

OFFICE OF POLICE AND CRIME COMMISSIONER

OFFICE OF CHIEF CONSTABLE

TITLE: Manual of Corporate Governance Annual Review incorporating the Annual Review of the Joint Audit Committee Terms of Reference

DATE: 4th March 2019

TIMING: Annual

PURPOSE: For Consideration

1.	<u>RECOMMENDATION</u>
1.1	<p>That the Joint Audit Committee (JAC):</p> <ul style="list-style-type: none">• Considers and recommends approval of the proposed amendments to the Manual of Corporate Governance (MoCG) and provides any comments as appropriate (appendix 1);• Discuss and agree changes to the JAC Operating Principles and Terms of Reference (ToR) (appendix 2); and• Notes the work on-going to review the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition), and that an update will be brought to a future meeting.
2.	<u>INTRODUCTION & BACKGROUND</u>
2.1	<p>A review of the MoCG is undertaken on an annual basis by the joint Strategic Planning Group (SPG). Joint Legal Services and the Procurement department have also provided feedback on any changes to be made. These changes have been included for consideration by JAC members.</p>
3.	<u>ISSUES FOR CONSIDERATION</u>
3.1	<p>Amendments to Manual of Corporate Governance</p> <p>A number of changes have been identified as a result of the annual review process. A detailed list of these can be found at appendix 1</p>
3.2	<p>Annual Review of JAC Operating Principles and ToR</p> <p>This report also covers the requirement for the JAC to annually review their Operating Principles and ToR. Suggested amendments can be found at appendix 2.</p>
3.2.2	<p>Some of the key proposed changes include:</p> <ul style="list-style-type: none">• References to Value for Money (VfM) have been made to reflect the wording in the CIPFA guidance document for audit committees.• A new requirement for the JAC to have an understanding of the ethical risks faced by the force and also any initiatives to improve ethical behaviour, has been included. It is anticipated that an annual report will be provided to the JAC detailing this information. Consideration will

	also be given to providing members with the ethical dilemmas circulated to all managers in the force at their respective team meetings.
3.3	Due to the recent purchase of the updated CIPFA guidance for audit committees published in 2018 and subsequent review of the document, a number of areas have been highlighted for discussion which may have significant implications on the JAC ToR. Meetings have been scheduled between the relevant officers to discuss these changes further and the impact they would have on the JAC; a further report will be presented for discussion once complete.
4.	<u>NEXT STEPS</u>
4.1	If the JAC are satisfied with the suggested changes, a recommendation to approve the MoCG will be made to the PCC and Chief Constable at the Strategy and Performance Board (SPB) to be held on 6 th March 2019. Due to the proximity of the meetings only the proposed changes included at appendix 1 have been included in the SPB report. An oral update on any additional changes requested, or concerns raised by the JAC will be provided by officers at the SPB.
4.2	Once approval has been received from the PCC and Chief Constable, the amended MoCG will be published to the OPCCs website.
4.3	A copy of the updated MoCG will be circulated to members and appropriate senior officers.
5.	<u>FINANCIAL CONSIDERATIONS</u>
5.1	There are no financial considerations as a result of this report.
6.	<u>PERSONNEL CONSIDERATIONS</u>
6.1	There are no personnel considerations as a result of this report.
7.	<u>LEGAL IMPLICATIONS</u>
7.1	The Joint Legal Services department has been involved in the review of the MoCG, ensuring that any legal implications that have arisen have been resolved during the review process.
8.	<u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u>
8.1	This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group.
8.2	Consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998 in preparing this report.

9.	<u>RISK</u>
9.1	Any risks identified during the review of the MoCG will be negated with the approval of the amended document.
10.	<u>PUBLIC INTEREST</u>
10.1	This document can be made available to the public.
11.	<u>CONTACT OFFICER</u>
11.1	Joanne Regan, Head of Assurance and Compliance.
12.	<u>ANNEXES</u>
12.1	Appendix 1 – Details of proposed changes to the MoCG. Appendix 2 – Gwent JAC Operating Principles and Terms of Reference.

