



INDEPENDENT AUDIT COMMITTEE

TERMS OF REFERENCE

Statement of Purpose

The Independent Audit Committee is a key component of the corporate governance for Devon & Cornwall Constabulary, the Police and Crime Commissioner for Devon and Cornwall and for Dorset Police and the Police and Crime Commissioner for Dorset.

The purpose of the Independent Audit Committee is to provide independent advice, assurance and recommendations to the Chief Constables and Police and Crime Commissioners of Devon & Cornwall and Dorset respectively on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end, the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of all governance, risk management and control frameworks, its financial reporting and annual governance processes, and internal and external audit.

In doing so the Committee should give such advice and make recommendations on improvements as it considers appropriate, and to request any report, policy or other document it requires in order to provide the assurance it looks for.

The Chartered Institute of Public Finance and Accountancy, CIPFA, notes the importance of the capacity of the Committee 'to promote good governance, make things better and not only review what happened in the past'¹.

The Committee will review its own effectiveness and provide an annual report to the Chief Constables and Police and Crime Commissioners.

These terms of reference summarise the core functions of the Committee in relation to the offices of the Police and Crime Commissioner and the Chief Constable.

Governance Risk and Control

1. To review the Annual Governance Statements (AGS) prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions for improvement. This will include considering:
 - *AGS Content*
 - *AGS Timetable (annually)*
 - *AGS (annually)*
 - *Assurance Map (annually)*

¹ CIPFA Audit Committees, *Practical Guidance for Local Authorities and Police*, 2018 edition

2. To consider the arrangements to secure value for money and their effectiveness. This will include considering:
 - *Budget planning process (annually)*
 - *Medium Term Financial Plan (annually)*
 - *Financial Regulations (every 2 years or after the Police and Crime Commissioner is appointed)*
 - *Standing Orders on Contracts (every 2 years or after the Police and Crime Commissioner is appointed)*
 - *The policy and strategy for sponsorship (every 2 years)*
 - *The policy and strategy for reserves (annually)*
 - *Procurement policy (annually)*
 - *HMIC Value for Money reports (annually)*
 - *VFM comparisons with other forces (annually)*
3. To monitor the effectiveness of risk management arrangements. This will include considering:
 - *Risk management framework including policy and procedures (annually)*
 - *Oversight of strategic risks (quarterly)*
 - *Receiving assurance statements on risk mitigation activity (quarterly)*
 - *Observing at the primary risk board by a Committee representative(s) insurance programme, insurance broker appointments, insurance renewal process and arrangements for risk financing (annually)*
 - *Consider the annual summary of the number of liability claims against the forces (annually)*
4. Consider the wider governance and assurance framework and consider reports on its effectiveness. This will include reviewing the:
 - *Summary of the Code of Governance (every 2 years)*
 - *Statement of Corporate Governance (every 2 years)*
 - *Scheme of Governance (every 2 years)*
 - *Financial Regulations (annually)*
 - *Board and meeting structure (annually)*
5. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- *Summary of the Code of Governance (after Police and Crime Commissioner appointment)*
 - *Statement of Corporate Governance (after Police and Crime Commissioner appointment)*
 - *Scheme of Governance (after Police and Crime Commissioner appointment)*
 - *Financial Regulations (after Police and Crime Commissioner appointment)*
 - *Board and Meeting structure (annually)*
6. Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy.
- *Reviewing the counter-fraud and corruption strategy (every 2 years)*
 - *Reviewing the counter-fraud and corruption policy (every 2 years)*
 - *Reviewing the 'whistleblowing' policy (every 2 years)*
 - *Reviewing the gifts and hospitality policy and declarations (D&C only)*
 - *Reviewing the fraud and corruption assessment (annually)*
7. Review the governance and assurance arrangements for significant partnerships or collaborations. This will include considering:
- *Relevant governing documents for those partnerships or collaborations (at inception, or after any change)*
8. Consider such other reports as may be relevant to governance, risk and control, as necessary. For example, non-operational HMICFRS reports or matters raised by the Chief Financial Officers, Treasurers or monitoring officers.

Internal Audit

9. Annually review the Internal Audit Charter and resources, by considering:
- *Internal Audit Charter (annually)*
10. Review the Internal Audit Plan and subsequent amendments to the plan by:
- *Considering the Annual Audit Plan (annually)*
 - *Receiving quarterly updates of progress against the plan (quarterly)*

11. Consider the adequacy of the performance of the internal audit service and its independence, and report on the effectiveness of the internal audit function.

- *Committee's annual report to Chief Constables and Police and Crime Commissioners*

12. Consider the annual report and opinion from internal audit, a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.

- *Annual report and opinion (annual)*

13. To consider internal audit reports, recommendations and progress against those recommendations. This will include reviewing:

- *Full audit reports where partial or no assurance given (quarterly)*
- *Summary reports and with actions (quarterly)*
- *High ranked audit recommendations that have not been completed in agreed timescales (quarterly)*

14. To consider the head of internal audit's annual statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Audit Note (LGAN) 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. This will include reviewing:

- *Annual Audit Statement*

15. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To make recommendations or safeguards to limit such impairments and periodically review their operation.

External Audit

16. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review any issues raised by either Public Sector Audit Appointments Limited (PSAA) or the auditor panel as appropriate.

17. Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money. This will include reviewing:

- *Quarterly progress reports (quarterly)*
- *Reviewing the plan of work (annually)*

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

- *Considering the annual management letter (annually)*
- *Report to those charged with governance (annually)*

19. Consider specific reports as agreed with external audit.

- *Receipt of reports and updates by external audit (quarterly)*

20. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies.

- *Committee to comment in its annual report.*

Financial reporting

21. 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 of the financial statements that need to be brought to the attention of the relevant Chief Constable or Police and Crime Commissioner. This will include reviewing the:

- *Annual Statements of Accounts (annually)*
- *Review of relevant accounting policies (annually)*
- *Treasury management strategy (annually)*

22. Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

Accountability arrangements

The Committee will:

- Report to the Police and Crime Commissioners and Chief Constables on a timely basis, with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management after each meeting of the committee.
- Review its performance against its terms of reference annually and report the results of this review to the Police and Crime Commissioners and Chief Constables.

- Produce an annual report to the Police and Crime Commissioners and Chief Constables.
- The list of documents to provide assurance is not exhaustive and additional assurance can be requested or provided as appropriate.
- The terms of reference will be subject to annual review by the Head of Audit, Insurance and Strategic Risk Management in conjunction with the Chair of the Committee.

Operating Principles

These are set out separately in the Committee's Operating Principles document.

Date of Review

These terms of reference will be reviewed in October 2020.