



**Lancashire
Constabulary**
police and communities together

INTERIM COMBINED AUDIT COMMITTEE

MONDAY, 24 FEBRUARY 2014 COMMENCING AT 1.30 PM
IN DUKE OF LANCASTER ROOM (FORMER CABINET ROOM C),
COUNTY HALL PRESTON

NB If you have any queries regarding the Agenda papers or required any further information please contact Mrs Beverly A Wood on Tel: 01772 533486.

REVISED AGENDA

PART I (OPEN TO PRESS AND PUBLIC)

1 APPOINTMENT OF CHAIR

Following the recent recruitment process for the permanent Chair of the Joint Committee, Mr Clive Portman was formally appointed to the position from 1 January 2014 and will be in the Chair for the meeting.

2 A MEMBERSHIP AND TERMS OF REFERENCE

A report concerning Membership and Terms of Reference of the Committee is attached.

B PROCESS FOR THE REPORTING OF FRAUD

Oral report (Director of Resources (Lancashire Constabulary) / Chief Finance Officer (Office of the Police and Crime Commissioner))

3 APOLOGIES FOR ABSENCE

4 DISCLOSURE OF MEMBERS' INTERESTS

Members of the Committee are asked to consider any personal / prejudicial interests they may have to disclose to the meeting in relation to any matters under consideration on the Agenda in accordance with the law and the police and Crime Commissioner's / Chief Constable's (Interim) Scheme of Governance (including Financial Regulations / Standing Orders).

5 MINUTES OF THE LAST MEETING HELD ON 2 DECEMBER 2013

Minutes attached.

6 MATTERS ARISING

- A Clarification of requirements for production of annual governance statement(s)
- B PSD / Complaints Review Procedures
- C Duplicate Payments
- D Review of Data Matches
- E External Audit – update on closure (formal conclusion) of the 2012/13 audit.

7 GOVERNANCE ARRANGEMENTS – STAGE 2

Oral report by the Chief Finance Officer (OPCC)

8 ETHICS COMMITTEE – ORAL REPORT

Oral report by the Director of Resources (Constabulary).

9 GOOD GOVERNANCE – ASSURANCE GATHERING PROCESS

Report attached.

10 A HER MAJESTY'S INSPECTORATE OF CONSTABULARY (HMIC) – REVISING POLICE RELATIONSHIPS: PROGRESS REPORT

Report to follow.

B INSPECTION UPDATE – GENERAL

Report attached.

11 INTERNAL AUDIT MONITORING REPORT 1 APRIL 2013 TO 31 JANUARY 2014

Report attached.

12 EXTERNAL AUDIT

Grant Thornton – Interim Combined Audit Committee update report. (Report attached)

13 URGENT BUSINESS

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency.

14 OUTWARD COMMUNICATION

The Committee is asked to consider if:

- a) there are any key messages arising from the meeting which should be sent to:
 - o the press / public
 - o local / regional or national bodies; and
- b) the Police and Crime Commissioner's / Constabulary's press / public relations teams should be asked to consider whether any consultation / research on any particular matters arising from the Meeting should be undertaken.

15 DATE OF NEXT MEETINGS:

All meetings will take place at Lancashire County Council in the Duke of Lancaster Room (former Cabinet Room C) and will commence at 1.30 pm. The scheduled meetings for the remainder of the year are:

Monday 16 June 2014
Monday 15 September 2014
Monday 1 December 2014

All meetings are open to the public, except when considering restricted information, when it will meet privately. The Committee is subject to the Freedom of Information Act.

Miranda Carruthers-Watt
CHIEF EXECUTIVE

Steve Finnigan
CHIEF CONSTABLE

Agenda Item 2A



**Lancashire
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REPORT TO: INTERIM COMBINED AUDIT COMMITTEE

DATE: 24 FEBRUARY 2014

REPORT AUTHOR: POLICY AND PERFORMANCE OFFICER (OPCC)

SUBJECT: MEMBERSHIP AND TERMS OF REFERENCE OF THE COMMITTEE

Appendix A refers

1 Issue for Consideration

- 1.1 The Interim Combined Audit Committee's (ICAC) Membership and Terms of Reference until 31 March 2014 and beyond.

2 Recommendation

- 2.1 The Committee is asked to note the membership of the ICAC; and to recommend that the Police and Crime Commissioner (PCC) and Chief Constable (CC) approve the revised Terms of Reference subject to any amendments that may be highlighted through discussions at this meeting and at the first meeting of the permanent Joint Audit Committee in June 2014..

