



AGENDA ITEM 15

**JOINT AUDIT COMMITTEE
29 June 2023**

**JOINT AUDIT COMMITTEE TERMS OF REFERENCE
AND WORK PROGRAMME 2023/24**

1. PURPOSE OF REPORT

- 1.1 To propose a work programme for the Committee's meetings in 2023/24, and ask the Committee to approve the Terms of Reference and working protocols which have been updated to incorporate the revised CIPFA guidance for Local Authorities and Police Audit Committees standards.

2. BACKGROUND

- 2.1 At the outset of the year, the Joint Audit Committee sets itself a programme of work to ensure that workload is spread appropriately throughout the year and is aligned to the terms of reference for the Committee. By agreeing a programme of work for the year, all members are able to identify in advance when issues are being considered by the Committee and officers and external staff are able to plan their work necessary to effectively support these milestones and attend associated meetings. Occasionally, extraordinary meetings of the Committee may be required over and above those set in the annual work programme. The proposed work programme for 2023/24 is attached at Appendix A.
- 2.2 The terms of reference for the Joint Audit Committee has previously been assessed against the model terms of reference provided in the CIPFA guidance for Local Authorities and Police Audit Committees. CIPFA revised this guidance during 2022/23 and the committee's terms of reference and working protocols have been updated to incorporate the changes following consultation and constructive discussions with senior managers. The proposed terms of reference for 2023/24 is provided at Appendix B.

3. RECOMMENDATIONS

- 3.1 The Committee is asked to consider the proposed work programme attached at Appendix A.
- 3.2 The Committee is asked to approve the Terms of Reference for 2023/24 and associated working protocols attached at Appendix B.

CONTACT OFFICER

Name: Parmila Dadra & Gemma Brookes
Title: Acting Head of Internal Audit

BACKGROUND DOCUMENTS

None

JOINT AUDIT COMMITTEE WORK PLAN 2023/24

28 September 2023

- External Audit Joint Audit Findings Report (Year ending 31 March 2023)
- Publication of Statement of Accounts (For information)
- Treasury Management Update
- Risk Management Progress Update
- Internal Audit Activity Update Report
- HMICFRS Update
- External Audit Progress Report and Sector Update
- Annual private meeting with Auditors (Internal Audit)

14 December 2023

- Internal Audit Activity Update Report
- HMICFRS Update
- Risk Management Progress Update
- Anti-Fraud Bribery and Corruption Annual Effectiveness Review
- External Audit Progress Report and Sector Update
- External Audit – Auditor’s Annual Report
- Corporate Governance Review / Joint Scheme of Governance
- Annual private meeting with Auditors (External Audit)

28 March 2024

- Treasury Management Strategy Report
- Internal Audit Strategy and Annual Plan 2024/25
- Internal Audit Activity Update Report
- Risk Management Progress Update
- HMICFRS Update
- Accounting Policies
- External Audit Plan 2023/24
- External Audit Progress Report and Sector Update
- Joint Audit Committee Work Programme for 2024/25

Information reports to include:

- Best practice updates
- Training issues/updates
- Governance related
- Special Investigations/Inspection/Fraud Updates

Police and Crime Commissioner/CHIEF CONSTABLE JOINT AUDIT COMMITTEE TERMS OF REFERENCE

Composition of the Committee

The Audit Committee comprises between 2 and 5 members who are independent of the office of the Police and Crime Commissioner (OPCC) and the Force. The executive of the OPCC and the Force Executive Team will be represented at each meeting of the Committee.

Purpose

The Audit Committee is an advisory committee providing an independent and high-level focus on the adequacy of governance, risk and control arrangements, ensuring openness and scrutiny. This will enhance public trust and confidence and assist the Police and Crime Commissioner in discharging statutory responsibilities in holding the Force to account. This is achieved by:

- Advising the Police and Crime Commissioner and the Chief Constable according to good governance principles.
- Providing independent assurance on the adequacy and effectiveness of the OPCC and Force internal control environment and risk management frameworks.
- Overseeing the effectiveness of the framework in place for ensuring compliance with statutory requirements.
- Independently scrutinising financial and non-financial performance to the extent that it affects the OPCC and Force exposure to risks and weakens the internal control environment.
- Overseeing the financial reporting and annual governance processes, and internal and external audit.

