NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

22 MARCH 2021

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 whether any changes are required to the Audit Committee's Terms of Reference. Members are also asked to consider the next steps in respect of the review of the Committee's effectiveness.

2.0 BACKGROUND

2.1 The Committee last reviewed its Terms of Reference at its meeting on 10 October 2018. At that time some limited changes were considered necessary. Those changes were subsequently approved by Full Council in November 2020.

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 further 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 At the October 2018 meeting, the Committee also agreed to set up a working party to conduct a review of its own effectiveness, and to recommend changes if required.

3.0 TERMS OF REFERENCE

3.1 The current Terms of Reference are attached as **Appendix 1.** No further changes are proposed at this time.

4.0 REVIEW OF AUDIT COMMITTEE EFFECTIVENESS

4.1 A working party was established comprising the chair and two of the independent members, David Portlock and David Marsh. The working party was supported by the Head of Internal Audit. The working party initially met in October 2019 and completed the self-assessment contained in the latest Chartered Institute of Public Finance and Accountancy (CIPFA) guidance for audit committees.

4.2 A questionnaire was also circulated to officers who regularly attend the Committee seeking feedback on the functioning of the Committee and how well it discharges its responsibilities. The results of the survey were shared with the working party.

4.3 A final meeting of the working party was planned in March 2020 to discuss the findings of the review and to agree any resulting recommendations. This meeting unfortunately had to be cancelled due to the Covid-19 pandemic. Given the time that has now elapsed it felt appropriate to share the initial results of the review with the Committee.

4.4 The provisional findings of the review were that the Committee adds value and is generally effective in promoting good governance and the maintenance of appropriate risk management and control arrangements within the Council. A number of areas of good practice were identified including the ability to question Corporate Directors, the appointment of independent Members to the Committee and the time allowed to discuss substantive matters. The following issues were identified as areas requiring change or improvement:

- identifying and addressing gaps in the knowledge and skills of Committee Members
- adopting a more structured approach to training for Committee Members
- doing more to explain the role and purpose of the Committee to the rest of the Council, and the relationship between the Committee and the Council's Executive, Scrutiny functions and Standards Board
- helping Members of the Committee to engage more effectively with the discussion on relevant matters and to provide challenge where necessary (ie doing more to help Members understand how the Council operates and what they are being asked to consider)
- ensuring the Committee continues to fulfil its purpose which requires Members to seek assurance but keep discussions sufficiently high level (ie to focus on overseeing and monitoring the Council's governance, risk management and control arrangements)
- reviewing the voting rights of the independent co-opted Members (subject to any legal restrictions)

5.0 RECOMMENDATION

Members are asked to consider:

5.1 whether any changes are required to the Terms of Reference of the Committee.

5.2 whether they agree with the provisional findings from the review of the Committee's effectiveness, and if so, what the next steps should be.

GARY FIELDING
Corporate Director – Strategic Resources

County Hall
NORTHALLERTON

3 March 2021

Background Documents:

None

Appendix 1

AUDIT COMMITTEE

TERMS OF REFERENCE

1. In respect of **Internal Audit**

- to approve the Internal Audit Charter, 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.

2. In respect of **External Audit**

- to ensure the independence of External Audit is maintained
- to review the annual audit plan and monitor its delivery

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 liaise, as necessary, with the Standards Committee on any matter(s) relating to the Codes of Conduct or both Members and Officers
- to work with the Standards Committee to promote good ethical standards within the County Council
- 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.

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).

12. To periodically review the effectiveness of the Audit Committee itself.

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