3 Background

- 3.1 The PCC and the CC approved the establishment of the ICAC on 30 November 2012 to run until March 2013 (with the option to extend until March 2014; subject to the approval of the Police and Crime Commissioner and the Chief Constable).
- 3.2 Since that time, the OPCC / Constabulary have undertaken to recruit members to the permanent Joint Audit Committee, which has culminated in the appointment of Mr Clive Portman as the Committee Chair (from 1 January 2014) and four new members from 1 April 2014.

Agenda Item 2A

- 3.3 Membership of the ICAC for the remainder of the financial year 2013 / 14 up to 31 March 2014 is as set out below (Chaired by Mr Clive Portman):

INTERIM COMBINED AUDIT COMMITTEE (ICAC)
Mrs Paula Goulding Mrs Jacqueline Pratt Mr Keith Williams (Vice-Chair)

- 3.4 The Terms of Reference of the ICAC were agreed by the Committee in February 2013 and were due to be reviewed in February 2014. The new Chair of the Committee has undertaken an initial review of the Terms of Reference which are presented to the Committee at Appendix A for discussion / amendment prior to consideration by the new committee at its first meeting in June.
- 3.5 The arrangements set out in the revised Terms of Reference meet the requirements of the Police and Reform and Social Responsibility Act 2011 (PRSRA), Home Office Financial Management Code of Practice (FMCoP) and the Chartered Institute of Public Finance and Accountancy Audit Committee Guidance.

4 Subject

- 4.1 The ICAC and Joint Audit Committee play a key part in assuring all stakeholders that probity, regularity and value for money are obtained in the use of public money by both the PCC and CC in the pursuance of the priorities set out in the Police and Crime Plan.
- 4.2 The Terms of Reference attached provide a framework within which the ICAC and future Joint Audit Committee can operate and meet the statutory requirements of the PRSRA and the FMCoP. In doing so, the PCC and CC will be demonstrating to all stakeholders that they take their governance and risk management responsibilities seriously.

5 Implications

Financial:	Resource requirements to enable development and implementation of the above can be found from existing budgets.
Legal:	Approval of the attached Terms of Reference will ensure statutory compliance with the PRSRA and the FMCoP.
Equality Impact Assessment:	None
Risks and Impact:	Without an effective ICAC / Joint Audit Committee, neither the PCC nor the CC will be able to publically demonstrate that they have established a suitably robust risk control framework. Consequently, neither will be able to produce a fair and representative Annual Governance Statement that has been subject to sufficient independent challenge and review for the purposes of ensuring its integrity. This

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	could expose both the PCC and CC to the risk of external audit qualification as well as public criticism.
Link to Police and Crime Plan:	The ICAC and Joint Audit Committee provide a mechanism through which assurance can be sought and the public assured with regards to the probity, regularity and value for money of resources deployed in the pursuit of the Police and Crime Plan.

6 List of attachments / appendices

- Appendix A: Draft Terms of Reference

7 Background Papers

- None

Report Author

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Joint (~~Interim combined~~) Audit Committee for the Lancashire Police and Crime Commissioner and Chief Constable

Terms of Reference

Statement of Purpose

The Audit Committee is responsible for enhancing public trust and confidence in the governance, financial reporting and financial performance of the Office of the Police and Crime Commissioner (PCC) and of the Chief Constable of Lancashire Constabulary (CC).

It also assists the Commissioner in discharging statutory responsibilities in holding the Chief Constable to account and helping to deliver an effective (~~improved~~) policing service.

This will be achieved by:

- Providing **independent assurance to both the PCC and CC** of the adequacy and efficiency of the risk management framework and the associated control environment within the Constabulary and the office of the Commissioner.
- **Independently reviewing** financial and non-financial performance to the extent that it affects the Commissioner and Constabulary's exposure to risk and weakens the overall control environment.
- Providing **assurance** that any issues arising from the process of drawing up, auditing and certifying the annual accounts are properly dealt with and that the appropriate accounting policies have been applied.

Membership

The Committee will comprise between 3 and 5 suitably qualified members who will be independent of the Commissioner and the Chief Constable.

The executive of the Office of the PCC and representatives of the Command Team of the Constabulary are required to provide pertinent information as necessary and to attend each meeting of the Committee.

