

## NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

4 December 2014

## Audit Committee Terms of Reference

## Report of the Corporate Director – Strategic Resources

**1.0 PURPOSE OF THE REPORT**

- 1.1 To review the Audit Committees Terms of Reference in line with the requirements to review the Terms of Reference on an annual basis.

**2.0 BACKGROUND**

- 2.1 The Audit Committee last reviewed its Terms of Reference at its meeting on 5 December 2013. The changes were principally to reflect arrangements in relation to Value for Money and Accounting Policy.
- 2.2 The current Audit Committee has now been existence for just over 18 months and the process for selecting Independent Members has now concluded (considered elsewhere on this agenda). It therefore seems timely to consider other developments that may assist the Audit Committee in carrying out its role as well as considering the Terms of Reference. This report therefore seeks to identify opportunities and gauge Members views.

**3.0 CURRENT TERMS OF REFERENCE**

- 3.1 The full Terms of Reference are attached as **Appendix A**. In summary, the paragraphs relate to the following areas –

1. Internal Audit
2. External Audit
3. Contract, Finance and Property Procedure Rules
4. Financial Statements (includes Statement of Final Accounts)
5. Corporate Governance
6. Risk Management
7. Information Governance
8. Treasury Management
9. Value for Money
10. Terms of Reference
11. Any other relevant matter referred
12. Audit and Counter Fraud

- 3.2 A number of the areas identified above are responsibilities discharged by the Audit Committee on behalf of the County Council where there is a statutory obligation. In addition, there are areas where the Audit Committee is fulfilling a role which ensures that Members and the public can take assurance. It is important that these areas remain in place and the only meaningful discussion can be about “how” the Audit Committee discharges that responsibility. It is not felt that there are any areas that merit change in

the Terms of Reference. It is therefore suggested that the focus is on how we seek to make the Committee even more effective and well informed.

#### **4.0 TRAINING / FURTHER DEVELOPMENT**

- 4.1 Following the appointment of the Audit Committee an induction programme was put in place which helped to provide an understanding of the role of the Audit Committee and elements of its work. Feedback was good in general but it should be acknowledged that some of the areas would not be exposed to Members until some considerable time following the induction training. There is therefore the risk that some of that learning is therefore diminished in the interim. In addition, it is likely that the Audit Committee will have new Member(s) who will require some induction. This therefore presents an opportunity to consider what areas, if any, would merit further training / development for the Audit Committee as a whole.
- 4.2 Most Audit Committees have been preceded by a 30 minute briefing session. Again, this seems to have been generally well received and it is intended that this approach continues. However it is also recognised that 30 minutes provides insufficient time to give due attention to some technical areas (for example Treasury Management). It is therefore proposed that a number of more in-depth training / development sessions are arranged for the following subject areas –
- a. The role of the Audit Committee
  - b. Introduction to Treasury Management for Audit Committee Members
  - c. The role of Internal Audit
- 4.3 The above list is by no means exhaustive and Members views are welcomed in considering the above suggestions and indeed any other areas which they would feel beneficial.
- 4.4 Section 3 of the Audit Committee Terms of Reference refers to Contract, Finance and Property Procedure Rules. There is an intention to annually review these and to carry out a more fundamental review following each new Council being elected. The nature of any proposed changes means that there needs to be an understanding of the drivers of change – for example the introduction of more electronic procurement and the impact that has on procurement rules. For that reason, it is considered that any background information required will need to be factored in to the substantive agenda for the Audit Committee or be accommodated within the training session preceding the Audit Committee or additional sessions provided on a case by case basis.
- 4.5 The practical arrangements for the recommendations in this report will be progressed as soon as possible following Audit Committee deliberations, particularly given the prospect of new Independent Member(s).

#### **5.0 RECOMMENDATION**

- 5.1 The Audit Committee are requested to
- i. Approve (i.e. no changes) the existing Terms of Reference for the Audit Committee
  - ii. Approve the intention of providing more detailed training / development for the areas identified in **paragraph 4.2**
  - iii. Offer views as to whether or not there are further areas which require more detailed consideration

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County Hall  
NORTHALLERTON

4 December 2014

**Background Documents:**

# 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.
  - ◆ 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 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

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

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.

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).