

# **Joint Independent Audit Committee for the Lancashire Police and Crime Commissioner and Chief Constable**

## **Terms of Reference**

### **Statement of Purpose**

1. The Joint Independent Audit Committee is an advisory committee. Its purpose is to seek and consider independent assurance and advise the Chief Constable (CC) and the Police and Crime Commissioner (PCC), on the adequacy and effectiveness of the risk management framework, the internal control environment, the integrity of the financial reporting and the overall corporate governance arrangements in place within the Office of Police and Crime Commissioner (OPCC) and Lancashire Constabulary.
2. The establishment of an audit committee is a key element of good governance. The establishment of a Joint Independent Audit Committee is specifically recommended in the statutory Financial Management Code of Practice that supports the Police Reform and Social Responsibility Act 2011 and takes consideration of the Chartered Institute of Public Finance and Accountancy (CIPFA) position statement.

### **Independence and Accountability**

3. The Committee have rights of access to other committees, meetings, functions, officers, other agencies etc. and any information that it considers necessary to fulfil its role, as far as practicable.
4. The Committee is accountable to the CC and the PCC, and the Chair will provide a written report on behalf of the Committee, to both the CC and the PCC, on the work of the Committee annually. Feedback will be provided to the Committee on any recommendations that they make.

### **Membership**

5. The Committee will comprise of 5 suitably qualified members who will be independent of the PCC and the CC.
6. Members of the Committee shall be recruited through open competition, in conjunction with the Police and Crime Commissioner and Chief Constable or their representatives. They shall be recruited to ensure that the Committee has all the necessary skills and experience to fulfil its terms of reference, in accordance with the job description. To ensure the independence of the Committee, members shall not be:
  - A standing or ex-PCC or Chief Constable.
  - A member or ex-member of a Police and Crime Panel.
  - Serving police officers or have served as a police officer within the last 8 years.

- Currently serving staff of the Constabulary or the Office of the Police and Crime Commissioner or have served within the last 8 years.
  - Individuals who have significant business or personal dealings with the Office of the Police and Crime Commissioner or Constabulary
  - Individuals who have close relationships with any of the above including immediate family members and as such may not have the requisite level of independence required for membership of the Committee.
  - Individuals removed from a trusteeship of a charity.
  - Individuals under a disqualification order under the Company Directors Disqualification Act.
  - A person who has been adjudged a bankrupt or made a composition or arrangement with his creditors.
  - Convicted in the UK, Channel Islands or the Isle of Man of any offence and has had passed on a sentence of imprisonment (whether suspended or not) for a period of not less than three months without the option of a fine, within the last five years prior to their appointment.
7. The independent members will be appointed by an appointment panel comprising of at least the Chief Executive to the PCC, the Chief Finance Officer to the PCC, Chief Operating Officer and/or the Head of Finance for the Chief Constable
  8. The Chair/Vice Chair positions will be appointed from within or in addition to the five independent members.
  9. The Chair of the Committee will be jointly recruited by the PCC and the Chief Constable and will serve for one term (4 years) in the role as Chair where upon they can be re-appointed, if appropriate and subject to agreement by the PCC and Chief Constable. Subject to a maximum of 2 terms.
  10. All Members will serve for a maximum of 2 terms, each term being a maximum of 4 years.
  11. On joining the Committee, each member will attend an induction training course to help them understand the roles of the PCC and the Chief Constable, the Police and Crime Panel and the organisations pertaining to the PCC and Chief Constable. Further training on specific relevant topics will be provided as necessary, according to the members' own relevant experience and emerging business needs of the Committee. Members will be expected to attend all such training and to develop their skills as part of a member development programme.
  12. Any committee member missing more than 3 consecutive meetings, unless they have applied for and been granted dispensation from the Chair, will automatically cease to be a member of the Committee
  13. Each member will be required to record any conflicts of interest in a 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 Committee agenda, or immediately if they arise unexpectedly in discussion.

14. Only members of the Committee have the right to vote on matters requiring a vote at meetings.
15. Members of the Committee will be remunerated and reimbursed for all expenses incurred in the fulfilment of their duties, roles, and responsibilities in accordance with the allowance and expenses rates agreed by the PCC and Chief Constable.

### **Frequency and Notice of Meetings**

16. The Committee will meet at least four times a year. Meetings will be held at key strategic times of the year to coincide with the budget process and publication of financial management reports and accounts.
17. Further meetings outside of the normal cycle of the Committee can be convened at the request of the Chair or any of its members, subject to agreement by the Chair.
18. The PCC and or CC may ask the Committee to convene further meetings to discuss issues on which they want the Committee's advice.
19. Meetings can be requested by the external or internal auditors where this is considered necessary and on agreement of the Chair.
20. Meetings will be held in person with the Chair able to exercise discretion to hold virtual meetings if required.
21. 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 Chair, no later than five working days before the date of the meeting.
22. 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 Chair's agreement and quorum requirements. In this case the agenda and any supporting papers will be sent Committee 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.
23. The agenda, reports and minutes of all Committee meetings will be published on the PCC website.

