

## **JOINT AUDIT COMMITTEE**

**12th DECEMBER 2016**

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

#### **Recommendation**

That the Committee reviews and comments on its Terms of Reference.

## **1. Introduction**

- 1.1 The Alliance Scheme of Governance and Financial Regulations state that the terms of reference for the Joint Audit Committee should be reviewed on an annual basis.
- 1.2 The Joint Audit Committee has been conducting its work for approximately four years and will end the current membership period in March 2016. The Committee reviewed the terms of reference in September 2015 and undertook a review of its effectiveness in September 2016. It therefore seems appropriate to review the terms of reference for the Committee.

## **2. Review**

- 2.1 The amended terms of reference stated the responsibilities of the Joint Audit Committee and table 1 below outlines those responsibilities. Items in italics are proposed amendments giving further clarification, reflecting additional responsibilities including statutory responsibilities statutory that have been addressed up by the committee in the course of its work, and covering current and emerging issues. Proposed amendments include the appointment of external auditors, the independent scrutiny of the transformation programme and the development of governance arrangements for partnerships.
- 2.2 It is important that the Joint Audit Committee uses its resources effectively. There is a risk that its work may overlap with the work of the Trust, Integrity and Ethics Committee and the Police and Crime Panels. To avoid duplication, the minutes of the Trust, Integrity and Ethics Committee (TIEC) and the Warwickshire and west Mercia Police and Crime Panels will be circulated to members of the Joint Audit Committee. If necessary the Chair of the Audit Committee will liaise with the Chairs of the TIEC and the PCPs.

## STATEMENT OF PURPOSE AND TERMS OF REFERENCE

*Table 1*

<p><b>STATEMENT OF PURPOSE</b></p> <p>The purpose of an audit committee is to provide independent assurance on the adequacy of the <b><i>governance and</i></b> risk management framework and the <b><i>internal</i></b> control environment, independent scrutiny of the organisation'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.</p>
<p><b>Corporate Governance and Regulatory Framework</b></p> <p>To support the Commissioners, Chief Constables and statutory officers in Warwickshire and West Mercia in ensuring that effective governance is in place and functioning efficiently and effectively, and making any recommendations for improvement.</p>
<p>To review any issue referred to it by the statutory officers of the PCC and Chief Constable, or the PCCs or Chief Constables themselves, and make recommendations as appropriate</p>
<p>To monitor the effective development and operation of risk management, including the control environment and associated anti-fraud and corruption arrangements and make recommendations as appropriate</p>
<p>To consider and comment on the adequacy of the Schemes of Governance and supporting documents and review and comment on any proposed changes.</p>
<p>To review the Annual Governance Statement making recommendations for their approval to the PCC and CC, considering whether they properly reflect the risk environment and supporting assurances.</p>
<p>To regularly review the risk registers and assurance frameworks and provide assurance that the risk management arrangements in place are adequate to manage organisational risks effectively.</p>
<p>To consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.</p>
<p>To review its own effectiveness on an annual basis.</p>

<b>Internal and External Audit</b>
<b><i>To consider arrangements for the provision of internal audit services and to make appropriate recommendations to the Police and Crime Commissioners and Chief Constables</i></b>
To consider the internal audit strategy and annual plan, and make 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 corporate governance arrangements, and make recommendations as appropriate
To consider summaries of internal audit reports, and make recommendations as appropriate.
To consider reports dealing with the management and performance of the providers of internal audit services, and make recommendations as appropriate.
To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale and make recommendations as appropriate.
<b><i>To consider arrangements for the appointment of the external auditors and to make appropriate recommendations to the Police and Crime Commissioners and Chief Constables</i></b>
To consider the external auditor's annual plan, annual audit letter and relevant specific reports as agreed with the external auditor, and make recommendations as appropriate.
To consider and comment on all external fee proposals
To monitor the implementation of audit recommendations and report any areas of concern to the PCC and Chief Constable
To review the performance of external auditors.
Where considered necessary, to commission assurance work directly.

<b>Accounts</b>
To scrutinise the draft statements of accounts and annual governance statements prior to publication, considering whether appropriate accounting policies have been followed and making any recommendations as appropriate.
To consider the external auditor's report to those charged with governance on issues arising from the audit of accounts.
<b>Treasury Management</b>
To scrutinise the treasury management strategy and policies and to monitor performance against this strategy.
<b><i>Programmes and Partnerships</i></b>
<b><i>To scrutinise arrangements for the development, implementation and termination of significant projects and programmes including the transformation programme</i></b>
<b><i>To review arrangements for the governance of partnerships</i></b>
<b><i>To consider arrangements for the development, implementation, maintenance, and termination of specific significant partnerships</i></b>

### 3.0 Administrative arrangements

3.1 Table 2 outlines the administrative arrangements that were identified at the Committees inaugural meeting. It is appropriate to review these arrangements as the current members of the Audit Committee near the end of their term of office and arrangements will shortly be put in place to appoint the members from April 2016. Some amendments have been made to reflect best practice nationally. These are shown in bold italics.

#### ADMINISTRATIVE ARRANGEMENTS

Table 2

The Committee should comprise of members who are independent of the PCC and the Force.
The Committee will comprise six members with a quorum of three. Ideally, three members will come from the West Mercia area and three from Warwickshire, but this can be varied to secure the best candidates.
<b><i>The term of office will be for a minimum of two years and shall not exceed four years</i></b>
<b><i>No member of the Committee shall serve for more than two terms (eight years).</i></b>
<b><i>All members of the Committee will be appointed through an open competitive public and transparent process.</i></b>
<b><i>The Chair and Vice Chair will be appointed through an open competitive public and transparent process. In the event of the Chair and/or Vice Chair being unable to fulfil these roles, chairing arrangements will be determined by the Committee itself at its next meeting.</i></b>
The members of the JAC will be remunerated and reimbursed for all expenses incurred in the fulfilment of their JAC duties, roles and responsibilities in accordance with the schedule of allowances and expenses agreed by the PCC and Chief Constable
The Committee will meet four times a year, nominally March, June, September and December, but with the flexibility to convene additional meetings if necessary. The calendar of meetings shall be agreed at the start of each year.
Attendance at the Committee, dependent upon the agenda, should include representatives of the Commissioner, the Chief Constable, internal audit and external audit.
The Committee will normally conduct its business in public, but may on occasion hold informal private sessions to deal with specific topics such as review of the draft statement of accounts prior to its publication. This will also be at the discretion of the Committee as advised by the Commissioner and Chief Constable on a risk basis taking into account operational sensitivity and public reassurance.

