

Joint Audit Committee Operating Principles and Terms of Reference

1. Statement of Purpose

1.1 The purpose of the audit committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

2. Scope

2.2 The Joint Audit Committee provides comments, advice and assurance on matters relating to the internal control environment of the Force and the Office of the Police and Crime Commissioner (OPCC). It has oversight of general governance matters and will provide comments on any new or proposed policies and strategies or changes to existing relevant policies and strategies which in the opinion of the Chief Financial Officers are significant with regards to financial risk and probity.

2.3 If the Joint Audit Committee has concerns about a specific governance or audit matter it may request the relevant policy or strategy to be presented to the Committee in order that assurance may be obtained and constructive comment provided where appropriate.

2.4 The following do **NOT** fall within the scope of the Joint Audit Committee:

- Crime Statistic performance.
- Force operational risks.
- HMICFRS reports with an operational theme/basis
- The management of the internal audit function.
- Any reviews carried out by the Police and Crime Panel.

3. Eligibility to be a member of the Joint Audit Committee

3.1 Joint Audit Committee Members must be independent of both the Chief Constable (CC) and the Police and Crime Commissioner (PCC). Serving police officers, police staff or staff employed in the OPCC are not eligible for appointment. A person who has been so employed must have a minimum 1 year break before being appointed to serve on the Joint Audit Committee.

3.2 Political activity in itself is no bar to appointment. Candidates will be asked to declare any significant political activity (which includes holding office, public speaking, making a recordable donation or candidature for election) which they have undertaken in the last five years. This information will only be provided to the recruitment panel for those applicants selected for interview. Details of the successful candidates declared political activity will be published.

3.3 Before an appointment to the Joint Audit Committee is confirmed, candidates will need to be successfully vetted to non-police personnel level 2. (Candidates should note that all arrests, convictions and cautions must be declared on the vetting form whether or not they are “spent” under the terms of the Rehabilitation of Offenders Act).

3.4 A person who is an undischarged bankrupt is not eligible for appointment to the Joint Audit Committee.

3.5 A person who is on the Police and Crime Panel or is a councillor or an employee of a council which is represented on the Panel is not eligible for appointment to the Joint Audit Committee.

- 3.6 All appointees must sign a declaration that they agree to uphold the Committee on Standards in Public Life's Seven Principles of Public Life.
- 3.7 All appointees must agree to their name, photo and declarations of interests being made publicly available - including on the PCC and CC websites.
- 3.8 To assist with individual effectiveness, all appointees must agree to be the subject of an appraisal process with the Chair of the committee.

4. Person Specification

- 4.1 Role purpose: to provide independent assurance, advice and comment upon governance issues.
- 4.2 In order to fulfil its objectives the Joint Audit Committee should corporately possess:
- Financial awareness.
 - Awareness of current accounting issues.
 - Understanding of relevant statutory duties and legislative requirements.
 - Understanding of the principles of risk management.
 - Knowledge of modern principles relating to audit, scrutiny and assurance.
 - At least 1 person to have a professional qualification from one of the professional accounting bodies as directed in section 113 of the Local Government Finance Act 1988.
- 4.3 Individuals should have and be able to demonstrate:
- Integrity.
 - A balanced and proportionate approach in preparing & giving advice.
 - Independent thought.
 - A constructive but challenging approach.
 - Ability to be analytical.
 - Ability to scrutinise.
 - Self-confidence.
 - Respect for others.
- 4.4 Individuals should have or acquire as soon as possible after appointment:
- Understanding of the objectives and current significant issues for the police service at both a national and local level.
 - Understanding of the objectives, responsibilities and current significant issues for the OPCC.
 - Understanding of the Constabulary structure.
 - Understanding of the various inspection regimes which impact upon the work of the Police Service and the OPCC.

5. Appointment of Chair

- 5.1 The Chair will either be appointed from the current JAC membership or alternatively, a decision may be taken to undertake a specific recruitment process to fill this role.

6. Tenure

- 6.1 Save as expressly referenced in paragraph 6.2 and subject to paragraph 6.3, all members, including the Chair, shall hold office for a term of five (5) years and shall have a maximum tenure of not more than two consecutive terms.
- 6.2 Extending any member's term by one year only may also be agreed by exception. The decision must be discussed at a JAC meeting and subsequently ratified by the PCC and CC.
- 6.3 All members will be subject to an annual appraisal. Any re-appointment will be subject to satisfactory annual appraisals during their term of appointment. This will be evidenced by

an annual 1-2-1 with the Chair. The Chair will then recommend re-appointment or otherwise to the Chief Finance Officer (CFO(OPCC)), CFO(CC) and Assistant Chief Constable (ACC) Organisation. The Chair will be subject to an annual performance assessment with the CFO(OPCC)/CFO(CC)/ACC Organisation.

6.4 Any member missing more than 3 consecutive meetings will automatically cease to be a member of the Joint Audit Committee, except in extenuating circumstances.

7. Remuneration Rate (not including the Chair)

7.1 The remuneration will be paid at the fee rate set by the Home Office for Police Appeals Tribunal Members. The amounts (unchanged since April 2007) are:

- Full day i.e. sittings of more than 4 hours (excluding meal breaks) £211.50.
- Half day i.e. sittings of 4 hours or less (excluding meal breaks) £104.50.
- The half-day rate will be paid to members for preparation prior to a Joint Audit Committee meeting. This payment will also be made if a member is unable to attend a meeting but undertakes the preparation and provides comments to the Chair for discussion at the meeting.

Please note: Fees will be reviewed annually on publication of the Independent Remuneration Panel for Wales Annual Report.