Appendix 1

Review of the Manual of Corporate Governance

Below are the key changes that are proposed in relation to the annual review of the MoCG:

Page Number	Proposed Change
34	Amend to reflect that the Assistant Chief Officer, Resources (ACOR), not the Assistant Chief Constable (ACC), is the lead responsible officer for information governance and holds the Senior Information Risk Owner role.
35	Remove 'Joint Strategic Planning Group' from the below sentence as the meeting does not consider major control weaknesses identified by internal audit. This is done primarily by JAC with the concerns highlighted at the Strategy and Performance Board (SPB).
38	Amended SPB Terms of Reference (ToR) to reflect that the Governance Officer now supports the meeting.
40	<p>Changes to the JAC ToR will be discussed at the meeting to be held on 4th March 2019. A verbal update will be provided to SPB on the agreed changes. Suggested amendments include inclusion of half day payment preparation time for each JAC meeting; amendment to the Value for Money responsibilities to reflect wording in the CIPFA Audit Committee's guidance document; inclusion of providing the JAC with an understanding of the ethical risks faced by the force and also initiatives to improve ethical behaviour; inclusion to support the review of compliance with the ToR which will be reported to the PCC and Chief Constable; clarification that the JAC also review any proposed changes to the internal audit plan; ensure that the same monitoring requirements are also placed on the internal auditors for the Shared Resource Service and inclusion of the Chief Superintendent, Head of Strategy, Performance and Change into the attendance list.</p> <p>Due to the recent purchase of the updated CIPFA Guidance for Audit Committees and subsequent review of the document, a number of areas have been highlighted for discussion which may significantly alter the JAC ToR. Meetings have been scheduled between the relevant officers to discuss these changes further and the impact this would have on the JAC before a further report is presented to them later in 2019 for discussion.</p>
43	Update SPG ToR to reflect changes in membership.

45	Update to OPCC Executive Board ToR to reflect change in OPCC post internal review. The amendments include an update to membership, ensuring that new and on-going areas of work undertaken by the OPCC are discussed and the national impacts of any new local and national issues are assessed. Monitoring of grant awards and budget allocation to the force have been removed as these tasks are undertaken at separate meetings. There has also been a change in name to the OPCC Management Board.
47	Amended Estates Strategy Board ToR to reflect that the PCC's Personal Assistant now supports the meeting.
48	Box Days. Under the Meeting agendas header, remove requirement for briefings to be presented to the OPCC five working days before the box day takes place. Briefings are provided as necessary to the OPCC. They are not allocated to a box day until all queries have been resolved. The box day will then take place when the PCC is available.
49	Update of Chief Officer Team Meeting ToR. Primary update is in relation to the reporting process diagram to reflect the new governance structure.
56	Amendment to reflect that any media enquiries in relation to the Police and Crime Panel are sent to the Lead Officer rather than the Press Office in Caerphilly County Borough Council. Removal of sentence stating that only the Chair of the Police and Crime Panel can make comment to the media on the Panel's behalf as this is a decision for the Panel to make.
128	Inclusion of the Chief Finance Officer in paragraph 63 (reference to level 3 threshold, extract below) and 64 (reference to level 4 threshold): For contracts falling within the Level 3 threshold, nothing in these Standing Orders shall require tenders or quotations to be invited if the Chief Constable, following consultation with and with the approval of the Chief Executive and/or Chief Finance Officer (the same applies where the contract expenditure is from the OPCC budget), is satisfied that:
145	Paragraph 4.3 'Exempt Matters' updated to reflect change from Government Protective Marking Scheme to Government Security Classifications.
152	Paragraphs 1.3 and 1.4 updated to reflect the Data Protection Act 2018 and the Data Protection (Charges and Information) Regulations 2018.
General	➤ The MoCG will be updated to reflect the 2016 Good Governance Framework (Delivering Good Governance in Local Government 2016 Edition, CIPFA Solace).

