

Joint Independent Audit Committee

of the

OPCVC and Durham Constabulary

Terms of Reference

Revised June 2019

Purpose and Authority

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, Crime and Victims' Crime Commissioner (PCVC), as those charged with governance for Durham Constabulary, 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 Crime and Victims' Commissioner (OPCVC) and Durham Constabulary.
2. The establishment of an audit committee is a key element of good governance, in the public and private sectors. 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, 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 PCVC and the Chair will provide a written report on behalf of the Committee, to both the CC and the PCVC, on the work of the Committee at least annually. Feedback will be provided to the Committee on any recommendations that they make.

Aims and Objectives

5. The primary aim of the Joint Independent Audit Committee is to support the achievement of the Police and Crime Plan by enhancing public trust and confidence in the governance of Durham Constabulary.
6. It also assists the PCVC in discharging statutory responsibilities in holding the Police Force to account.
7. Its key objectives are to:
 - 7.1. Help improve the **overall governance arrangements** across the OPCVC and Durham Constabulary according to good governance principles and, in particular, provide assurance to the PCVC and the CC on the effectiveness of the framework in place for ensuring compliance with statutory requirements
 - 7.2. Help improve the **adequacy and effectiveness of risk management** framework and internal control environment in place across the OPCVC and the Force by seeking reliable assurance from whoever is best placed to provide it and ensuring appropriate and timely action is taken to address any weaknesses identified.

7.3. Help improve the **financial integrity of financial planning and reporting, and the achievement of VfM**, in the OPCVC, the force and partner organisations.

Functions

8. The Committee intends to achieve its objectives in relation to corporate governance by:

- 8.1. Reviewing the Code of Corporate Governance for the PCVC and CC and recommending any amendments required to improve the effectiveness of governance arrangements in place.
- 8.2. Considering any proposed changes to key corporate governance arrangements prior to approval by the PCVC and CC e.g. financial procedure rules, contract procedure rules, codes of conduct etc.
- 8.3. Reviewing the complaints and whistleblowing policies and procedures in operation in both the OPCVC and the Force to ensure that they remain fit for purpose and seek assurance on their effectiveness.
- 8.4. Reviewing any issues referred to it by the statutory officers of the PCVC and CC and make recommendations as appropriate.
- 8.5. Reviewing and challenging the preparation of draft and final proposed Annual Governance Statements (AGS) and being satisfied that they are accurate and reliable before recommending their approval to the PCVC and CC and highlighting any significant issues arising.
- 8.6. Monitoring progress made by officers on the implementation of any agreed management action required to address any significant governance issues highlighted in the final (published) AGS.
- 8.7. Maintaining an understanding of the key priorities and objectives of the PCVC and CC as set out in the Police and Crime Plan, in order that they can effectively support the assurance framework.
- 8.8. Reviewing and challenging the governance arrangements in place in collaborative ventures between Durham Constabulary / the OPCVC and partners

9. The Committee intends to achieve its objectives in relation to risk management and internal control by :

- 9.1. Considering the annual audit assurance opinion of the Head of Internal Audit (HIA) on the whole of the control environment operating in the OPCVC and the Force as set out in the annual internal audit report and ensuring appropriate action is taken to address any areas of improvement.

- 9.2. Considering regular progress reports from the HIA on the delivery of agreed annual internal audit plans, the assurance provided from individual audit reviews and the progress made by managers in the implementation of any actions in response to internal audit findings.
- 9.3. Considering regular progress reports from the external auditor and monitoring the implementation of any actions required to address any risks and internal control weaknesses identified through external audit work.
- 9.4. Considering any significant risk and internal control implications in any work carried out by other providers of assurance e.g. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), Her Majesty's Revenues and Customs (HMRC), peer reviews, internal service reviews etc. as reported by officers and staff from within the Force as well as Internal and External Audit.
- 9.5. Reviewing the risk management policy and /or strategy of the OPCVC and the Force on a regular basis to ensure that an appropriate framework is in place for assessing and managing key risks in both bodies and recommending any amendments required.
- 9.6. Considering regular reports on the assessment and status of key strategic risks, financial and non-financial, to gain assurance that the risk management framework is effective in identifying and managing risks that may impact on the achievement of the Police and Crime Plan.
- 9.7. Seeking independent assurance on the effectiveness of the risk management framework from the work of internal audit.
- 9.8. Scrutinising performance by reviewing regular performance management reports to gain assurance that appropriate action is being taken by management to address the risks from significant variances in expected performance.
- 9.9. Seeking additional assurance on the management of specific risks from risk owners as and when considered necessary.
- 9.10. Approving the internal audit charter which details the terms of reference and audit strategy for the internal audit service.
- 9.11. Reviewing, challenging and approving the annual internal audit plan to gain assurance that the allocation of audit resources is risk based, audit resources are being used effectively and that sufficient work is planned to enable a reliable assurance opinion on the control environment to be provided.
- 9.12. Carrying out an annual review of the system of internal audit to gain assurance that its annual opinion on the control environment is reliable.
- 9.13. Reviewing and monitoring the Treasury Management arrangements in place in accordance with CIPFA's Code of Practice to gain assurance in this high risk area.

