

Approved By: Charles Garbett A/Chief Executive	Classification of Paper: Not protectively Marked
Report to PCC	Report reference number PCC/0037/13
Date of Report 6 th August 2013	Area of County/Stakeholders affected Independent Audit Committee
Title of report: Audit Committee Provisions and Terms of reference	
<hr/> Report by Jerry Drewett, Operating Manager	
<hr/> Enquiries to Jerry Drewett, Operating Manager	

1. Purpose of report

- 1.1. To agree the general provisions and Terms of Reference (ToR) for the Independent Audit Committee, hereafter referred to as 'the Committee'.

2. Recommendations

- 2.1. Agree the provisions and ToR for the Committee to enable them to carry out their work under the amended Article 15 of the Police and Crime Commissioner (PCC) Constitution.

3. Benefits of Proposal

- 3.1. The Committee will work within a new authorised governance framework that contains revised functions, powers and limitations, which are more relevant and meet the needs of the PCC, Essex Police and the Committee.

4. Background and proposal

- 4.1. On 22nd November 2012 PCCs replaced Police Authorities across England and Wales.
- 4.2. On the 26th November 2012, the PCC for Essex agreed a constitution and governance framework under which the office of the PCC could operate. Contained within the agreed constitution was Article 15, which provided the general provisions and ToR for the Independent Audit Committee.
- 4.3. When the governance documents were initially agreed, the PCC stipulated that they were to be reviewed and that process is being undertaken.
- 4.4. However, the Committee has met on a number of occasions and it has become apparent, after consultation with the members and review of the ToR, that a number of amendments were required.
- 4.5. It was considered that these amendments could wait until the review of the whole of the governance documents had been completed. However, as the Committee is meeting regularly and is preparing a programme of work, there is a necessity for the changes to be agreed now.
- 4.6. The delay could have implications on the Committee and prevent it meeting and conducting its work.
- 4.7. The main changes are:
 - The committee's performance will be reviewed annually
 - Quorum reduced to two
 - Meetings private with minutes published
 - Review to Terms of reference
- 4.8. The updated Article is as follows:

Article 15 - Independent Audit Committee

15.1 General Provisions

- (1) The PCC and the Chief Constable, in accordance with The Financial Management Code of Practice (Schedule 4) have established a combined independent Audit Committee.
- (2) The combined Audit Committee will consider the internal and external audit reports of both the PCC and the Chief Constable.
- (3) The role of the Audit Committee is to advise the PCC and the Chief Constable according to good governance principles and to adopt appropriate risk management arrangements in accordance with proper practices.

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- (4) In setting up the Audit Committee, the PCC and the Chief Constable have had regard to the CIPFA Guidance on Audit Committees [Audit Committees: Practical Guidance for Local Authorities, CIPFA, 2005].
- (5) The terms of reference of the Audit Committee along with the committee's overall performance will be reviewed on an annual basis
- (6) The PCC and the Chief Constable will be represented at meetings of the Audit Committee.

15.2 Membership

The Audit Committee will comprise three members appointed jointly by the PCC and the Chief Constable but who are independent of the PCC and the Chief Constable

15.3 Quorum

To be quorate the Committee requires two Committee members to be present.

15.4 Terms of Reference:

Audit Activity

- (a) Advising the PCC and Chief Constable on the appropriate arrangements for internal audit and approving the Internal Audit Strategy
- (b) Approving (but not directing) the internal audit annual programme
- (c) Overseeing and giving assurance to the PCC and Chief Constable on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk
- (d) Considering the Head of Internal Audit's Annual Report and annual opinion on the internal control environment for the PCC and Force; ensuring appropriate action is taken to address any areas for improvement
- (e) Reviewing and monitoring the effectiveness of policies on fraud, irregularity and corruption
- (f) To consider reports dealing with the management and performance of the provider of internal audit services
- (g) To consider as appropriate the OPCC and force strategic risk registers
- (h) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance

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- (i) To consider specific reports as agreed with the external auditor
- (j) To comment on the scope and depth of external audit work and to ensure it gives value for money
- (k) To commission work from internal and external audit

Regulatory Framework

- (l) To maintain an overview of the constitution in respect of contract procedures rules, financial regulations and codes of conduct and behaviour
- (m) To review any issue referred to it by the PCC or Chief Constable
- (n) To comment on the effective development and operation of risk management and corporate governance exercised by the PCC and Chief Constable
- (o) To comment on the production of the PCC Annual Governance Statement and to recommend its adoption
- (p) To have regard to PCC and Essex Police policies on "Raising Concerns at Work" and the anti-fraud and corruption strategy and the PCC's complaints process
- (q) To have regard to the PCC's and Chief Constable's arrangements for corporate governance and make recommendations to ensure compliance with best practice

Accounts

- (r) To review the draft annual statement of accounts including the annual governance statement
- (s) To consider the external auditor's report on issues arising from the audit of accounts

15.5 Meetings

The Audit Committee shall meet a minimum of four times per year and its meetings shall be held in private with minutes being published within three weeks of the meeting.

5. Police and Crime Plan

5.1. None

6. Police Operational Implications

[NOT PROTECTIVELY MARKED]

6.1. None

7. Financial Implications

7.1. None

8. Legal Implications

8.1. Agreement of these changes will mean that Article 15 of the PCC Constitution will be amended and the Committee will be enabled to operate under the changes included in this document.

8.2. Should further changes be made during the review of the constitution and associated governance documents, then once agreed, they will supersede this decision.

9. Staffing and other resource implications

9.1. None

10. Equality and Diversity implications

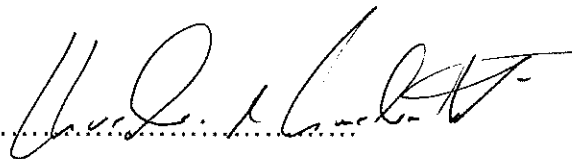
10.1. There are no equality and diversity impact implications and no Equality Impact Assessment has been carried out

11. Background papers

11.1. Current PCC Constitution

Report Approval

The report will be signed off by the Chief Executive and CFO and the PCC Solicitor where legal implications arise.

Chief Executive/M.O 

Chief Financial Officer

PCC Legal Advisor (As necessary)

Decision

I agree the recommendations to this report

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PCC/Deputy ~~PCC~~

I do not agree the recommendations to this report because

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PCC/Deputy PCC

Publication

Reasons for non-publication (*state 'None' if applicable*)

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Signed/Print name

Report for publication

YES

NO

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.