audit Working Group have monitored the implementation of actions from the audit, graded Amber, finalised in September 2018. Improvements have been made in line with target dates.
- Capital Programme – The Committee / Audit Working Group have continued to monitor the implementation of the action plan following a 2016/17 audit, graded as Red, noting key weaknesses around the governance structure in place in relation to the delivery of schemes, including strategic oversight and lack of clarity of roles and responsibilities. A recent follow up audit has concluded good progress in addressing the governance weaknesses previously identified, including the set up of new Boards and improving the oversight and challenge of the capital programme.

The Committee/Audit Working Group receives and has also considered updates from Officers in the following areas:

- Northamptonshire Inspection Report
- Treasury Management – Impact of Brexit
- Cherwell District Council Working Arrangements (including the Committee's review of S113)
- Carillion Recovery Plan
- Transformation
- GDPR (General Data Protection Regulations)
- Highways Partnership Contract
- Implementation of the new Children's IT system

- Financial Management Action Plan
- Governance of the Housing and Growth Deal

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.

Key Achievements:

- Material weaknesses identified from the internal audit reports were reviewed by the Committee and Audit Working Group, 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 several key areas for the Council, for example Business Continuity and Highways Payments.
- The Committee are pleased to particularly note the significant progress and improvements in the areas of Health & Safety and Mental Health. For Mental Health, Adult Social Care can evidence excellent examples where the improved governance and control environment has led to achieving better and more efficient outcomes for their service users.
- Monitoring of management actions applied by the Committee to ensure that significant weaknesses in the system of internal control are being prioritised.

Risk Management

The Committee, through the Audit Working Group, has continued to receive updates from the Assistant Director of Finance on risk management, which includes the information included within the Business Management Report which is presented to the Council's Leadership Team (CEDR).

The reports reviewed have demonstrated good progress in the alignment between risk and performance reporting and the link to strategic objectives. The Strategic risk register has been subject to detailed review by the Audit Working Group during 2018/19. The Audit Working Group is satisfied from their review that the process for reporting, escalating and managing risks is being maintained and acknowledge the ongoing work and strategic direction being provided by the Chief Executive to improve and properly embed risk management as a routine part of OCC's everyday work. The Audit Working Group resumed a cyclical programme of reviewing the Directorate risk registers during the year.

Internal Audit

The Committee in April 2018 approved the Internal Audit Strategy for 2018/19, including the annual audit plan and counter fraud plan, which provides members the opportunity to challenge and influence the plan where the Committee has identified areas of concern.

The regular update reports of the Chief Internal Auditor to both the Audit and Governance Committee and also the Audit Working Group has enabled emerging issues arising from Internal Audit activity to be considered on a timely basis, including where appropriate working with the Senior Officers to seek assurance that matters are being dealt with promptly and effectively.

The annual review of the effectiveness of the system of Internal Audit, commissioned annually 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.

Internal Audit were also externally assessed during 2017/18 by Cipfa for compliance with the Public Sector Internal Audit Standards. The assessment outcome was very positive with only a small number of minor improvements to documentation required. The review concluded that “The service is highly regarded within the Council and provides useful assurance on its underlying systems and processes”. The completion of the action plan to address the minor issues identified was reviewed and signed off as completed at the July 2018 meeting.

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.

The Internal Audit Plan was completed by April 2019 Committee and the annual statement of the Chief Internal Auditor produced for the May 2019 Committee. 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 2018 and are satisfied Internal Audit are free to carry out their duties without restrictions.

External Audit

The Council's external auditors, Ernst and Young, attended all the committee meetings during 2018/19, providing regular updates on their work plan and any matters arising. The Committee received and reviewed the External Audit Annual Letter.

The external auditors have an open invitation to attend the Audit Working Group. They do not routinely attend, but do receive all the papers.

The Committee also met with the external auditors in a private session in September 2018 and are satisfied 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.

Anti-Fraud and Corruption

The Audit & Governance 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.

We received a report on Whistleblowing from the Monitoring Officer, that highlighted there have been very few cases.

Overall the Council has a strong system of internal control, so it is not unexpected there is very little fraud identified; however nationally statistics show that fraud is on the increase, so it is important that we all remain vigilant.

