

AUDIT COMMITTEE – 16 NOVEMBER 2011

AUDIT COMMITTEE INVOLVEMENT WITH SCRUTINY FUNCTION

Report by County Solicitor and Monitoring Officer

Introduction

1. At its last meeting, the Committee asked for clarification as to the involvement of the Audit Committee in the Council's scrutiny function. This report outlines the complementary nature of the two functions and indicates a potential means of closer liaison.

The scrutiny function

2. In general terms, the purpose of the scrutiny function is to monitor the actions of the Cabinet, and other committees, and to call them to account. It is also part of scrutiny's purpose to inform policy development, for instance by undertaking wider reviews of policy and performance either on the initiative of a scrutiny committee or at the request of the Cabinet. The scrutiny function can also involve scrutiny of other public bodies' policy and performance, for example the health service.
3. Scrutiny committees also have a role in effecting and/or considering a call-in of a decision by Cabinet or a member of it. The scrutiny function also has a key role within the operation of the 'councillor call for action' whereby a member of the Council can refer a local issue to the relevant scrutiny committee which can then make a recommendation to Cabinet or partner body. Scrutiny committees may also invite people and stakeholders other than Council members and officers to address them.
4. The scrutiny function also involves reviewing the Council's Local Code of Corporate Governance (through the Strategy and Partnerships Scrutiny Committee).
5. The scrutiny function therefore fulfils an important part of the Council's democratic decision-making process and of gauging the impact and effectiveness of the council's services.

The audit function

6. It is part of the Audit Committee's function to monitor the risk, control and governance of the Council together with the adequacy of those arrangements and those of other persons who manage Council resources. This involves ensuring compliance with relevant legislation, standards and internal or external

codes. It also oversees the co-ordination of audit plans to maximise use of Council's resources. Audit Committee also has specific functions as regards corporate governance, including approval of the Council's Corporate Governance Framework and the Annual Governance Statement. The Committee also has functions in relation to the approval of the Council's statement of accounts.

Complementary functions

7. The audit and scrutiny functions can also complement each other. In their separate ways, both functions review aspects of the Council's performance and effectiveness. In the case of the Audit Committee this is with formal responsibility for monitoring risk, control and governance. In the case of scrutiny this involves analysis of policy and performance and the making of recommendations to Cabinet or other committees.
8. In some instances, there is a direct connection, such as the Audit Committee's ability, as part of its Terms of Reference, to draw the attention of the Strategy and Partnerships Scrutiny Committee to issues which in the Committee's view would benefit from scrutiny review or further investigation. This provision occurs twice within the terms of reference of this committee (Part 2, Article 8 of the Constitution, included as an Annex this report). It demonstrates that the Audit Committee has responsibility for ensuring effective arrangements are in place for monitoring risk, control, governance and audit but that there may be occasions when scrutiny's role in conducting reviews and investigations may be appropriate to address underlying issues.

Way forward

9. In order to bring greater clarity to the respective roles, the Committee may consider it appropriate to receive the Annual Report of Scrutiny Committees in draft form each year. This would enable the Committee to provide an opportunity to comment on key performance issues and to better understand the role and activities of scrutiny better and, in so doing, to add to the suite of evidence about the Council's risk, control and governance.

RECOMMENDATION

The Committee is RECOMMENDED to ask that the Annual Report of Scrutiny Committees is received by the Audit Committee in draft form each year for comment.

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County Solicitor and Monitoring Officer

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ANNEX

The Terms of Reference of the Audit Committee

Extracted from Oxfordshire County Council's Constitution (Part 2, Article 8, 1 (a))

(a) Audit Committee

(1)

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).

(2)

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;

1 The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended and to draw to the attention of the Strategy & Partnerships Scrutiny Committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

(3)

To consider and comment on the Council's External Auditor's annual work plan, the annual audit letter and any reports issued by the Audit Commission or 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.

(4)

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 Strategy & Partnerships Scrutiny Committee any issues which in the Committee's view would benefit from a scrutiny review or further investigation.

(5)

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