

To: Joint Audit Committee
Date: 29th July 2020
By: Kelvin Menon
Title: Joint Audit Committee Terms of Reference Review

Purpose of Report

To review and update the JAC Terms of Reference to bring them in to line with CIPFA best practice and Sussex OPCC

Recommendation(s) -

The Committee is asked to:

- 1. Review and Comment on the proposed changes;**
 - 2. Adopt the revised terms of reference;**
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Summary

The JAC is required to review its Terms of Reference (TOR) on an annual basis to ensure that it remains fit for purpose. A review has been undertaken that updates the Terms of Reference to not only bring them in to line with CIPFA best practice but also to ensure that they are aligned with Sussex JAC TOR whilst still ensuring that the unique Surrey elements have been retained.

The new TOR sets out more clearly and in great detail the remit of the Committee which should assist it in scrutiny role.

Risk

If the TOR is not updated then it can become out of date and therefore not reflect best practice

Background papers - None

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Background to the paper

1. A review was recently undertaken by Miranda Kadwell at the Force to compare the current Surrey JAC TOR with those of the Sussex OPCC and the latest CIPFA model. This review had two stages. The first stage involved taking the 2017 JAC TOR and comparing it with the latest CIPFA guidance on a line by line basis to highlight any omissions and changes. The second stage involved comparing the CIPFA requirements with the wording used in Sussex to see whether that could be used to bring an alignment between the two JAC TORs. Where there was a particular individual TOR unique to Surrey which did not appear in the CIPFA model or Sussex this was retained.
2. Given that so many of the support services for Surrey and Sussex are now provided jointly it makes sense to have the JAC TORS closely aligned so as minimise differences in reporting. This should lead to greater efficiency for the Force.
3. The proposed 2020 TOR are attached as Appendix 1. For ease the revised version is colour coded as follows:
 - Blue font – directly aligns to CIPFA wording
 - Black font – Surrey and Sussex adapted wording
 - Purple font – Surrey specific differences
4. The original 2017 TOR are attached as Appendix 2

Appendix 1

**INDEPENDENT JOINT EXTERNAL AUDIT COMMITTEE OF THE SURREY
POLICE AND CRIME COMMISSIONER AND THE CHIEF CONSTABLE****REVISED TERMS OF REFERENCE JULY 2020****Statement of Purpose:**

The Surrey Police and Crime Commissioner (PCC) and the Chief Constable of Surrey (CC) have established a Joint Audit Committee (JAC), which is a key component of the corporate governance arrangements for both corporations sole.

The JAC provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

This supports the PCC and CC and other statutory officers in ensuring that effective governance is in place and is achieved by reviewing the comprehensiveness of assurances in meeting Statutory Officers' needs and reviewing their reliability and integrity.

The purpose of the JAC is to provide independent advice and recommendation to the PCC and CC on the adequacy of the governance and risk management frameworks, the internal audit control environment, and financial reporting, thereby helping to ensure efficient, effective and adequate assurance arrangements are in place. To this end the JAC is enabled and required to have oversight of, and to provide independent review of the effectiveness of governance assurance arrangements in place for:

- the risk management framework
- the internal control environment
- financial reporting
- annual governance processes
- internal audit and external audit

Governance, risk and Control

The JAC will provide advice and recommendations to the PCC or CC in relation to the following areas:

1. Consider and comment on the adequacy of the Scheme of Corporate Governance, comprising the Framework for Decision Making and Accountability, the Scheme of Consent, Financial Regulations and Contract Standing Orders and review and comment on the desirability of any proposed changes.
2. Review the corporate governance arrangements against the good governance framework, including the ethical framework, codes of

governance and policies on fraud, irregularity and corruption, including whistle blowing.

3. Review the Annual Governance Statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any areas for improvement where management may wish to take action.
4. Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
5. Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC/CC in addressing risk-related issues reported to them.
6. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
7. Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources.
8. Review the governance and assurance arrangements for significant partnerships or collaborations.
9. Consider the adequacy and effectiveness of the policies and procedures governing declarations of interest and receipt of gifts and hospitality within the Office of the PCC and the force.
10. Consider and comment on the adequacy and effectiveness of the PCC and CC policies on health & safety and equality & diversity arrangements.
11. To review any issue referred to the Committee by the statutory officers of the PCC or CC and make recommendations as appropriate.

Financial Reporting

The JAC will provide advice and recommendations to the PCC or CC in relation to the following areas:

12. Review the annual statements of accounts and recommend for approval to the PCC and CC. Consider whether appropriate accounting policies have been followed and consider 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 CC.

13. Ensure that an effective system of scrutiny is in place in respect of Treasury Management, strategy, policies and practices.
14. Consider the adequacy and effectiveness of the arrangements for bad debt write-offs outlined in the Financial Regulations and commenting on bad debt write-offs approved under those arrangements.
15. Consider and comment on the appropriateness of contract waivers issued under the procedure outlined in Contract Standing Orders.
16. Review the PCC and CC arrangements for the making of grants to third party organisations.
17. Consider and comment upon any policy or strategy relating to sponsorship.