- 9.14. Regularly reviewing the counter fraud and corruption strategy, and any supporting policies, to ensure that it remains fit for purpose and to gain assurance that the risk of fraud and any potential cases disclosed are effectively managed.
- 9.15. Support the ethical framework providing independent assurance to the PCVC and Chief Constable that ethics and integrity are embedded within Durham Constabulary and the Office of the Police, Crime and Victims' Commissioner.

10. The Committee intend to achieve its objectives in relation to financial reporting and VFM by:

- 10.1. Maintaining an understanding of how the MTFP is prepared and the annual budget setting policy and procedure to gain assurance that assumptions made are reasonable and key financial risks have been identified and reported when budget proposals are recommended to the CC and the PCVC.
- 10.2. Scrutinising financial performance by reviewing half-yearly budget monitoring reports to gain assurance that appropriate action is being taken to address the risk of significant variances and that assumptions made when the budget was set are monitored effectively.
- 10.3. Considering and challenging the audit plan of the external auditor and the audit fee for the audit of the financial statements and any grant certification work.
- 10.4. Reviewing any changes to accounting policies which will impact on how financial statements are prepared and reported.
- 10.5. Reviewing the annual outturn of revenue and capital expenditure
- 10.6. Reviewing and providing challenge to draft financial statements of accounts (unaudited accounts) and make recommendations, or bring the attention of the PCVC or CC, any significant concerns or issues.
- 10.7. Reviewing and providing challenge to the proposed final accounts prior to their approval by the PCVC and the CC, ensuring that any issues arising from the process of drawing up, auditing and certifying the accounts are dealt with properly.
- 10.8. Considering the findings and overall intended opinion on the accounts and the VFM conclusion as set out in the audit completion report from the external auditor and ensure that actions required in response to any resultant control weaknesses are implemented by management on a timely basis.
- 10.9. Considering the Annual Audit Letter from the external auditor and making recommendations as appropriate to the PCVC and CC.
- 10.10. Regularly reviewing arrangements in place which demonstrate that VFM is achieved and /or identifies where potential improvements could be made.

Membership and Effectiveness

11. The Committee will be comprised of:
 - 11.1 Up to five members who are independent of the OPCVC, the Force and Police and Crime Panel (including the organisations which appoint to the Police and Crime Panel);
 - 11.2 Two elected members, one appointed by each of the top tier councils in the force area.
12. Appointments will be for a term of 4 years, with an option to extend – subject to good performance and attendance – for a further two terms.
13. The independent members will be appointed by an appointment panel comprising of at least the Chief Executive to the PCVC, the Chief Finance Officer to the PCVC, and the Chief Finance Officer to the Chief Constable. The Chair/Vice Chair will be an Independent Member appointed during the interview process following expressions of interest.
14. Any committee member missing more than 3 consecutive meetings, unless they have applied for and been granted dispensation, will automatically cease to be a member of the Audit Committee.
15. The Committee intends to be effective in fulfilling its role and achieving its objectives by:
 - 15.1 Maintaining a good understanding of how the OPCVC and the Force work
 - 15.2 Making its terms of reference publically available through the websites of both the PCVC and CC
 - 15.3 Holding as much of its committee business as possible in the public domain and having a clear policy on those items to be considered in public and those to be considered in private
 - 15.4 Meeting privately and separately with the External Auditor and Head of Internal Audit as considered necessary.
 - 15.5 Appointing a chair with strong leadership skills, relevant experience and knowledge
 - 15.6 Maintaining a membership that is unbiased, objective, independent of mind, knowledgeable and properly trained to challenge management and assurance providers as and when required.
 - 15.7 Maintaining a membership that is supportive of good governance principles and adheres to the highest standards of conduct and ethics
 - 15.8 Agreeing a definition of what is meant by assurance with the CC and PCVC and the priority areas on which assurance is required, but always reserving the right to seek assurance on any aspect of the Force's or OPCVC operations that it considers necessary to fulfil its terms of reference.
 - 15.9 Engaging with as wide a range of assurance providers as is possible and practical, including individual risk owners when necessary.

- 15.10. Carrying out an annual review of its own effectiveness to identify any areas of improvement.

Meetings

16. The Committee will meet at least four times a year.
17. To help maintain independence, the Head of Internal Audit, or a deputy, will attend every meeting.
18. The External Auditor has the right to attend any audit committee meeting
19. The SI51 and the Monitoring Officer are key corporate governance officers and they or their nominated deputies will attend every meeting to advise the Committee as necessary.
20. 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
21. Each report presented to Committee will identify the risks and implications in these terms of reference to clearly demonstrate how the Committee fulfils its role.
22. A standard item will be added to each committee agenda for the Committee to be given the opportunity to discuss any exceptional items in private at the end of the meeting with Internal/External Audit.

Programme of Work

23. An annual programme of work, cross reference to these terms of reference, will be agreed by the Committee showing expected documents and reports to be presented and any training requirements.

Performance and Review

24. The Committee will carry out an annual assessment, including a review of these terms of reference, to evaluate its own performance and determine any action required to improve its effectiveness. The outcomes will be reported to the PCVC and CC.