

AUDIT & GOVERNANCE COMMITTEE
15 MARCH 2023

ANNUAL REPORT OF AUDIT AND GOVERNANCE COMMITTEE

Report by 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 2022, 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 2022/23 has been prepared and is included within Annex 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 meeting.
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 2022, 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 direct legal implications arising from this report.
Comments checked by:

Paul Grant, Head of Legal, paul.grant@oxfordshire.gov.uk

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.

Background papers: None.

Contact Officer: Sarah Cox, Chief Internal Auditor,
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March 2023.

ANNEX 1

Audit & Governance Committee Annual Report

Report of the work of the Audit & Governance Committee during 2022-23

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Chair's Introduction

As Chair 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 2022/23.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA), revised 2022. 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) 2022. The Committee complies with the CIPFA's position statement. The Guidance defines the purpose of an Audit Committee as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

The key functions of the Audit and Governance Committee are defined within the Council's Constitution. In discharging these functions, the Committee is supported by the Audit Working Group.

How the Committee has discharged its responsibilities during 2022/23

Key A&G Committee Activities	May 22	July 22	Sept 22	Nov 22	Jan 23	March 23
Financial Reporting						
Accounting policies – 2021/22 statement of accounts						
Statement of accounts 2021/22						
Statement of accounts training						
Review of Treasury Management Outturn 2021/22						
Treasury Management 2022-23 mid-term review						
Treasury Management Annual Investment Strategy 2023/24						
Treasury Management Update						
Financial Regulations – changes to capital section						
Financial Management Code Compliance Assessment 2022/23						
Update on Capital Governance						
Internal Audit						
Annual Report of the Chief Internal Auditor 2021/22						
Internal Audit Strategy and Plan 2022/23						
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 updates						
Pension Fund Audit						
Governance & Risk Management						
Approval of Annual Governance Statement (AGS) for 2021/22						
Review of AGS action plan						
Risk Management update						
Oxfordshire Fire & Rescue Statement of Assurance						
Community Safety Services Annual Report 2021/22						
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act						

Key A&G Committee Activities	May 22	July 22	Sept 22	Nov 22	Jan 23	March 23
Local Government Ombudsman annual report						
Monitoring Officer annual report						
Annual Report of A&G committee – draft						
Scale of election fees and expenditure						
Whistleblowing Policy & annual report						
Annual report of Health and Safety						
Constitution Review - updates						
Local Code of Corporate Governance						
Pension Fund – changes to constitution						
Council motion – re Education Scrutiny Committee						
Member Code of Conduct						
Appointment of Independent Persons						
Update on Highways Contract						
Counter-Fraud						
Approval of Counter-Fraud Strategy and plan for 2022/23						
Counter-Fraud Plan update						

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

Key Audit Working Group activities	June 22	Nov 22	Dec 22	Feb 22
Review of implementation of actions from 21/22 audit of GDPR				
Review of implementation of actions from 21/22 audit of Fleet Management				
Review of implementation of actions from 21/22 audit of Cleaning Asset Management				
Review of governance and risk management processes in relation to HIF (Housing Infrastructure Fund) programmes.				
Update on Oxford North review				
Review of arrangements for payments to providers under new Live Well at Home				
Review of implementation of actions from 21/22 audit of GDPR				

2022/23 Key Achievements:

- The Committee and the Audit Working Group (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 GDPR (General Data Protection Regulation) 2021/22, due to the weaknesses identified. The Committee and 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 note through review of the Internal Audit reports and monitoring by the Committee and 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 2022/23 have included the governance and risk management processes for the Housing Infrastructure Fund programme and the Council's revised Capital Governance processes.

Our work in 2022/23

The key activities of both the Committee and the Audit Working Group 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. The Committee has received regular updates on progress from the external auditors and officers.

The Committee receives and reviews the results of the Financial Management Code annual self-assessment.

The Committee receives reports from the Treasury Management Team, exercising its stewardship role. The Committee reviewed the Treasury Management Outturn Report 2021/22, the Treasury Management Mid-term Performance Report 2022/23 and the Treasury Management Strategy Statement and Annual Investment Strategy 2023/24.

Internal Audit

The Committee approved the Internal Audit Strategy for 2022/23, 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 and the Audit Working Group, has looked in detail at the following areas: Cleaning Asset Management (overall conclusion graded red) Fleet Management (overall conclusion graded amber) and GDPR (overall conclusion graded amber).

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 recruitment of apprentice auditors 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 November 2022 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 2022 meeting.

External Audit

The Council's external auditors, Ernst and Young, attended 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 November 2022. 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 2021/22. This included improvement actions for 2022/23, within the following areas: Directorate Schemes of Delegation, Constitution Review, Data Subject Access Requests, Member Code of Conduct Training, Information Governance Group/Board, and Risk Management Training.

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

The Committee 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; the annual report of Health & Safety; 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 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.

Audit & Governance Committee self-assessment 2023

At the end of 2022, CIPFA (The Chartered Institute of Public Finance & Accountancy), issued updated guidelines and position statement to local authority audit committees. As part of those guidelines it is recommended that the committee undertake a regular self-assessment exercise against the recommended standards set out in the CIPFA 2022 guidelines. The Audit & Governance Committee met in February 2023 and completed the self-assessment of good practice, which included review of core knowledge and skills.

The self-assessment exercise concluded that the committee has a high degree of performance against good practice principles, that it is soundly based and has in place knowledge membership. The committee complies with the CIPFA position statement 2022 and has fulfilled its terms of reference and the key issues escalated during the year.

Where matters for improvement were identified, these have been captured within an action plan. The Chair of the Audit & Governance Committee is overseeing the completion of the planned actions.

One of the key recommendations of the CIPFA 2022 guidance is that all audit committees within local authorities have two independent members. The Audit and Governance Committee had already identified this as a required action. Recruitment is currently underway. The Committee already has one Independent member who has a well-developed knowledge of how the Council operates.