Annual Accounts Process

The 2017/18 Accounts were prepared on time and presented to the Committee for comment. We received the External Auditors report in September 2018 when it was very pleased to note that high standards had been maintained with no material issues reported.

Treasury Management

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 (July 2018)
- The Treasury Management Mid-term Performance Report (Nov 2018)
- The Treasury Management Strategy Statement and Annual Investment Strategy 2019/20 (January 2019)

There were no material issues to note.

The committee members attended an industry update briefing presented by Arlingclose covering new legislation and potential risks; to help inform the review of the 2019/20 Treasury Management Strategy.

Governance

The committee agreed the Annual Governance Statement 2017/18 that explained how the County Council had complied with the code of corporate governance. The Committee reviewed the Code of Corporate Governance (May 2019 meeting).

The Committee and Audit Working Group also received the following reports, 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 has not received any reports in respect of investigations into allegations of misconduct under members' code of conduct. The Committee has not granted any dispensations from requirements relating to interests as set out in the code of conduct for members.

The Committee is responsible for the work of the Appeals & Tribunals Sub-Committee a panel of members that is chaired by a member of the Audit & Governance Committee*. They carry out a range of appeals and tribunals:

Type of appeal	Number in Calendar Year 2018
Member Appeals:	
Appeal against dismissal	3
Appeal against redundancy selection	2
Raising concerns at work appeals	0
Disciplinary and Capability appeals	0
Job Evaluation formal appeals	3

Home to School Transport Appeals	<p>50 appeals were scheduled to be heard (11 were heard as a group appeal of families in one village)</p> <p>10 Upheld (wholly or in part)</p> <p>30 Refused (11 of which were in the unsuccessful group appeal)</p> <p>10 Withdrawn</p>
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* Excluding Home to School Transport Appeals where the Panel is made up of one councillor, one officer and one independent person.

Membership, Meetings & Attendance

Audit and Governance Committee

The Audit and Governance Committee comprises of nine elected members representing the three main political parties and a Co-opted Member, Dr Geoff Jones.

The Audit Working Group, chaired by Dr Jones, comprises four elected members from the Committee, plus officers. Papers for the Audit Working Group are circulated in advance to all members of the Audit and Governance Committee. All members of the Committee can attend the working group meetings.

Officers

The Audit and Governance Committee continues to be well supported by Officers, providing reports either in accordance with the Committee's work programme, or at the request of the Committee. In 2018/19 the Director of Finance, the Assistant Chief Finance Officer (Assurance), the Director of Law and Governance (& Monitoring Officer), and the Chief Internal Auditor routinely attended the meetings. These same officers also attended the Audit Working Group meeting.

External Audit

The External Auditors, Ernst and Young, have attended all the Audit and Governance Committee meetings.

Meetings

The Audit and Governance Committee met seven times in 2018/19 and the Audit Working Group met five times. Work programmes are used by both the Audit & Governance Committee and the Audit Working Group to ensure requirements of the Committee are fulfilled. The programmes are reviewed with officers at each meeting and added to when appropriate to ensure ad-hoc investigations instigated by the Committee are reported.

ANNEX 1 - Audit & Governance Committee Functions

The following are the functions of the Audit & Governance Committee extracted from the Constitution – Article 8

- (1) The functions relating to elections specified in Section D of Schedule 1 to the Functions Regulations.
- (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:
 - 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 controls 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 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.

- (7) To promote high standards of conduct by councillors and co-opted members.
- (8) To grant dispensations to councillors and co-opted members from requirements relating to interests set out in the code of conduct for members.
- (9) To receive report from member-officer standards panels appointed to investigate allegations of misconduct under the members' code of conduct.
- (10) To advise the Council as to the adoption or revision of the members' code of conduct.
- (11) To implement the foregoing in accordance with a programme of work agreed by the Committee annually in advance, and to report to the Council on the Committee's performance in respect of that programme.
- (12) 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)

ANNEX 2 - Audit Working Group Terms of Reference

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 Chief Finance Officer (Assurance), 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 (Article 8 of the Constitution);

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.

UpdatedApril 2019

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