Objectives

The Audit Committee meets four times a year (March, June, September, December) in public and in effectively discharging its core function is responsible for:

Internal Control Environment

- Satisfying itself as to the effectiveness of the internal control framework in operation within the OPCC and Force and advising the Police and Crime Commissioner and the Chief Constable, as appropriate.
- Considering the Local Code of Governance and the Annual Governance Statement for publication with the annual accounts, together with associated action plans for addressing areas of improvement and advising the Police and Crime Commissioner and the Chief Constable as appropriate.

Corporate Risk Management

- To monitor the effective development and operation of the OPCC and Force corporate risk management strategies and frameworks; ensuring that an appropriate framework is in place for assessing and managing key risks to the OPCC and the Force.
- To monitor progress in addressing risk-related issues reported to the committee, including any financial risks to which the OPCC and Force are exposed and approving measures to reduce or eliminate them or to insure against them.
- Providing assurance to the Police and Crime Commissioner and the Chief Constable, as appropriate, on the effectiveness of the risk management framework in operation.

Regulatory Framework

- Maintain an overview of the governance framework in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

- To review any issue referred to it by the Statutory Officers of the Police and Crime Commissioner and Chief Constable, and make recommendations as appropriate.
- To monitor the strategy and supporting policies of both the Police and Crime Commissioner and Chief Constable on anti-fraud, bribery and corruption.

Internal Audit

- Advising the Police and Crime Commissioner and the Chief Constable on the appropriate arrangements for internal audit, including resources and impairments to independence and objectivity.
- Approving the Internal Audit Strategy, annual audit programme along with any changes to the programme, resources and Internal Audit Charter.
- Overseeing and giving assurance to the Police and Crime Commissioner and the Chief Constable on the provision of an adequate and effective internal audit service.
- Receiving progress reports on the internal audit work plan and considering reports on the effectiveness of internal controls.
- Monitor the implementation of agreed actions ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.
- Considering the Head of Internal Audit's Annual Report and annual opinion on the internal control environment for the OPCC and Force; ensuring appropriate action is taken to address any areas for improvement.
- Considering the Head of Internal Audit's statement of the level of conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance Improvement Programme that support the statement.
- To contribute to the external quality assessment of internal audit that takes place at least once every five years.
- Reviewing and monitoring the effectiveness of OPCC and Force policies on fraud, irregularity and corruption.

External Audit

- Advising the Police and Crime Commissioner and the Chief Constable on the appointment of external auditors.
- Approving on behalf of the Police and Crime Commissioner and the Chief Constable the external audit programme.
- Reviewing the external auditor's Annual Governance Report and any other reports; reporting on these to the Police and Crime Commissioner and the Chief Constable as appropriate and including progress on the implementation of agreed recommendations.
- Reviewing the External Auditor's Annual Report and the Annual Accounts, making recommendations as appropriate to the Police and Crime Commissioner and the Chief Constable.
- Considering significant accounting policies and any changes to them.

Financial Reporting

- Reviewing the Annual Statement of Accounts considering whether it properly reflects the risk environment and supporting assurances, and make recommendations, or bring to the attention of the Police and Crime Commissioner or Chief Constable, any concerns or issues
- To consider reports on the effectiveness of financial management arrangements, including whether appropriate accounting policies have been followed and any changes to them.
- Reviewing the annual HMICFRS value for money profiles and consider the arrangements to secure value for money and review the effectiveness of these arrangements.

Inspection and Review

- Considering HMICFRS, external review agencies and any internal inspection reports that provide assurance on the internal control environment and/or may highlight governance issues for the OPCC and/or Force.

JOINT COMMITTEE WORKING PROTOCOLS.

Reporting

- The Audit Committee will formally report in writing to the Police and Crime Commissioner and Chief Constable after each meeting, summarising the business taken by the Committee, and offering the views of, and advice from, the Committee on issues which they consider the Police and Crime Commissioner and/or Chief Constable should be taking action. The scope, content and format of report is to be determined by the Chair but will consider adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- The Audit Committee will provide the Police and Crime Commissioner and Chief Constable with an Annual Report, timed to support finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has undertaken during the year and on its performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose. The annual report will be a public report and include a conclusion on the compliance with the CIPFA Position Statement.

