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JOINT AUDIT COMMITTEE - TERMS OF REFERENCE

1. Constitution

- 1.1 Five members who are independent of the Police and Crime Commissioner (Commissioner) and the Constabulary, meeting quarterly.
- 1.2 The quorum for meetings of the Joint Audit Committee is three.
- 1.3 The Chairman will be specifically appointed by the Commissioner and Chief Constable. In the absence of such a specific appointment, the Committee shall elect a Chairman.

2. Statement of Purpose

- 2.1 To provide independent assurance on the adequacy of the corporate governance and risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices.

3. Responsibilities

Governance / Regulatory Framework

- 3.1 To maintain an overview, ensure best practice and make recommendations on the governance arrangements of the Commissioner and Chief Constable including the Scheme of Consent (Delegation), Financial Regulations (including contract procedure rules), and codes of conduct and behaviour. To have an overview of the collaboration governance arrangements as they continue to develop.
- 3.2 To review any issue referred to it by the statutory officers of the Commissioner or Chief Constable or other relevant body.
- 3.3 To monitor the effective development and operation of risk management and make recommendations as appropriate.
- 3.4 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, and to provide oversight to counter-fraud.
- 3.5 To oversee the production of the Commissioner's and Chief Constable's Annual Governance Statement and to recommend its adoption.
- 3.6 To review assurance arrangements that are in place.
- 3.7 To review its own effectiveness on an annual basis.
- 3.8 To ensure public accessibility and transparency of appropriate data and information, consider the annual compliance report to the Committee, and make recommendations as appropriate.

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Audit Activity

- 3.8 To consider the internal audit strategy and annual plan, making recommendations as appropriate.
- 3.9 To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the corporate governance arrangements, and make recommendations as appropriate.
- 3.10 To consider and make recommendations as appropriate on:
- internal audit reports,
 - reports dealing with the management and performance of the providers of internal audit services,
 - a report from internal audit on agreed recommendations not implemented within a reasonable timescale,
 - the external auditor's annual letter, relevant reports, and the report to those charged with governance, and
 - specific reports as agreed with the external auditor.
- 3.11 To review the independence of the internal audit function.
- 3.12 To comment on the scope and depth of external audit work and to ensure it gives value for money and to review the achievement of value for money through the HMIC Valuing the Police report.
- 3.13 To ~~appoint~~ provide a view on the suitability of the appointment of External Auditors and periodically review the effectiveness and value for money of the contract.
- 3.14 To commission work from internal and external audit.

Accounts

- 3.15 To review the 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, and make recommendations as appropriate.
- 3.16 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and make recommendations as appropriate.

Integrity

- 3.17 To oversee the management of conduct, complaints and integrity matters (as the controls assurance).
- 3.18 To review the control mechanisms which ensure effective and transparent handling and monitoring of:

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- Complaints against the Commissioner and his/her staff
- Complaints against the Chief Constable and the Force
- Integrity issues such as appointment processes, gifts and hospitality and registerable interests.

3.19 An annual report on the Integrity Controls Assurance Framework will be presented to the Committee, covering:

- a summary of the control processes and their inter-relationship;
- evidence of the control processes being used and their effectiveness; and
- a summary of complaints and any learning that should be applied.

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4. Membership and Meetings

4.1 The Chairman of the Committee will be jointly recruited by the Commissioner and the Chief Constable.

4.2 All members will serve for a maximum of 2 terms, each term being a maximum of 4 years. To ensure continuity, where possible, members shall be rotated on and off the Committee in turn rather than as a group, therefore the term of membership will be reviewed as appropriate.

4.3 The Vice Chairman is selected by a vote by members of the Committee. The Vice Chairman will act as Chairman at meetings in the absence of the Chairman. If the Chairman can no longer continue in this role, the Vice Chairman will act as the Chairman until the formal appointment of a new Chairman. The Vice Chairman will not automatically become the new Chairman, although may apply for the post of Chairman as part of the recruitment and replacement process run by the Commissioner and Chief Constable.

4.4 All members will be subject to an ~~independent~~ annual appraisal to assess their performance and of the committee, independent of the PCC and Chief Constable, the outcomes will inform the member development programme. Induction training will be provided. The Commissioner and Chief Constable may call for an independent review of the committee if they wish.

4.5 Each member will be required to record any conflicts of interest in the register of pecuniary and non-pecuniary interests. In addition, members will be required to disclose any such interests at the commencement of any meeting where there is a need to do so due to the nature of the agenda, or immediately if they arise unexpectedly in discussion.

