

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

5 December 2013

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Report of the Corporate Director, Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To consider 2 possible amendments to the Terms of Reference for the Audit Committee and to make appropriate recommendations to County Council.

2.0 BACKGROUND

- 2.1 At its meeting of 18 April 2013 the Audit Committee considered the County Council's approach to Value for Money. At that stage it was suggested that the Audit Committee's Terms of Reference may need to be amended to suitably reflect arrangements in relation to Value for Money. It was, however, recognised that there would be a new Audit Committee following the elections in May so the matter was deferred hence this report.
- 2.2 It is intended that the Audit Committee considers the County Council's approach to Value for Money again at its meeting of 26 June 2014. This is reflected in the Programme of Work later in the agenda.

3.0 SUGGESTED CHANGES**3.1 Value for Money**

Appendix A demonstrates the tracked changes suggested to the Audit Committee's Terms of Reference. It includes the suggestion that the Audit Committee has "oversight of the arrangements across the County Council in securing Value for Money".

As previously discussed at the Audit Committee, Value for Money should be something which is embedded across the Council and cannot therefore be seen strictly in isolation, or simply as an Internal Audit issue. However it is suggested that the Audit Committee can satisfy itself, or otherwise, that there are adequate arrangements. As with many other Audit Committee considerations, this would not involve the scrutiny of individual decisions from a value money perspective per se, but the Audit Committee would ask "has

there been satisfactory consideration of Value for Money in the decision making?”

Service specific Value for Money issues are likely to feature prominently in the work of the Executive and existing arrangements for Overview and Scrutiny Committees. They will also inevitably arise throughout the year in the Audit Committee’s work, particularly when considering Corporate Themes and updates on Directorate matters.

3.2 **Accounting Policies**

The Committee is due to consider changes in Accounting Policies earlier in this agenda. As Members will see, the content of the Accounting Policies is largely technical and esoteric. The application of the Accounting Policies is therefore regarded as a professional matter and under the current Terms of Reference the Audit Committee is authorised to disagree with officers and effectively not approve changes in Accounting Policy. This would have consequences for the production of the Statement of Final Accounts and External Audit.

The Audit Committee effectively consider the output from changes in Accounting Policies when it considers the Statement of Final Accounts and this inevitably involves a degree of explanation for any changes. The proposal is therefore not intended to stop the Audit Committee being aware of any changes but merely to reflect practical application of accounting policies.

4.0 RECOMMENDATIONS

- 4.1 The Audit Committee is ask to consider the suggested changes and recommend to County Council that the following changes are made to the Terms of Reference for the Audit Committee:-
- i. the revision of the reference from “ to approve changes in Accounting Policy” to “to review changes in Accounting Policy” as set out in **Paragraph 4 of Appendix A**
 - ii. the inclusion as set out in **Paragraph 9 of Appendix A** and the subsequent deletion in **Paragraph 1 of Appendix A.**

Gary Fielding
Corporate Director, Strategic Resources

County Hall
Northallerton
5 December 2013

Background Documents: None

AUDIT COMMITTEE

TERMS OF REFERENCE

1. In respect of Internal Audit

- ♦ to approve the Internal Audit Strategy, Annual Audit Plan and performance criteria for the Internal Audit Service.
- ♦ to review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary.
- ♦ to review the effectiveness of the anti-fraud and corruption arrangements throughout the County Council.
- ♦ consider the annual report from the Head of Internal Audit.
- ♦ ~~assist the County Council to achieve Value for Money.~~
- ♦ to review the effectiveness of the system of Internal Audit and the Committee itself on an annual basis.

2. To review the workplan and performance of External Audit.

3. To review, and recommend to the Executive, changes to Contract, Finance and Property Procedure Rules.

4. In respect of **financial statements**

For both the County Council and the North Yorkshire Pension Fund

- ♦ to approve the respective annual Statements of Final Accounts
- ♦ to receive and review the Annual Audit Letters and associated documents issued by the External Auditor
- ♦ to approve review changes in accounting policy.

5. In respect of **Corporate Governance**

- ♦ to assess the effectiveness of the County Council's Corporate Governance arrangements
- ♦ to review progress on the implementation of Corporate Governance arrangements throughout the County Council
- ♦ to approve Annual Governance Statements for both the County Council and the North Yorkshire Pension Fund
- ♦ to review the annual Statements of Assurance provided by the Chief Executive, Management Board and Corporate Directors
- ♦ to liaise, as necessary, with the Standards Committee on any matter(s) relating to the Codes of Conduct or both Members and Officers.

6. In respect of **Risk Management**

- ♦ to assess the effectiveness of the County Council's Risk Management arrangements
- ♦ to review progress on the implementation of Risk Management throughout the County Council.

7. In respect of **Information Governance**

- ♦ to review all corporate policies and procedures in relation to Information Governance
- ♦ to oversee the implementation of Information Governance policies and procedures throughout the County Council.

8. In respect of **Treasury Management**

- ♦ to be responsible for ensuring effective scrutiny of the County Council's Treasury Management strategy and policies as required by the CIPFA Treasury Management Code of Practice
- ♦ to review these Treasury Management strategies, policies and arrangements and make appropriate recommendations to the Executive.

9. In respect of **Value for Money**

- ♦ to have oversight of the arrangements across the County Council in securing Value for Money

9.10. To meet not less than four times a year on normal business and review its Terms of Reference on an annual basis.

10.11. To consider any other relevant matter referred to it by the County Council, Executive or any other Committee. In addition any matter of concern can be raised by this Committee to the full County Council, Executive or any other Member body.

11.12. To exercise all functions in relation to the making and changing of policy relating to such audit and counter-fraud matters which fall within the remit of the Committee (save as may be delegated otherwise).