

# NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

30 November 2017

### Audit Committee Terms of Reference / Review of Effectiveness

#### Report of the Corporate Director – Strategic Resources

#### **1.0 PURPOSE OF THE REPORT**

- 1.1 To consider proposed changes to the Audit Committee's Terms of Reference in line with the requirement to review the Terms of Reference on an annual basis. Members are also asked to consider whether to proceed with a review of the Committee's effectiveness, and the form and scope of any such review.

#### **2.0 BACKGROUND**

- 2.1 The Audit Committee last reviewed its Terms of Reference at its meeting on 1 December 2016. At that time no changes were considered necessary.
- 2.2 It is best practice to formally review the Terms of Reference on a regular basis and to make changes as necessary. This report therefore seeks to identify any changes that may now be required as a result of recent legislation, developments in recommended best practice or changes in the Council's governance arrangements. Members' views are also sought on whether the current Terms of Reference enable the Committee to continue to discharge its responsibilities effectively.
- 2.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) is shortly due to publish updated guidance on the operation of audit committees in local government. A full review of the Committee's Terms of Reference will be conducted once this guidance is available. In the meantime, some limited changes to the Terms of Reference are proposed to reflect recent developments.

#### **3.0 PROPOSED CHANGES TO THE TERMS OF REFERENCE**

- 3.1 The current Terms of Reference are attached as **Appendix A** with the proposed changes shown as tracked changes. In summary, the changes are intended to better reflect the requirements of the Public Sector Internal Audit Standards and recent changes to the Council's framework for corporate governance.

#### **4.0 REVIEW OF THE EFFECTIVENESS OF AUDIT COMMITTEE**

- 4.1 An effectiveness questionnaire was circulated to all Members of the Audit Committee in March 2017. A similar questionnaire was sent to officers who regularly attend meetings of the Audit Committee and the external auditors. The headline results of the survey were reported to the June meeting of the Committee.

- 4.2 At the June meeting, Members also considered whether to undertake a review of the effectiveness of the Committee but decided to defer any decision on this for a further six months. As requested, the full results of the effectiveness questionnaire were then circulated to Members in September 2017.
- 4.3 Members may now wish to again consider whether there are benefits to undertaking a review of the Committee's effectiveness, the timing of such a review and how it will be progressed. Assuming there is agreement to proceed then several options exist for how such a review might be undertaken. The Committee could undertake the review collectively with support from officers, set up a working group (with support from officers) or arrange an external assessment (for example a peer review by an audit committee chair from a neighbouring authority or a review by a suitable expert). There may be budget and procurement implications if an external assessment is chosen as the preferred option.
- 4.4 The Committee will also need to consider the scope of the review, the areas to focus on and expected timescales.

## **5.0 RECOMMENDATION**

Members are asked to consider:

- 5.1 the proposed changes to the Terms of Reference of the Audit Committee prior to submission of those changes to the County Council for approval.
- 5.2 whether to proceed with a review of the Committee's effectiveness, and the form and scope of any such review.

GARY FIELDING  
Corporate Director – Strategic Resources

County Hall  
NORTHALLERTON

14 November 2017

### **Background Documents:**

None

# AUDIT COMMITTEE

## TERMS OF REFERENCE

1. In respect of Internal Audit
  - ◆ to approve the Internal Audit ~~Charter~~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 obtain assurance that the work of internal audit conforms to the Public Sector Internal Audit Standards~~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

- ♦ [to review the arrangements in place for ensuring good governance in the County Council's key partnerships and owned companies-](#)

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 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. To meet not less than four times a year on normal business and review its Terms of Reference on an annual basis.](#)~~

11. 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).~~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 periodically review the effectiveness of the Audit Committee itself.](#)

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