### **Attendance at meetings and Quorum**

24. To help maintain independence, the Head of Internal Audit, or a deputy, will be invited to attend every meeting.
25. The External Auditor has the right to attend any audit committee meeting.

26. The PCCs Chief Financial Officer (CFO), the Chief Operating Officer and/ or the Head of Finance at Constabulary or their nominated deputies will attend every meeting to advise the Committee as necessary.
27. Other officers will be invited to attend to present reports and /or answer any questions the Committee may have as considered appropriate to these terms of reference
28. Members of the Committee should meet with the Head of Internal Audit and representatives of the external auditor separately and privately at least once a year.
29. A minimum of three members of the Committee must be present for the meeting to be deemed quorate.
30. Committee meetings will be held in private with the matters discussed being placed in the public domain.
31. The Committee may hold private informal meetings e.g., for briefing and training purposes without any non-members present if they so decide. Formal decisions cannot be taken at such meeting

### **Minutes**

32. The Governance Officer for the PCC 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 the previous meeting must be approved by the Committee and signed by the Chair as a true record at each meeting.
33. The Chair of the Committee will establish, at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.
34. The unsigned and unapproved minutes of the most recent Committee meeting will be circulated promptly and no later than ten working days after the meeting to all members, to the Chief Finance Officer of the PCC and Chief Constable and to the internal and external auditors, once they have been approved by the Chair.
35. The minutes of the Committee will be placed in the public domain as soon as these have been approved and signed by the Chair, with exclusion to any matter deemed private and confidential

### **Performance and Review**

36. 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 PCC and Chief Constable.
37. 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 PCC and Chief Constable

## **Responsibilities**

### **Internal Audit**

38. In relation to Internal Audit the Committee will:
- a) Advise the Commissioner and the Chief Constable on the appropriate arrangements for internal audit and approving the Internal Audit Strategy.
  - b) Review and approve the annual audit plan.
  - c) Ensure that there are no unjustified restrictions or limitations on the work of internal audit.
  - d) 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 Commissioner's and the Chief Constable's internal control environments and governance arrangements.
  - e) Consider summaries of specific internal audit reports as required.
  - f) Consider and monitor the management and performance of internal audit.

### **Risk Management, Governance, and Internal Control Responsibilities**

39. In relation risk management, governance, and internal control the Committee will:
- a) Consider the effectiveness of the processes for assessing and managing key risks to the Commissioner and the Chief Constable.
  - b) Consider the effectiveness of the internal control systems of the Commissioner and the Constabulary including the systems for monitoring compliance with relevant laws and regulations.
  - c) Review the Commissioner's and the Constabulary's scheme of governance in respect of contract procedure rules and financial regulations.
  - d) Assisting in the preparation of the Annual Governance Statement for the Commissioner and the Constabulary and reviewing the overall strategic processes and arrangements for risk management and effective corporate governance.
  - e) Review the findings of any examinations by regulatory agencies (eg. HMICFRS).

### **External Audit**

40. In relation to External Audit the Committee will:
- a) Receiving and considering the External Audit Plan and scope.
  - b) Consider the External Auditor's annual letter and reports, and report these to the Commissioner and Chief Constable.

- c) Monitor the Commissioner's and Chief Constable's responses to the findings and reports of External Audit.
- d) Monitor the effectiveness of the work of external audit services and ensuring that it gives value for money.
- e) Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money

### **Statutory Accounts**

41. In relation to the statutory accounts the Committee will:
- a) Review the annual statement of accounts and consider whether they are complete and consistent with information known to the Committee and whether appropriate accounting policies and principles have been followed.
  - b) Review other sections of the annual report and related regulatory filings before release and considering the accuracy and completeness of the information.
  - c) Review, with management, the external auditor's report and opinion on the financial statements and reporting to the Commissioner and the Chief Constable any issues arising from or difficulties encountered during the audit.

### **Treasury Management**

42. In relation to Treasury Management the Committee will:
- a) Review the treasury management policy and procedures to be satisfied those controls are satisfactory.
  - b) Receive regular reports on activities, issues and trends to support the Committee's understanding of treasury management activities; the committee is not responsible for the regular monitoring of activity.
  - c) Review the treasury risk profile and adequacy of treasury risk management processes.
  - d) Review assurances on treasury management (for example, an internal audit report, external or other reports)

### **Reporting**

43. The Committee will:
- a) report regularly to the Commissioner and the Chief Constable about Committee activities, issues, and related recommendations.
  - b) provide an open avenue of communication between internal audit, the external auditor, and the Commissioner and Chief Constable.

### **Other responsibilities**

44. The Committee will:
- a) Monitor and review any proposed changes to the office of the Commissioner and the Constabulary's governance and framework documents.
  - b) Review any issue referred to it by the Commissioner and / or the Chief Constable.
  - c) Receive reports from the Monitoring Officer for the PCC on matters referred for investigation, including any issues of alleged fraud or financial irregularities.