

Audit & Governance Committee Annual Report

**Report of the work of the Audit &
Governance Committee during 2019-20**

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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 2019/20.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA) in 2018. During the year the Committee completed a self-assessment against this guidance which confirmed 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 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, A&G 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.

How the Committee has discharged its responsibilities during 2019/20

NB: March 2020 meeting was cancelled due to the COVID-19 crisis.

| Key A&G Committee Activities | May 19 | July 19 | Sept 19 | Nov 19 | Jan 20 |
|--|--------|---------|---------|--------|--------|
| Financial Reporting | | | | | |
| Considered accounting policies | • | | | | |
| Approved 2018-19 Annual Statement of Accounts | | • | | | |
| Review of Treasury Management Outturn 2018-19 | | • | | | |
| Treasury Management 2019-20 mid-term review | | | | • | |
| Treasury Management Annual Investment Strategy 2020-21 | | | | | • |
| Treasury Management industry update briefing from Arlingclose | | | | | • |
| Financial Management Code | | | | • | |
| Internal Audit | | | | | |
| Annual Report of the Chief Internal Auditor 2018-19 | • | | | | |
| Internal Audit Strategy and Plan 2019-20 | • | | | | |
| Reports from Audit Working Group | • | • | • | • | • |
| Update on Highways / Highways Payments Audit | • | | | • | |
| 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 | • | | | • | • |
| Audit Results Report 2018-19 | | • | | | |
| Pension Fund Audit Results Report 2018-19 | | • | | | |
| External Audit Annual Audit Letter | | | • | | |
| Governance & Risk Management | | | | | |
| Review of OCC/CDC partnership governance arrangements | • | | | | |
| Approval of Annual Governance Statement (AGS) for 2018-19 | • | | | | |
| Review of AGS action plan | • | | | | |
| Report from Transformation Sub Committee | • | | • | | |
| Annual Scrutiny Report | • | | | | |

| Key A&G Committee Activities | May 19 | July 19 | Sept 19 | Nov 19 | Jan 20 |
|---|---------------|----------------|----------------|---------------|---------------|
| Review of OxLEP governance arrangements | • | | | | |
| Oxfordshire Fire & Rescue Statement of Assurance | • | | | | |
| Carilion Recovery Plan Update | • | | | | |
| Review of governance arrangements – Oxford City Works agreement | | • | | | |
| Review of Corporate Security | | • | | | |
| Surveillance Commissioner’s Inspection and Regulation of Investigatory Powers Act | | | • | | |
| Risk Management & Opportunities Strategy | | | • | | |
| Information Governance | | | • | | |
| Local Government Ombudsman annual report | | | • | | |
| Monitoring Officer annual report | | | • | | |
| Changes to constitution – Pension Fund Committee | | | | • | |
| Review and update of Audit & Governance Committee Terms of Reference | | | | • | |
| Audit & Governance Committee Self-Assessment against CIPFA standards | | | | • | |
| Scale of election fees and expenditure | | | | | |
| Counter-Fraud | | | | | |
| Approval of Counter-Fraud Strategy and plan for 2019-20 | | • | | | |
| Counter-Fraud Plan update | | | | • | |

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

| Key AWG activities | April 19 | June 19 | Sept 19 | Oct 19 | Dec 19 |
|---|-----------------|----------------|----------------|---------------|---------------|
| 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 Backup and Recovery and implementation of management actions | • | | | | |

| Key AWG activities | April 19 | June 19 | Sept 19 | Oct 19 | Dec 19 |
|---|----------|---------|---------|--------|--------|
| Review of Audit of Security Bonds and implementation of management actions | • | • | | • | • |
| Review of Audit of Contingency Care and implementation of management actions | • | | | | |
| Review of Audit of S106 and implementation of management actions | | • | | • | |
| Review of Audit of Mental Health and implementation of management actions | | | • | | |
| Review of Audit of Oxford City Works Agreement and implementation of management actions | | | | | • |
| Governance & Risk Management | | | | | |
| Review of draft Annual Governance Statement, including Corporate Lead Statements and Action Plan | • | | | | |
| Oxfordshire Fire & Rescue Draft Statement of Assurance | • | | | | |
| Finance Review update | • | • | | | |
| Review of corporate risk management arrangements, including Leadership Team Risk Register | • | | | • | |
| Review of directorate risk management arrangements including risk register – Resources (as referred to at the time of AWG review) | | • | | | |
| Review of directorate risk management arrangements including risk register - Communities | | | | • | |
| Review of directorate risk management arrangements including risk register – Childrens | | | | | • |
| Whistleblowing Annual Report | | | • | | |

2019/20 Key Achievements:

- The Committee and AWG has 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, for example Highways Payments and Mental Health.