The Annual Report should summarise the Audit Committee's work for the year, and suggested content for the report is set out below.

- *The report should briefly outline the extent to which it follows the CIPFA Position Statement in the following areas:*
 - *The size of the committee.*
 - *Structure and composition, including the number of members.*
 - *Reporting line.*
 - *Whether its terms of reference include all the core functions of the committee.*
- *Results of the committee's annual evaluation of its effectiveness and assurance over key indicators. There should be disclosure over areas where the committee has concerns (which could link to the action plan in the AGS) and a statement of what the audit committee has done to escalate their concerns or make recommendations.*
- *The report should summarise how it has fulfilled its terms of reference in the year and key issues escalated to the leadership team during the year.*
- *The report should summarise the development work that will support the committee members, e.g. training.*

Communications

There should be mutual rights of access among each of the Chair of the Audit Committee, the Chief Executive, the Chief Financial Officer(s), the Head of Internal Audit, and the External Auditor. There should be a separate annual meeting between the Chair of the Audit Committee and the Police and Crime Commissioner and the Chief Constable to ensure that there is clear understanding of expectations and mutual understanding of current issues.

Rights

The Audit Committee may co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience.

The Audit Committee may procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Police and Crime Commissioner and Chief Constable.

Access

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit Committee.

The arrangements will operate on a principle of openness and transparency. The audit committee can therefore request information relevant to its role and agenda. Where information requested is considered sensitive and unsuitable for sharing, an adequate explanation should be given and an indication of when information might be available. The Chair should be kept adequately briefed.

Meetings

The Audit Committee will meet at least four times a year.

The Chair of the Audit Committee may convene additional meetings, as they deem necessary.

A minimum of 2 members of the Audit Committee will be present for the meeting to be deemed quorate. At least 1 of these 2 members needs to be an independent member (either the Chair or Vice Chair.)

Audit Committee meetings will normally be attended by representatives of the Executive of the OPCC and the Force Executive Team, the Head of Internal Audit, and a representative of External Audit.

The Audit Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter.

The Audit Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

The Audit Committee may hold separate meetings with External Auditors/Internal Auditors, without CFO's or executive representatives. The Committee should hold one such meeting annually.

The Police and Crime Commissioner/Chief Constable may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Information requirements

For each meeting the Audit Committee will be provided with:

- A report summarising any significant changes to the organisation's Risk Register/Assurance Framework
- A progress report from the Head of Internal Audit summarising work performed (and a comparison with work planned)
- Key issues emerging from Internal Audit work including management response to audit recommendations
- Changes to the internal audit programme of work
- Any resourcing issues affecting the delivery of Internal Audit objectives
- A progress report from the External Audit representative summarising work done and emerging findings.

As and when appropriate the Committee will also be provided with:

- Treasury Management Strategy and progress reports
- Statutory Accounts approval and publication reports
- Draft Annual Governance Statement(s)
- External Audit Governance and Management reports

- Inspection reports of HMICFRS and other external agencies
- The Internal Audit Strategy/Internal Audit Charter/Quality Assurance and Improvement Programme
- The Head of Internal Audit's Annual Opinion and Report
- Quality Assurance reports on the Internal Audit function
- A report on any changes to accounting policies
- Effectiveness and monitoring reports, around the policies on fraud, irregularity and corruption
- A report on any proposals to tender for audit functions
- Information reports on issues of best practice that impact on the effectiveness of the Committee or are of general interest.

The above list suggests minimum requirements for the inputs which should be provided to the Audit Committee.

Public v Private items for consideration:

The expectation is for all items to be considered in public session. If for any reason the Police and Crime Commissioner or Chief Constable request items to be considered in private session, the request to do so should be submitted to the Chair along with the reasons for the request. Items will only be considered suitable for private session if there is a valid concern about security weaknesses being exploited if the item were to be discussed in public. There will be an ongoing expectation that once the initial report is discussed in private session any further reports following up on actions to address recommendations would be suitable for discussion in a public session.

June 2023