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| <ul style="list-style-type: none">➤ References to Data Protection Act 1998 have been amended to Data Protection Act 2018.➤ Job title of the Communications Manager for the OPCC has been amended to Head of Communications and Engagement.➤ Minor administrative tasks undertaken – spelling/grammar etc➤ Contents page - page numbers to be updated after amendments have been finalised. |
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Appendix 2

Review of JAC Operating Principles and ToR

Joint Audit Committee Operating Principles and Terms of Reference

1. Statement of Purpose

The purpose of the Joint Audit Committee is:

- to provide independent assurance to the Police and Crime Commissioner (PCC) and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment,
- independent scrutiny of Gwent Police (the force) and the Office of the Police and Crime Commissioner's (OPCC) financial performance,
- to oversee the financial reporting process adapted from CIPFA Audit Committees Practical Guidance for Local Authorities (p9).

2. Scope

The Joint Audit Committee provides comments, advice and assurance on matters relating to the internal control environment of the Force and the OPCC. It has oversight of general governance matters and will provide comments on any new or proposed PCC 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.

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.

The Joint Audit Committee has three approval powers:

- ***To recommend approval of the Annual Governance Statements for inclusion in the Statement of Accounts.***
- ***To recommend approval of any Code of Corporate Governance for the Force or the OPCC.***
- ***To approve (but not direct) the Internal Audit Strategy and Plan.***

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

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

3. Methods of Working

- Advises the Chief Constable and the PCC according to good governance principles.
- Ensures appropriate risk management arrangements.
- Provides robust and constructive challenge.

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

- Joint Audit Committee Members must be independent of both the Chief Constable and the 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.

- 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.
- Before an appointment to the 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).
- A person who is an undischarged bankrupt is not eligible for appointment to the Joint Audit Committee.
- 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.
- All appointees must sign a declaration that they agree to uphold the Committee on Standards in Public Life’s seven principles of Public Life.
- All appointees must agree to their name, photo and declarations of interests being made publically available - including on the PCC and CC websites.
- To assist with individual effectiveness, all appointees must agree to be the subject of an appraisal process with the chair of the committee.

5. Person Specification

Role purpose: to provide independent assurance, advice and comment upon governance issues.

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.

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.

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.

6. Tenure

- Tenure will terminate five years after appointment, but eligible members could apply for a further term. A member is only automatically re-appointed for a second term subject to satisfactory performance. This will be evidenced by an annual 1-2-1 with the Chair. The Chair will then recommend re-appointment or otherwise to the CFO/ACOR (which will be approved by the PCC/CC).
- The Chair will be subject to an annual performance assessment with the CFO/ACOR/PCC/CC.
- Any committee member missing more than 3 consecutive meetings will automatically cease to be a member of the Joint Audit Committee, except in extenuating circumstances.
- No individual will serve on the Joint Audit Committee for more than 10 years in total.

7. Remuneration Rate

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 ~~but including preparation~~) £211.50.
- Half day i.e. sittings of 4 hours or less (excluding meal breaks ~~but including preparation~~) £104.50.
- The half day rate will be paid to all 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.

8. Reimbursement of Travel Costs

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 motor cycles – reimbursement will be at the relevant Her Majesty's Revenue and Customs approved rate (the current car mileage rate is 45p per mile up to 10,000 miles at the time of preparing this report).

9. Terms of Reference

Financial Management

- Provide assurance regarding the Statements of Accounts and that the appropriate accounting policies have been applied.
- 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.
- Consider and comment upon any policy or strategy regarding asset management.
- Consider ~~and comment upon~~ the arrangements ~~to secure for delivery of~~ Value for Money and review assurances and assessments on the effectiveness of these arrangements.