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 has attended 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. The committee have monitored the contractor's improvement plan to address the system weaknesses identified and the Service now report the significant improvement in terms of cost transparency and data capture.

Mental Health – Following two audits, both with the overall grading of Red, the Committee / Audit Working Group have closely monitored the implementation of the agreed action plans. The responsibility for the delivery of social work provision for the over 65's has been brought back from Oxford Health to the County Council. The Committee / Audit Working Group have noted the significant improvements made. The Mental Health Provider JMG (OCC and OHFT) continue to retain the responsibility for overseeing the s75 partnership arrangements including monitoring of budget, performance, staffing and service development. OCC are working collaboratively with Oxford Health to ensure robust oversight of activities relating to social care, care act compliant assessments and reviews. The Committee/AWG continue to monitor the remaining outstanding actions which include agreeing the detailed governance arrangements for the delivery of Adult MH social care and updating the S75 / quality assurance framework with the revised arrangements.

- A continued focus for the Committee and AWG during 2020/21 will be to monitor the improvement actions agreed following audits of S106 and Security Bonds, both areas graded as red, due to significant weaknesses identified. Officers are regularly required to attend the Committee/AWG and through this continued monitoring positive action is in progress to improve the governance and control environment, including that there are now clear timescales in place for the procurement and implementation of the new S106/Security Bonds ICT systems. In response to Internal Audit highlighting that the current security bond register was not an accurate or complete mechanism for the recording and management of bonds, that a moratorium on all returns and releases of cash bonds and an immediate process review was instigated to ensure the robust checking and adequate segregation of duties is in place going forward.
- The Committee are 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 have 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.

Our work in 2019/20

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

Financial Reporting

The Committee reviewed and approved the annual statement of accounts on behalf of the Council and considered the external auditors report. The Committee reviewed the proposed accounting policies for the statement of accounts.

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, the Treasury Management Mid-term Performance Report and the Treasury Management Strategy Statement and Annual Investment Strategy 2020/21. The committee members attended an industry update briefing presented by Arlingclose covering new legislation and potential risks; to help inform the review of the 2020/21 Treasury Management Strategy.

Internal Audit

The Committee in May 2019 approved the Internal Audit Strategy for 2019/20, 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 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; S106, Security Bonds, Contingency Care, Back up and Recovery, Oxford City Works Agreement, Mental Health and Highways Payments.

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 2021.

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 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 2019 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 2019 meeting.

Facilitated by the Chief Internal Auditor, the Committee completed a self-assessment against CIPFA's view of best practice for Audit Committees in local authorities "Audit Committees in Local Authorities and Police 2018 edition". This exercise confirmed 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.

External Audit

The Council's external auditors, Ernst and Young, attended all the committee meetings during 2019/20, providing regular updates on their work plan and any matters arising. The Committee received and reviewed the External Audit Annual Letter.

The Committee were due to meet with the external auditors in a private session in March 2020 – this was postponed due to COVID-19. The Committee however 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 2018/19 in May 2019. This included improvement actions for 2019/20, within the following areas; Property & Security, Business Continuity, ICT & Digital and Procurement. The Committee actively monitors progress with the implementation of the actions.

The Committee and AWG receives and considers updates from officers on areas such as: OCC & CDC partnership governance, OxLEP governance arrangements, Carillion recovery plan and Oxford City Work agreement.

The Committee received the draft Risk and Opportunities Management Strategy 2019-21 at the September meeting for review and comment, prior to presentation to Cabinet in October 2019.

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 have continued with a cyclical programme of reviewing the Directorate risk registers throughout the year. 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 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 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.

Counter-Fraud

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.

The Committee 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.

Appeals

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 2019 |
|---|---|
| Member Appeals: | |
| Appeal against dismissal | 0 |
| Appeal against redundancy selection | 0 |
| Raising concerns at work appeals | 0 |
| Disciplinary and Capability appeals | 0 |
| Job Evaluation formal appeals | 2 |
| Home to School Transport Appeals | 46 Appeals were scheduled to be heard 4 Upheld (wholly or in part) 23 Refused 19 Withdrawn |

* Excluding Home to School Transport Appeals where the Panel is made up of one councillor, one officer and one independent person.

Annex 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.

Annex 2

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
Telephone 07393 001246
sarah.cox@oxfordshire.gov.uk