4.6 Only members of the Committee have the right to vote on matters.

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- 4.7 Members will be remunerated and reimbursed for all expenses incurred in the fulfilment of their duties, roles and responsibilities in accordance with the schedule of allowances and expenses agreed by the Commissioner and Chief Constable.
- 4.8 The Committee may, with joint approval by the respective Chief Finance Officers of the Commissioner and Chief Constable, procure specialist advice not otherwise available from officers.
- 4.9 The Committee will meet at least four times a year, ~~in March, June, September and December~~. The calendar of meetings shall be agreed at the start of each year.
- 4.10 Further meetings outside of the normal cycle can be convened at the request of the Chairman.
- 4.11 The Commissioner or Chief Constable may ask the Committee to convene further meetings to discuss particular issues on which they want advice.
- 4.12 Meetings can be requested by the external or internal auditors where this is considered necessary and on agreement of the Chairman.
- 4.13 Unless otherwise agreed, formal notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other appropriate persons determined by the Chairman, no later than five working days before the date of the meeting.
- 4.14 Any meetings held outside the normal cycle of meetings should be convened with a minimum notice of five working days. Extraordinary or urgent meetings may be held with less notice but should be for exceptional matters only, subject to the Chairman's agreement and quorum requirements. In this case the agenda and any supporting papers will be sent to members and to other attendees at the same time as the meeting notice is sent out, recognising that if the matter is so urgent that there may only be an oral report. If this is the case then this will be identified on the agenda.
- 4.15 Members are expected to attend all meetings. Regular non-attendance of members will lead to their removal as a member on agreement by the Chairman.
- 4.16 The Commissioner and Chief Constable will attend all meetings of the Committee, or will ensure that they are suitably and appropriately represented, therefore ensuring that the purpose of the Committee is not compromised and that the members are able to appropriately fulfil their responsibilities.
- 4.17 In addition, the Police Reform and Social Responsibility Act 2011, Section 114 of the Local Government Finance Act 1988 and the Audit and Accounts Regulations 2011 assign a number of statutory responsibilities to each of the Chief Finance Officers of the Commissioner and Chief Constable. Given the nature of these responsibilities it is expected that both the Chief Finance Officers of the Commissioner and the Chief

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Constable will attend all meetings of the Committee, or where this is not possible then their nominated representatives.

- 4.18 The Head of Internal Audit and representatives of the external auditor will be invited to attend meetings on a regular basis. The Committee should meet with the Head of Internal Audit and representatives of the external auditor separately and privately at least once a year.
- 4.19 A minimum of three members of the Committee must be present for the meeting to be deemed quorate, one of whom must be either the Chairman or Vice Chairman.
- 4.20 Meetings will be held in private but all agendas, reports and minutes will be made available to the public in accordance with Freedom Of Information Act requirements.
- 4.21 The Chief Finance Officers, the Monitoring Officer, Head of Internal Audit and the External Auditor of the Commissioner and Chief Constable will have free and confidential access to the Chairman of the Committee.
- 4.22 The secretary of the Committee will record the names of those present at the meeting, write minutes, including the key points and decisions of all meetings, along with any actions stemming from discussion that need to be taken before the next meeting. The minutes of each meeting must be approved by the Committee and signed by the Chairman as a true record at the next meeting of the Committee.
- 4.23 The unsigned and unapproved draft minutes of the most recent meeting will be circulated promptly to all parties attending the meetings, once they have been agreed by the Chairman.
- 4.24 The minutes of the Committee will be placed in the public domain as soon as these have been approved and signed by the Chairman, with exclusion to any matter deemed private or confidential.
- 4.25 To ensure relevant and timely reporting throughout the year to the Committee a reporting timetable will be prepared by the Commissioner and Chief Constable and agreed with the Chairman before submission to the Committee. This will be designed to enable the Committee to fulfil its responsibilities and receive the assurances required.
- 4.26 The Committee will, having regard to best governance practice, review these terms of reference annually and make any changes deemed necessary in consultation with the Commissioner and Chief Constable.
- 4.27 The Committee will annually review its own performance to ensure it is fulfilling its terms of reference and operating effectively. In doing so it will make any recommendations for change to the Commissioner and Chief Constable. This annual review of performance will include an individual appraisal of all members of the

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Committee, including the Chairman. The performance review of the Committee and its members will be commissioned and undertaken independently.

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CIPFA Guidance in relation to Audit Committees

1. Statement of Purpose

The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Commissioner's and Chief Constable's financial and nonfinancial performance to the extent that it affects exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2. Core Functions

Audit Committees will:

- Consider the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that assurance statements, including the Annual Governance Statement and Audit Opinion, properly reflect the risk environment and any actions required to improve it.
- Approve (but not direct) the Internal Audit Strategy and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Head of Internal Audit.
- Consider the reports of external audit and inspection agencies.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

3. Features

Good audit committees will be characterised by:

- A strong chair - displaying a depth of skills and interest.
- Unbiased attitudes – treating auditors, the executive and management equally.
- The ability to challenge the executive (Commissioner/Chief Constable) when required.
- A membership that is balanced, objective, independent of mind and knowledgeable.

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4. Structure and Administration

The audit committee should:

- Be independent of the executive and scrutiny functions.
- Have clear reporting lines and rights of access to other boards e.g. Risk Management Group.
- Meet regularly, about 4 times each year, and have a clear policy on those items to be considered in private, and those to be considered in public.
- Include, as regular attendees, the chief finance officers or deputies, the head of internal audit, the external auditor and relationship manager. Other attendees may be invited e.g. the monitoring officer for standards issues. These officers should be able to have access to the Committee as required.
- Be properly trained to fulfil their role.