Internal Control and Governance Environment

- ***Recommend Approval of the joint Annual Governance Statements for inclusion in the Statement of Accounts***
- ***Recommend Approval of any Code of Corporate Governance for the Force or the Office of the Police and Crime Commissioner.***
- Consider and comment upon any policy or strategy relating to sponsorship.
- Consider and comment upon anti-fraud and anti-corruption arrangements including “whistle blowing”.
- Consider and comment upon any policy or strategy regarding commissioning.
- Review the effectiveness of internal control systems and provide assurance regarding such systems.
- Commission assurance work e.g. specialist advice or audit.
- Consider and comment upon compliance with the statutory duties regarding the PCC.
- Review compliance with policies relating to declarations of interest, gifts and hospitality.
- To have an understanding of any ethical risks and any initiatives to improve ethical behaviour within the force and OPCC.
- Completion of an Annual Report, to sit in conjunction with the PCC’s and Chief Constable’s Annual Governance Statement, on the performance of the JAC.
- Review performance with the Terms of Reference annually
- Undertake an annual self-assessment process to ensure the JAC is carrying out its duties effectively and is receiving the support required.
- Consider and comment upon any reports from external organisations that are considered to be of relevance by officers.

Corporate Risk Management

- Consider and comment upon the strategic risk processes for the PCC and Chief Constable.
- Consider and comment upon the corporate risk processes for the PCC and Chief Constable
- Consider and comment upon the PCC and Chief Constable risk registers and consider other current or potential risk not reflected therein.

Internal Audit

- ***Approve (but not direct) the Internal Audit ~~Strategy and Plan.~~***
- Review any proposed changes to the Internal Audit Plan.
- Review the effectiveness (including resourcing) of internal audit.
- Receive and review internal audit reports and monitor progress of implementing recommendations.
- Consider and comment upon the annual report from internal audit.
- Involvement with the recruitment or termination of employment of internal audit.

- Consider and comment upon any proposals affecting the provision of the internal audit service.
- Ensure that the performance of internal audit complies with the Public Sector Internal Audit Standards.
- Audits relating to Information Technology are undertaken by Torfaen County Borough Council, on behalf of all Shared Resource Service Partners. Therefore, they will be dealt with separately to all other internal audits which are conducted by the contracted supplier. The same monitoring requirements will apply to TCBC as specified above for the contracted supplier.

External Audit

- Receive and review reports from the external auditors including the annual audit report, audit opinion etc.
- ~~Receive and review external audit reports and m~~Monitor progress on ~~f~~ implementing any recommendations identified.
- Review the effectiveness of external audit.
- Consider and comment upon any proposals affecting the provision of the external audit service.
- 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.

10. Reporting Line: The Joint Audit Committee will report directly to the PCC and the Chief Constable. Any concerns that needed to be raised by the external auditors would be done so via the Chair of the Committee who would liaise with the Chief Finance Officer or the Monitoring Officer.

11. Links: In the course of its work the Committee may forge links (direct or indirect) with the following and any other organisations deemed appropriate:

- Chief Financial Officers of both the PCC and Chief Constable.
- Monitoring Officer.
- Head of Internal Audit.
- External Auditors.
- Her Majesty's Inspector of Constabulary.
- The Police and Crime Panel.
- Regional Committees and Collaborations.
- Partnerships.

12. Committee Composition: 5 people, independent of the Chief Constable and the PCC.

13. Quorum: 3

14. Election of Chair & Vice-Chair

- Chair and Vice-Chair to be elected annually by the committee.
- Chair may be re-elected but to serve no more than 3 consecutive years as Chair.

In exceptional circumstances, members will be allowed to re-elect the same individual to the Chair for one further year.

15. Number of meetings: 5 formal committee meetings scheduled each year (additional formal meetings may be required).

16. Information publicly available: the agenda, reports and minutes of formal meetings will be made available on the OPCC and Gwent Police websites.

17. Attendance at Audit Committee Meetings

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

Also in attendance

- Chief Executive, OPCC
- Chief Finance Officer, OPCC
- Chief Finance Officer, OCC
- Chief Superintendent, Head of Strategy, Performance and Change
- Head of Assurance and Compliance, OPCC
- Internal Audit
- External Audit
- Other Officers of both the OPCC and Force, when required.