

JOINT AUDIT COMMITTEE - TERMS OF REFERENCE

1. Statement of Purpose

- 1.1 To provide independent advice and recommendations to the Cambridgeshire Police and Crime Commissioner (PCC) and to the Chief Constable on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure that efficient and effective arrangements are in place.

2. Core Functions

Governance, risk and control

- 2.1 Review the draft Annual Governance Statements and consider whether they properly reflect the governance, risk and control environment and supporting assurances, and identify any actions required for improvement.
- 2.2 Consider the arrangements to secure value for money, and review assurances on their effectiveness.
- 2.3 Consider the assurance framework so that it adequately addresses the risks and priorities of the PCC and of the Constabulary.
- 2.4 Monitor the effective development and operation of risk management, review the risk profile, and monitor progress in addressing risk related issues.
- 2.5 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 2.6 Review assurances on the effectiveness of the integrity arrangements that are in place.

Internal Audit

- 2.7 To review and comment on the internal audit plan and any ongoing revisions to that plan.
- 2.8 Oversee the appointment and consider the performance of the internal audit service, and its independence.
- 2.9 Consider the annual report and opinion, and the level of assurance it can give over corporate governance arrangements.
- 2.10 Consider issues raised or recommendations made by the internal audit service, the progress of activity against the plan, management responses and progress with agreed actions

External Audit

OFFICIAL

- 2.11 Comment on the scope and depth of external audit work, its independence, and value for money.
- 2.12 Consider the annual management letter, relevant reports, and the reports to those charged with governance.
- 2.13 Advise on the effectiveness of the relationships between external and internal audit, and any other relevant bodies.

Financial reporting

- 2.14 Review the annual statements of accounts and accounting policies followed, and consider whether there are any concerns that should be reported to the PCC or the Chief Constable.
- 2.15 Consider the external auditors report to those charged with governance on issues arising from the audit of the financial statements.

Fraud and Corruption

- 2.16 To review the assessment of fraud risks and potential harm to the OPCC and Constabulary from fraud and corruption.
- 2.17 To monitor the counter-fraud strategy, actions and resources.

3. Accountability, Membership and Meetings

Accountability

The Committee will:

- 3.1 Report to the PCC and to the Chief Constable on its findings, advice and recommendations, in relation to governance, risk and financial management.
- 3.2 Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the Chief Constable.
- 3.3 Publish an annual report as to the work of the Committee.

Membership

- 3.4 The Chairman of the Committee will be jointly recruited by the PCC and the Chief Constable.
- 3.5 All members (6) 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.
- 3.6 The Vice Chairman will be 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 PCC and Chief Constable.

Meetings

- 3.7 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.
- 3.8 Only members of the Committee have the right to vote on matters.
- 3.9 The Committee will meet at least four times a year. The calendar of meetings shall be agreed at the start of each year. Further meetings outside of the normal cycle can be convened at the request of the Chairman. The PCC or Chief Constable may ask the Committee to convene further meetings to discuss particular issues on which they want advice. Meetings can also be requested by the external or internal auditors where this is considered necessary, with the agreement of the Chairman.
- 3.10 Unless otherwise agreed, formal notice of each meeting confirming the venue, time and date together with an 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.
- 3.11 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.
- 3.12 Members are expected to attend all meetings. Regular non-attendance of members will lead to their removal as a member following agreement with the Chairman.
- 3.13 The PCC 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.
- 3.14 In addition, given their statutory responsibilities, it is expected that both the Chief Finance Officers for the PCC and the Chief Constable will attend all

OFFICIAL

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

- 3.15 The Head of Internal Audit and representatives of the External Auditor will be invited to attend all meetings. The Committee should meet with the Head of Internal Audit and representatives of the External Auditor separately and privately at least once a year.
- 3.16 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.
- 3.17 Meetings will be held in private but agendas, reports and minutes will be made available to the public in accordance with Freedom of Information Act requirements.
- 3.18 The Committee secretary 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.
- 3.19 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.
- 3.20 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 the exclusion of any matter deemed private or confidential.
- 3.21 To ensure relevant and timely reporting throughout the year to the Committee a reporting timetable will be prepared by the PCC 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.

Other matters

- 3.22 The Committee will review these terms of reference annually and make any changes deemed necessary in consultation with the PCC and Chief Constable.
- 3.23 The Committee will review its own performance on an annual basis to ensure it is fulfilling its Terms of Reference and operating effectively. In doing so it will make any recommendations for change to the PCC and Chief Constable.
- 3.24 The annual review of performance will include an individual appraisal of all members of the Committee, including the Chairman. Every 3rd year, the performance review of the Committee and its members will be commissioned and undertaken independently.

OFFICIAL

- 3.25 The PCC and Chief Constable may call for an independent review of the Committee at any time.
- 3.26 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 PCC and Chief Constable.
- 3.27 The Committee may, with joint approval by the respective Chief Finance Officers of the PCC and Chief Constable, procure specialist advice not otherwise available from officers.
- 3.28 The Chief Finance Officers, the Monitoring Officer, Head of Internal Audit and the External Auditor of the PCC and Chief Constable will have free and confidential access to the Chairman.

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.

OFFICIAL

- The ability to challenge the executive (Commissioner/Chief Constable) when required.
- A membership that is balanced, objective, independent of mind and knowledgeable.

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.