Internal Audit

The JAC will provide advice and recommendations to the PCC or CC in relation to the following areas:

18. Annually review the Internal Audit Charter and resources.
19. Review the internal audit plan and any proposed revisions. Monitor performance, with particular reference to the adequacy of cover, quality and timeliness of audits and to consider reports dealing with the management and performance of the providers of Internal Audit services.
20. Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
21. Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan. Consider the level of assurance that can give over corporate governance arrangements and that appropriate action is being taken where necessary to address areas of weakness.
22. Consider the head of internal audit's statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
23. Consider summaries of internal audit reports and such detailed reports as the JAC may request from the PCC and/or CC, including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.
24. 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 on safeguards to limit such impairments and periodically review their operation.

25. Commission additional work from internal audit subject to prior agreement with the CFO's for any costs associated with such work to ensure that it gives value for money.

External Audit

The JAC will provide advice and recommendations to the PCC or CC in relation to the following areas:

26. 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 PSAA.
27. Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
28. Consider the reports of the External Auditors and other inspection agencies (e.g. HMICFRS) and ensure that appropriate action is being taken where necessary to address identified areas of weakness.
29. Consider reports from External Auditors on the annual financial accounts and statements, including detailed consideration of the Annual Management Letter and the report to those charged with governance. Ensuring appropriate steps are being taken to address all issues of concern highlighted by the External Auditors.
30. Review and comment on the annual Letters of Representation provided by the PCC and the CC to the External Auditors.
31. Commission additional work from external audit subject to prior agreement with the CFOs for any costs associated with such work to ensure that it gives value for money.

General

32. 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.
33. The Committee is not responsible for the governance or oversight of change projects, which is the role of programme and project governance. The JAC's involvement is purely from a risk/control/assurance perspective.
34. Review JAC performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the chief constable.

35. There must be a quorum of three Members for the Committee meetings to take place.
36. These Terms of Reference will be reviewed on an annual basis.

Appendix 2

**OFFICE OF THE SURREY POLICE & CRIME COMMISSIONER & SURREY
POLICE FORCE INDEPENDENT AUDIT COMMITTEE
ORIGINAL TERMS OF REFERENCE MARCH 2017****Statement of Purpose:**

To provide independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the organisation's financial and non-financial performance to the extent that it affects exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Governance, Risk and Control

1. To support the Police & Crime Commissioner (PCC), Chief Constable (CC) and the other statutory officers in ensuring that effective governance is in place for both the Office of the Police & Crime Commissioner and the Chief Constable (separate corporation soles) as well as for the consolidation of "Surrey Police" as a whole.
2. To review any issue referred to the Committee by the statutory officers of the PCC or CC and make recommendations as appropriate.
3. To consider and comment on the adequacy of the Scheme of Corporate Governance, comprising the Framework for Decision Making and Accountability, the Scheme of Consent, Financial Regulations and Contract Standing Orders and review and comment on the desirability of any proposed changes.
4. To review and recommend approval of the PCC and CC's Annual Governance Statements.
5. To consider and comment on the effectiveness of the PCC and CC's risk management arrangements, including the control environment and associated anti-fraud and anti-corruption arrangements.
6. To review on a quarterly basis the Risk Registers and Assurance Frameworks for both the PCC and CC and provide assurance that the risk management arrangements that are in place are adequate to effectively manage organisational risk.
7. To review and monitor the effectiveness of the PCC and CC's policies on fraud, irregularity and corruption, including whistle blowing.
8. To review and monitor the effectiveness of the PCC and CC's policies on Health and Safety.

9. To review compliance within the Surrey Police Force and Office of the Surrey Police & Crime Commissioner, with the policies and procedures governing declarations of interest and the receipt of gifts and hospitality.
10. To support the implementation and operation of appropriate Equality Schemes and Human Rights Policies by the PCC and CC.

Financial Reporting

11. To review and recommend for approval to the PCC and CC their respective annual financial accounts and statements.
12. To ensure that an effective system of scrutiny is in place in respect of Treasury Management, strategy, policies and practices
13. To consider and comment on bad debt write-offs approved under the arrangements outlined in the Financial Regulations.
14. To consider and comment on the appropriateness of contract waivers issued under the procedure outlined in Contract Standing Orders.
15. To review the PCC and CC's arrangements for the making of grants to third party organisations.
16. To consider and comment upon any policy or strategy relating to sponsorship.

Internal and External Audit

17. To approve the internal audit plan and monitor performance, with particular reference to the adequacy of cover and quality of audits.
18. To consider reports from the Internal Auditors and seek assurance that appropriate action is being taken where necessary to address identified areas of weakness and in particular the Head of Internal Audit's annual report and opinion and the level of assurance that it gives over corporate governance arrangements as a whole.
19. Review the performance and effectiveness of the internal audit function.
20. To consider and comment on the arrangements for providing an Internal Audit Service at the end of each contract period with the appointed Internal Auditors.
21. To consider the reports of the External Auditors and other inspection agencies and ensure that the appropriate action is being taken where necessary to address identified areas of weakness.

22. To consider and comment on all fee proposals put forward by the External Auditors.
23. To consider the reports of the External Auditors on the respective annual financial accounts and statements, including detailed consideration of the annual Management Letter to ensure all appropriate steps are being taken to address all issues of concern highlighted by the External Auditors.
24. Where needed, directly commission assurance work (e.g. specialist advice or audit).

General

25. To annually review the effectiveness of the Audit Committee.
26. There must be a quorum of three Members for the Committee meetings to take place.
27. These Terms of Reference will be reviewed on an annual basis.

March 2017