

Changes to Terms of Reference of the Audit Committee

Audit Committee

1. Objectives of Audit Committee

To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects governance and to oversee the financial reporting process.

2. Training

- 2.1 It is advised that Members undertake relevant training within the past three years in order to hold a seat on this committee.

3 Terms of Reference

- 3.1 To consider the annual report and opinion of the Executive Director of Corporate Services and S151 Officer and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- 3.2 To approve the internal audit charter.
- 3.3 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 3.4 To consider summaries of specific internal audit reports as requested.
- 3.5 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources
- 3.5 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 3.6 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
- updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)

- reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 3.7 To consider the head of internal audit's annual report, including:
- the statement of the level of conformance with the Public sector internal audit standard and Local Governance Application Note and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the Annual Governance Statement).
- 3.8 To consider reports dealing with the management and performance of the providers of internal audit services.
- 3.9 To consider reports where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns that agreed recommendations have not been implemented within a reasonable timescale.
- 3.10 To consider the internal audit plan and provide comments and significant interim changes to the internal audit plan and resource requirements.
- 3.11 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 3.12 To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 3.13 To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- 3.14 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement where required to do so by the accounts and audit regulations
- 3.15 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.
- 3.16 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd (PSAA) or the authority's auditor panel as appropriate.
- 3.17 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 3.18 To consider specific reports as agreed with the external auditor.

- 3.19 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 3.20 To consider additional commissions of work from external audit
- 3.21 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
- 3.22 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.23 To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee
- 3.24 To liaise with the PSAA over the appointment of the council's external auditor.
- 3.25 To commission work from internal and external audit.
- 3.26 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 3.27 To have oversight of the Regulation of Investigatory Powers policy and processes.
- 3.28 To recommend any changes regarding the Council's Whistle-Blowing policy and arrangements to Full Council.
- 3.29 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.
- 3.30 To monitor progress in addressing risk-related issues reported to the committee.
- 3.31 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.32 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 3.33 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 3.34 To review the assessment of fraud risk and potential harm to the council from fraud and corruption.
- 3.35 To monitor the counter fraud strategy, actions and resources
- 3.36 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 3.37 To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement

4. Regulatory Framework

- 4.1 To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 4.2 To monitor the effective development and operation of risk management in the Council
- 4.3 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process and review the assessment of fraud risk and potential harm to the council from fraud and corruption
- 4.4 To oversee the production of the authority's Annual Governance Statement prior to recommending its adoption and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion
- 4.5 To consider whether the annual evaluation for the Annual Governance Statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives
- 4.6. To review the Council's arrangements for corporate governance against the good governance framework, including the ethical framework and agree necessary actions to ensure compliance with best practice and consider the local code of governance

5. Accounts

- 5.1 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 5.2 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 5.3 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.
- 5.4 To consider reports on the effectiveness of financial management arrangements including compliance with CIPA's Financial Management Code.

6. Independent Members of Audit Committee

- 6.1 The Audit Committee will include up to 3 independent co-opted non-voting members sitting alongside 7 elected members. Independent members will be appointed by the Council to serve an initial 4 year term, which may be extended with the agreement of Council.
- 6.2 The Committee will be chaired by an Independent Member. In the absence of the appointed chair one of the remaining two Independent Members will be appointed as Chair by the Committee.

- 6.3 The Vice-Chair will be an elected member whose purpose will be to support the Chair and in the event of an equality of votes, to exercise a second or casting vote.
- 6.4 The role of an Independent Member is to support the Council's Audit Committee in its role to provide independent assurance to the members of Peterborough City Council, and its wider citizens and stakeholders.
- 6.5 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit Committee report.
- 6.6 Independent members will contribute to the work of the Audit Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, the effective development and operation of risk management and control of the authority.

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