8. Remuneration Rate (Chair)

8.1 The remuneration will be paid at the fee rate set out in the Independent Remuneration Panel for Wales Annual Report for 2022/23. The amounts are:

- Full day i.e. sittings of more than 4 hours (excluding meal breaks) £268.
- Half day i.e. sittings of 4 hours or less (excluding meal breaks) £134.
- The half-day rate of £134 will be paid to the Chair for preparation prior to a Joint Audit Committee meeting. This payment will also be made if the Chair is unable to attend a meeting but undertakes the preparation and provides comments for discussion at the meeting.

9. Reimbursement of Travel Costs

9.1 The most practical, economic and sustainable method of travel should be used. The OPCC will book public transport when requested to do so:

- Rail – the cost of standard class rail travel will be reimbursed at the amount paid, provided that evidence is available to show that this was the most economic option for the date and time of travel.
- Cars, vans and motorcycles – reimbursement will be at the relevant Her Majesty's Revenue and Customs approved rate (the current car mileage rate is 55p per mile up to 10,000 miles at the time of preparing this report).

10. Terms of Reference

Financial Management

- Review the annual statement 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 of the financial statements that need to be brought to the attention of the PCC and/or the CC.
- Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.
- Monitor the integrity of any published financial statements and any formal announcements relating to financial performance.
- Consider and comment upon any policy or strategy regarding reserves.
- Consider and comment upon the budget planning process.
- Consider and comment upon the Financial Strategy (Medium Term Financial Plan).

- Consider and comment upon any policy or strategy regarding loans, investments or borrowing.

Governance

- Review and recommend approval of the joint annual governance statement prior to final approval and consider whether it properly reflects the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
- Recommend approval of any Code of Corporate Governance for the Force or the OPCC.
- Consider the arrangements to secure Value for Money and review assurances and assessments on the effectiveness of these arrangements.
- Consider the board assurance framework and ensure that it adequately addresses the risks and priorities of the OPCC and Force.
- Consider assurances on whether arrangements are satisfactorily established and operate effectively for significant partnerships or collaborations.
- Consider and comment upon the information governance annual reports.
- Consider and comment upon any policy or strategy regarding asset management.
- Commission assurance work e.g. specialist advice or audit.
- Consider and comment upon any reports from external organisations that are considered to be of relevance by officers.
- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

Risk

- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC and the CC in addressing risk-related issues reported to them.
- To have an understanding of any ethical risks and any initiatives to improve ethical behaviour within the Force and OPCC.

Fraud

- Consider and comment upon anti-fraud and anti-corruption arrangements including “whistle blowing”.
- Consider and comment upon the business interests and gift & hospitality policies.
- Review the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community.
- Review the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile.
- Monitor the overall performance of the counter fraud function.
- Oversee any major areas of fraud identified and monitor actions to address control weaknesses.

Internal Audit

- Review the internal audit plan and any proposed revisions to the internal audit plan.
- Have oversight of the appointment approach and consider the adequacy of the performance of the internal audit service and its independence.
- Consider the head of internal audit’s annual report and opinion.
- Receive a regular summary of the progress of internal audit activity against the audit plan.
- Receive and review internal audit reports and monitor the progress of implementing any recommendations, providing challenge against completion times.
- Ensure that the performance of all internal audit providers complies with the Public Sector Internal Audit Standards. External PSIAS report to be provided at least once every 5 years, including its overall conclusion and any recommendations.
- Monitoring of the PSIAS improvement plan as a result of the external assessment.

External Audit

- Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance.
- Consider the level of fees charged.
- Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
- Consider specific reports as agreed with the external auditor.
- Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- Receive a regular summary of the progress of external audit activity and monitor the progress of implementing any recommendations, providing challenge against completion times.

Accountability Arrangements

- On a timely basis report to the PCC and the CC with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
- Provide an Annual Report to the PCC and the CC on its 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.
- Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the CC.
- Undertake an annual self-assessment process to ensure the JAC is carrying out its duties effectively and is receiving the support required.

- 11. Reporting Line:** The Joint Audit Committee will report directly to the PCC and the CC. Any concerns that needed to be raised by the external auditors would be done so via the Chair who would liaise with the Chief Finance Officer or the Monitoring Officer.
- 12. Links:** In the course of its work the Joint Audit Committee may forge links (direct or indirect) with the following and any other organisations deemed appropriate:
 - Chief Financial Officers of both the PCC and CC
 - Monitoring Officer
 - Head of Internal Audit
 - External Auditors
 - Her Majesty's Inspector of Constabulary and Fire & Rescue Services
 - The Police and Crime Panel
 - Regional Committees and Collaborations
 - Partnerships
- 13. Committee Composition:** 5 people, independent of the CC and the PCC.
- 14. Quorum:** 3
- 15. Election of Chair & Vice-Chair**
Chair and Vice-Chair to be confirmed annually at a meeting of the Joint Audit Committee. There is no limit on how long a member can serve as Chair or Vice Chair.
- 16. Number of meetings:** 5 formal committee meetings scheduled each year (additional formal meetings may be required).
- 17. Information publicly available:** the agenda, reports and minutes of formal meetings will be made available on the OPCC and Force websites.

18. Attendance at Audit Committee Meetings

The PCC and the CC should attend or be appropriately represented at formal meetings of the Joint Audit Committee.

Also in attendance

- Chief Executive
- CFO(OPCC)
- ACC Organisation
- CFO(CC)
- Chief Superintendent, Head of Continuous Improvement
- Internal Audit
- External Audit
- Other Officers of both the OPCC and Force, when required.