



To: Joint Audit Committee
From: Chief Finance Officers, OPCC
Date: 26 September 2013

Review of terms of reference

1. Recommendations

1.1. The Committee is asked to note the contents of the report.

2. Background:

2.1. The Joint Audit Committee (JAC) adopted its current terms of reference, (ToR), Appendix A, at the meeting held on 10th December 2013. These cover its core functions, which should be formally adopted and reviewed on an annual basis. Best practice principles should be considered in determining the activities of the Audit Committee.

2.2. The ToR cover the following:

- Constitution – 5 members who are independent of the Police and Crime Commissioner
- Statement of Purpose – covering assurance, governance risk and controls
- Responsibilities – This section consists of:
 - Governance/Regulatory framework
 - Audit activity – Includes considering internal audit strategy
 - Accounts – Review statement of accounts and consider whether appropriate accounting policies have been adopted.
 - Integrity – Oversee the management of conduct, complaints and integrity matters.
- Membership and meetings

2.3. When reviewing the Joint Audit Committee terms of reference the following have been taken into consideration:

- CIPFA “Audit Committees: Practical Guidance for Local Authorities and Police” 2013 Edition.
- The terms of reference for the Audit Committees of Bedfordshire Police and Crime Commissioner/Chief Constable and Hertfordshire Police and Crime Commissioner/Chief Constable.

3. Terms of Reference:

3.1. The CIPFA Practical Guidance for Local Authorities and Police lists the core functions of an audit committee as being:

- Annual Governance Statement
- Internal Audit
- Risk Management
- Assurance Frameworks and Assurance Planning
- Value for Money and Best Value
- Countering Fraud and Corruption
- External Audit
- Financial Reporting
- Partnership Governance

3.2. Annual Governance Statement:

- This is adequately covered within the Terms of reference under the Governance/Regulatory Framework section. The Joint Audit Committee has the responsibility to “To oversee the production of the Commissioner’s and Chief Constables Annual Governance Statement and to recommend its adoption”.

3.3. Internal Audit

- Internal audit is within the Audit Activity Section. This section focuses on internal audit reports and the Head of the Internal Auditors annual report and Opinion. The terms of reference does not cover the internal audit service independence. JAC may want to consider including this within its Terms of Reference.

3.4. Risk Management

- Within the current terms of reference it is the JAC responsibility “To monitor the effective development and operation of risk management and make recommendations as appropriate.” The Joint Audit Committee assess both the Operational and Strategic risk registers in which it also considers the risk management arrangements and controls in place.

3.5. Assurance Frameworks and Assurance Planning

- The audit committee has a responsibility for what assurance is available to enable JAC to meet its terms of reference. The committee may want to consider how to ensure that assurance is delivered through reviewing arrangements that are in place.

3.6. Value for Money and Best Value

- The JAC is required to support both the Police and Crime Commissioner and the Chief Constable in achieving value for money. The audit committee currently considers this through external auditor's annual report which gives a Value of Money Opinion. The committee may want to extend this to the HMIC Valuing the Police report.

3.7. Countering Fraud and Corruption

- The audit committee has responsibility "To make recommendations for improvements to the arrangements and policies in place in relation to whistle blowing, the anti-fraud and anti-corruption strategy and complaints processes". The committee may want to extend this to include having oversight of counter fraud.

3.8. External Audit

- This is included within the Audit Activity section. The audit committee has the responsibility of commenting on the scope of the external audit work, liaise with the Audit Commission over the appointment of the External Auditor and consider specific reports. The external auditors regularly attend the Joint Audit Committee Meetings and will submit reports to JAC for consideration.

3.9. Financial Reporting

- This relates to the financial statements (Statement of Accounts) produced by the Police and Crime Commissioner and the Chief Constable. This covers key areas including reviewing the explanatory foreword, suitability of the accounting policies and treatments and assurances that preparations are in place to facilitate the external audit. These are appropriately covered within "Accounts" Section of the terms of reference.

3.10. Partnership Governance:

- This is currently an area for development as both the Police and Crime Commissioner and the Constabulary move forward with collaboration. The audit committee may want to include within the terms of reference an overview of the collaboration governance arrangements being put in place as it developed.
- The JAC may want to take into consideration how it links in to the Bedfordshire and Hertfordshire's Audit Committees, to gain further assurances in relation to collaboration. The proposal of an annual conference (at the June 2014 meeting) could facilitate this.

4. Bedfordshire and Hertfordshire Audit Committees Terms of Reference

- 4.1. The Terms of References of the respective Bedfordshire, Cambridgeshire and Hertfordshire Audit Committee meetings are contained within the draft Common Financial Regulations for Bedfordshire, Cambridgeshire and Hertfordshire. The

Terms of references both cover reviewing internal and external audit plans, the work of internal and external audit, reviewing and endorsing/approving the Police and Crime Commissioner and Chief Constable Governance Statements and Statement of accounts.

- 4.2. The endorsing/approving of the Commissioner and Chief Constable Governance Statement and Statement of Accounts is different from the JAC who are currently only charged with reviewing and making recommendations. Another difference is in relation to Hertfordshire, who also receive and scrutinise performance reports on treasury management.

5. Points for consideration:

- 5.1. Expanding internal audit responsibility to cover oversee the independence of the internal audit function (para 5.1).
- 5.2. Extending responsibilities in relation to fraud to cover the oversight of counter fraud.
- 5.3. To have an overview of the collaboration governance arrangements as and when they are developed.
- 5.4. Consider developing partnership arrangements with Bedfordshire and Hertfordshire Audit Committees.
- 5.5. For JAC to consider becoming charged with governance for both the Police and Crime Commissioner and the Chief Constable Accounts (para 4.2)
- 5.6. Review assurance arrangements that are in place.
- 5.7. Review the achievement of value for money through the External Auditors annual report and HMIC Valuing the Police report.

6. Recommendations

- 6.1. The Committee is asked to note the contents of the report.

BIBLIOGRAPHY

Documents	Contacts	Location
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