



**To:** Joint Audit Committee  
**From:** Chief Finance Officer, OPCC  
**Date:** 18 September 2013

## **JOINT AUDIT COMMITTEE - TERMS OF REFERENCE**

### **1. Background**

- 1.1 These terms of reference (Appendix A) were discussed and agreed by the Interim Committee in March 2013. It is appropriate for the new Committee, with new members, to review and approve them.
- 1.2 The Home Office Financial Management Code of Practice for the Police Service of England and Wales (issued under Section 17 of the Police Reform and Social Responsibility Act 2011 and Section 39A of the Police Act 1996) includes the following section:-

#### **11.1.3 Audit committees**

The PCC and the Chief Constable should establish an independent Audit Committee. It is recommended that this be a combined body which will consider the internal and external audit reports of both the PCC and the Chief Constable. This committee will advise the PCC and the Chief Constable according to good governance principles and to adopt appropriate risk management arrangements in accordance with proper practices. In setting up the Audit Committee, the PCC and the Chief Constable should have regard to the CIPFA Guidance on Audit Committees.

**Membership:** the Audit Committee should comprise between three and five members who are independent of the PCC and the force.

**Terms of Reference:** the Audit Committee should establish formal terms of reference, covering 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

- 1.3 A summary of the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance in relation to Audit Committees is attached at Appendix B.

## 2. Recommendation

- 2.1 The Committee is recommended to approve formally the terms of reference.

## BIBLIOGRAPHY

Source Document (s)	Contact Officer	Location
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## JOINT AUDIT COMMITTEE - TERMS OF REFERENCE

### 1. Constitution

Five members who are independent of the Police and Crime Commissioner (Commissioner) and the Constabulary, meeting quarterly.

The quorum for meetings of the Joint Audit Committee is three.

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

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

### 3. Terms of Reference

#### Regulatory Framework

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 review any issue referred to it by the statutory officers of the Commissioner or Chief Constable or other relevant body.

To monitor the effective development and operation of risk management and make recommendations as appropriate.

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.

To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.

To review its own effectiveness on an annual basis.

## **Audit Activity**

To consider the internal audit strategy and annual plan, making recommendations as appropriate.

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.

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.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To liaise with the Audit Commission over the appointment of the external auditor.

To commission work from internal and external audit.

## **Accounts**

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.

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**

To oversee the management of conduct, complaints and integrity matters (as the controls assurance).

To review the mechanisms for effectively and transparently handling and monitoring:

- 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.

Terms of Reference of the Integrity Sub Committee attached at Appendix A (i).

## **INTEGRITY SUB-COMMITTEE –TERMS OF REFERENCE**

### **Constitution**

Three members who are independent of the Police and Crime Commissioner (Commissioner) and the Constabulary, including one member of the Joint Audit Committee.

The Committee shall as the first item of business at its first meeting elect a Chairman, and annually thereafter.

### **Statement of Purpose**

The purpose of the Integrity sub-committee is to support the Joint Audit Committee in carrying out its functions in respect of overseeing the management of conduct, complaints and integrity matters (as the controls assurance).

To review the mechanisms for effectively and transparently handling and monitoring:

- 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.

### **Terms of Reference**

- Conduct and integrity

To promote high standards of conduct.

To maintain an overview of and monitor policies, practices and performance in relation to conduct, complaints and integrity matters to ensure statutory responsibilities are met and to ensure good governance in line with the Nolan principles.

- Complaints against the Commissioner and his/her staff

To monitor the way the Office of the Police and Crime Commissioner (OPCC) handles complaints and provide challenge where necessary.

- Complaints against the Chief Constable and the Force

To monitor the way in which the OPCC meets its statutory duties for the handling and oversight of complaints against the Constabulary.

- Integrity issues such as appointment processes, gifts and hospitality and registerable interests

To monitor and provide challenge on the handling of integrity matters.

**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.

### **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.