

# Terms of Reference of the Joint Audit Committee

This Terms of Reference sets out the Joint Audit Committee's position as an advisory committee to support the Police and Crime Commissioner (PCC) and Chief Constable (CC).

## **1. Statement of purpose**

- 1.1 The purpose of the Joint Audit Committee (the Committee, JAC) is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role is to ensure there is sufficient assurance over governance, risk and control, which gives greater confidence to the PCC and CC that those arrangements are effective.
- 1.2 JAC has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

## **2. Governance risk and control**

- 2.1.1 The Committee will:
  - 2.1.2 Review the PCC's and CC's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the Manual of Governance (which comprises the Code of Corporate Governance, Scheme of Consent, Financial Regulations, and Standing Orders for Contracts).
  - 2.1.3 Monitor the effective development and operation of risk management in the OPCC and force.
  - 2.1.4 Monitor progress in addressing risk-related issues reported to JAC (individual force operational risk are specifically excluded from the remit of JAC).
  - 2.1.5 Consider reports on the effectiveness of financial management arrangements, including with CIPFA's Financial Management Code.
  - 2.1.6 Consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  - 2.1.7 Review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
  - 2.1.8 Monitor the counter fraud strategy, actions and resources.
  - 2.1.9 Review the governance and assurance arrangements for significant partnerships or collaborations.
- 2.2 The PCC nominates JAC to be responsible for ensuring effective scrutiny of the Capital Strategy and Treasury Management Policy.

## **3. Financial and governance reporting**

### **3.1 Governance Reporting**

3.1.1 The Committee will:

3.1.1.1 Review the Annual Governance Statement prior to approval by the PCC and CC and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.

3.1.1.2 Consider whether the annual evaluation for the Annual Governance Statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

### **3.2 Financial Reporting**

3.2.1 The Committee will:

3.2.1.1 Monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

3.2.1.2 Review the annual statements of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the PCC and CC.

3.2.1.3 Consider the external auditor's reports to the PCC and CC on issues arising from the audit of the accounts.

### **3.3 Arrangements for audit and assurance**

3.3.1 The Committee will consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

## **4. External audit**

4.1 The Committee will:

4.1.1 Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by the Auditor General or Audit Wales.

4.1.2 Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

4.1.3 Consider specific reports as agreed with the external auditor.

4.1.4 Comment on the scope and depth of external audit work and ensure it gives value for money.

4.1.5 Advise on commissions of additional work from external audit.

4.1.6 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

4.1.7 Provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with JAC.

## **5. Internal audit**

5.1 The Committee will:

- 5.1.1 Review for approval the internal audit charter.
- 5.1.2 Review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 5.1.3 Review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance on those sources.
- 5.1.4 Consider significant interim changes to the risk-based internal audit plan and resource requirements.
- 5.1.5 Make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 5.1.6 Consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- 5.1.7 Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the quality assurance and improvement programme
  - reports on instances where the internal audit function does not conform to the PSIAS, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 5.1.8 Consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and the results of the quality assurance and improvement programme that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the joint framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the Committee in reviewing the Annual Governance Statement)
- 5.1.9 Consider the summaries of specific internal audit reports as requested.
- 5.1.10 Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force or where there are concerns about progress with the implementation of agreed actions.
- 5.1.11 Contribute to the quality assurance and improvement programme and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- 5.1.12 Consider a report on the effectiveness of internal audit to support the Annual Governance Statement as required by the Accounts and Audit Regulations (Wales) 2014.
- 5.1.13 Provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

## **6. Accountability arrangements**

6.1 The Committee will:

- 6.1.1 report to the PCC and chief constable on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management, and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 6.1.2 report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 6.1.3 publish an annual report on the work of the Committee including a conclusion on the compliance with the CIPFA position statement.

## **7. General**

- 7.1 The Committee will normally comprise five independent members, who are independent of both the OPCC and force. If it becomes apparent that the membership will fall below four members, recruitment will be undertaken to bring the membership up to five.
- 7.2 The quorum for the Committee will be at least 3 independent members.
- 7.3 The Committee will meet at least four times each year. Additional meetings may be arranged by exception to discuss matters of urgent concern.
- 7.4 The meetings will consist of an open session (which is held in public). If there are agenda items which cannot be discussed in an open session, a closed session will follow.
- 7.5 Training and other events take place on a periodic basis, which members are expected to attend.
- 7.6 Each member is invited to lead in an area where they have specialist knowledge, and may communicate with relevant staff and officers outside of formal meetings in order to inform the rest of the Committee and to provide assurance to the PCC and chief constable.