

ANNEX 1

# **Audit & Governance Committee Annual Report**

## **Report of the work of the Audit & Governance Committee during 2023-24**

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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 2023/24.

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.

Members of the Committee continue 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.

We reviewed the Committee's terms of reference to ensure that they continue to be fit for purpose in line with the latest CIPFA guidance.

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 2023/24

Key A&G Committee Activities	May 23	July 23	Sept 23	Nov 23	Jan 24	March 24
<b>Financial Reporting</b>						
Accounting policies – statement of accounts						
Statement of accounts 2022/23						
Review of Treasury Management Outturn 2022/23						
Treasury Management Performance Report						
Treasury Management Annual Investment Strategy 2024/25						
Treasury Management mid-term review						
Financial Management Code Compliance Assessment						
Update on the Procurement Hub and the Implementation of the Social Value Policy						
<b>Internal Audit</b>						
Annual Report of the Chief Internal Auditor 2022/23						
Internal Audit Strategy and Plan 2023/24						
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						
Results from external assessment of Internal Audit						
<b>External Audit</b>						
External audit updates						
Draft Audit Results Report 2020/21						
Pension Fund Audit						
<b>Governance &amp; Risk Management</b>						
Annual Governance Statement (AGS) for 2022/23						
Review of AGS action plan						
Audit & Governance terms of reference						
Risk Management update						

<b>Key A&amp;G Committee Activities</b>	<b>May 23</b>	<b>July 23</b>	<b>Sept 23</b>	<b>Nov 23</b>	<b>Jan 24</b>	<b>March 24</b>
Oxfordshire Fire & Rescue Statement of Assurance						
Oxford Fire & Rescue Annual Report						
Local Government Ombudsman annual report						
Monitoring Officer annual report						
Annual Report of A&G committee – draft						
Whistleblowing Policy & annual report						
Annual report of Health and Safety						
Future Council Governance Group						
LEP Transition						
Pension Fund – changes to constitution						
Oxfordshire Code of Corporate Governance						
Member Code of Conduct arrangements						
Delivering the Future Together – Governance Arrangements						
Effectiveness of Internal Audit Review						
<b>Counter-Fraud</b>						
Approval of Counter-Fraud Strategy and plan for 2023/24						
Counter-Fraud Plan update						

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

<b>Key Audit Working Group activities</b>	<b>April 23</b>	<b>Sept 23</b>	<b>Nov 23</b>	<b>March 24</b>
Payments to Home Care Providers				
Audit of Fleet Management Compliance				
Capital Assets Disposal Process				
IT Governance – new system implementation				
Counter Fraud Team – case update				
Audit of Physical Security Systems – Building Controls / CCTV				
Audit of Corporate and Statutory Complaints				

## 2023/24 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.
- 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 2023/24 have included the Whistleblowing Policy, Delivering the Future Together governance arrangements, follow up of audits of Fleet Management, Physical Security Systems and Corporate and Statutory Complaints.

## Our work in 2023/24

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 2022/23, the Treasury Management Mid-term Performance Report 2023/24 and the Treasury Management Strategy Statement and Annual Investment Strategy 2024/25.

The Committee received an update on the Procurement Hub and the implementation of the Social Value Policy.

## **Internal Audit**

The Committee approved the Internal Audit Strategy for 2023/24, 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: Physical Security Systems (overall conclusion graded red) Fleet Management (overall conclusion graded amber) and Corporate and Statutory Complaints (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 January 2024 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 2023 meeting.

A review of the effectiveness of internal audit was undertaken by the Monitoring Officer during Autumn 2023 and reported to the November 2023 committee meeting. This concluded a strong level of satisfaction about the nature and effectiveness of the service. An external assessment of internal audit was also completed (this is undertaken once every five years) which was reported to the January 2024 committee meeting. The results of the external assessment were that internal audit are fully compliant with Public Sector Internal Audit Standards, and there were no recommendations arising.

## **External Audit**

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

The Committee met with the external auditors in a private session in November 2023. 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.



Nationally there have been delays in the completion of historic audits due to initially a technical issue on the valuation methodology of infrastructure assets which subsequently caused delays to commencing the 21/22 audit. The 20/21 Statement of Account was signed off, with an unqualified opinion, in September 2023. The audit of the 21/22 Statement of Account began in January 2023 and was concluded in January 2024, with an unqualified opinion. The Committee was pleased this work has been completed and looks forward to progress being made to complete 22/23 audit as soon as possible.

## **Governance & Risk Management**

The Committee approved the Annual Governance Statement (AGS) for 2022/23. This included improvement actions for 2023/24, within the following areas: Directorate Schemes of Delegation, HR Policies, Governance Policies and Procedures, Constitution Review, Member Training, Review of Customer Feedback, Recording of Decisions, and Financial Management Strategy.

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. Regular risk management updates are provided to the Committee.

The Committee also considered the annual report of the Monitoring Officer; the annual report of the Local Government and Social Care Ombudsman; the annual report of Health & Safety; and the Fire and Rescue Service Annual Statement of Assurance, Whistleblowing Policy, Code of Corporate Governance. There were no material issues or concerns arising.

## **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 Chief Internal Auditor provided regular updates to the Committee and the AWG on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the 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 Whistleblowing Policy is currently being reviewed to ensure that it meets the needs of the Council and follows best practice.

## **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.