Attendees may include the Commissioner's Chief Executive and Chief Financial Officer, the Constabulary's Director of Resources, the Manager of Internal Audit and any other officers of the Commissioner and of the Constabulary as may be called upon to attend meetings to address specific issues.

Private (~~Separate~~) meetings will also be held (~~in private~~) with the Manager of Internal Audit and with the Engagement Lead (~~lead manager~~) of external audit no less frequently than once a year.

Frequency of Meetings

The Audit Committee will meet no less than four (~~three~~) times a year on dates to be determined by the Committee and has the authority to convene additional meetings as circumstances may require.

Terms of Reference

In order to effectively discharge its function and purpose, the Audit Committee is responsible for providing assurance to the PCC and CC in respect of

1 Internal Audit

- 1.1 Advising the PCC (~~Commissioner~~) and the CC (~~Chief Constable~~) on the appropriate arrangements for internal audit and approving the Internal Audit Strategy.
- 1.2 Reviewing and approving the annual internal audit plan.
- 1.3 Ensuring that there are no unreasonable or unjustified restrictions or limitations on the work of internal audit.
- 1.4 Considering the (~~head of internal audit's annual~~) annual report and opinion by the Head of Internal Audit, including (~~and~~) a summary of internal audit activity [actual and proposed] and the level of assurance it can give over the (~~Commissioner's and the Chief Constable's~~) internal control environment(s) and governance arrangements for the PCC and CC.
- 1.5 Considering summaries of specific internal audit reports as required.
- 1.6 Considering and monitoring the management and performance of internal audit.

2 External Audit

- 2.1 Receiving and considering the external audit plan and scope of the audit.
- 2.2 Considering the external auditor's annual audit letter and reports. (~~And reporting these to the Commissioner and Chief Constable~~)
- 2.3 Monitoring the (~~Commissioner's and Chief Constable's~~) responses of the staff of the PCC and CC to the findings and reports of external audit.

- 2.4 Monitoring the effectiveness of the work of external audit (~~services~~) and ensuring that external audit provides (~~it-gives~~) value for money.

3 Statutory Accounts

- 3.1 Reviewing the annual statement of accounts and considering whether the accounts (~~they~~) are complete and consistent with information known to the Committee and whether appropriate accounting policies and principles have been followed.
- 3.2 Reviewing other sections of the annual report and related regulatory filings before release and considering the accuracy and completeness of the information.
- 3.3 Reviewing, with management, the external auditor's report and opinion on the financial statements and reporting to the PCC and CC any issues arising from or difficulties encountered during the audit.

4 Internal Control

- 4.1 Considering the effectiveness of the processes for assessing and managing key risks to the PCC and the CC.
- 4.2 Considering the effectiveness of the internal control systems of the PCC and the CC, including the systems for monitoring compliance with relevant laws and regulations.
- 4.3 Reviewing the PCC's and the CC's scheme of governance in respect of contract procedure rules and financial regulations.
- 4.4 Reviewing the draft (~~Assisting in the preparation of the~~) Annual Governance Statement for the PCC and the CC, and reviewing the overall strategic processes and arrangements for risk management and effective corporate governance.
- 4.5 Reviewing the findings of any examinations by regulatory agencies, eg HMIC.

5 Reporting

- 5.1 Reporting regularly to the PCC and the CC about Committee activities, issues, and related recommendations.
- 5.2 Providing an open avenue of communication between internal audit, the external auditor, and the PCC and CC.

6 Other responsibilities

- 6.1 Monitoring and reviewing any proposed changes to the office of the PCC and the CC's governance and framework documents.
- 6.2 Reviewing any issue referred to it by the PCC and / or the CC.
- 6.3 Receiving reports from officers of the PCC and/or CC (~~The Monitoring Officer~~) on matters referred for investigation, including any issues of alleged or proven fraud or financial irregularities. (~~irregularities~~)
- 6.4 Making arrangements for the invitation of applications for the appointment of members to the Committee and making recommendations for appointment to the PCC and the CC.
- 6.5 Reviewing and assessing the adequacy of the Committee Terms of Reference annually and seeking the approval of the PCC and the CC for any proposed changes.
- 6.6 Confirming annually that all responsibilities outlined in the Terms of Reference have been carried out.
- 6.7 Evaluating the Committee's performance on a regular basis.
- 6.8 Performing any other relevant activities requested by the PCC and / or the CC.

April 2014 (~~25 February 2014~~)

Review date: April 2015 (~~February 2014~~)