

Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 13 NOVEMBER 2019

Audit & Governance Committee Terms of Reference

Report by the Director for Finance

RECOMMENDATION

1. The committee is RECOMMENDED to approve the updated terms of reference for the Audit & Governance Committee and request that this is included within the December 2019 review and update of the Constitution.

Executive Summary

2. A session has been scheduled prior to the November 2019 Audit & Governance Committee meeting where the Chief Internal Auditor and the members of the Committee will undertake a self-assessment review against CIPFA's guidance on the function and operation of audit committees "Audit Committees in Local Authorities and Police 2018 edition".
3. Initial review of the guidance has highlighted that the current terms of reference included within the Constitution, would benefit from review and updating to ensure now in line with current best practice. (Annex 1 – current terms of reference).
4. A revised terms-of-reference (based upon CIPFA's model guidance) has been drafted and is attached as annex 2 to this report. The revised terms of reference provides better clarity on the role of the Committee. In addition to the CIPFA suggested model, the revised terms of reference for OCC Audit and Governance Committee also include responsibilities/reference to Treasury Management, Ethical Governance, Elections, Appeals and Tribunals and referring issues to Performance Scrutiny.
5. Members of the committee are asked to review and approve the revised terms of reference. This will then be presented in December to Council as part of the update and revision to the Constitution.

Lorna Baxter
Director of Finance

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ANNEX 1 - Audit & Governance Committee Functions – Current TOR

The following are the functions of the Audit & Governance Committee extracted from the Constitution – Part 2, Article 9

- (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 – Proposed Audit & Governance Committee Terms of Reference to be included in revision to Constitution

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.

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 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.
4. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
5. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
6. To monitor the effective development and operation of risk management in the council.
7. To monitor progress in addressing risk-related issues reported to the committee.
8. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
9. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
10. To monitor the counter-fraud strategy, actions and resources.
11. To review the governance and assurance arrangements for significant partnerships or collaborations.
12. 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

13. To approve the internal audit charter.
14. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
15. 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.

16. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
17. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
18. 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.
19. 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.
20. 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.
21. To consider summaries of specific internal audit reports as requested.
22. 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.
23. 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.
24. To consider a report on the effectiveness of internal audit to support the AGS.
25. 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

26. 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.
27. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
28. To consider specific reports as agreed with the external auditor.
29. To comment on the scope and depth of external audit work and to ensure it gives value for money.

30. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

31. 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.
32. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

33. 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.
34. 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.
35. To publish an annual report on the work of the committee.

Treasury Management

36. 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

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

Elections

41. To appoint the County Returning Officer for the purposes of county council elections
42. 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

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