

DERBYSHIRE CONSTABULARY

POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE



TERMS OF REFERENCE FOR JOINT AUDIT, RISK & ASSURANCE COMMITTEE

1. INTRODUCTION

- 1.1 In line with the principles of good governance as laid down by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Financial Management Code of Practice for the Police Service of England and Wales, this independent Joint Audit, Risk & Assurance Committee (JARAC) has been established, covering the separate roles and offices of both the Police & Crime Commissioner (PCC) and the Chief Constable.
- 1.2 The Office of PCC and Chief Constable are intrinsically linked by the priorities of the Police and Crime Plan and therefore it is in the best interests of the public, value for money and probity that a Joint Audit, Risk and Assurance Committee (JARAC) is established.
- 1.3 To give the Police and Crime Commissioner and the Chief Constable the opportunity to be involved in the recruitment of a permanent Committee, an interim committee will be in place for the period 22 November 2012 to 31 March 2013.
- 1.4 These Terms of Reference (TOR) cover both an interim and a long term solution. Where the interim arrangements differ, this is shown accordingly by reference to the (Interim) JARAC.
- 1.5 The purpose of the JARAC is to provide independent assurance of the adequacy the following:
 - The risk management and the internal control framework operated by the PCC and the Chief Constable.
 - The effectiveness of their respective governance arrangements including providing for value for money services.
 - Appointment, support and keep under review the work of internal and external auditors as they provide assurance on risk management, internal controls and the annual accounts through their work.
 - The financial reporting process.
- 1.6 The JARAC is a non-executive Committee and has no executive powers, other than those specifically detailed in these Terms of Reference.
- 1.7 The JARAC will establish effective communication with the PCC and Chief Constable, their nominated representatives, their respective Chief Finance Officers, Head of Internal Audit, the External Auditor and other relevant stakeholders, including the Police and Crime Panel, for the purpose of fulfilling these terms of reference. A working protocol will be established to ensure that this is achieved by all parties.

2. MEMBERSHIP

- 2.1 The JARAC will have a Chair, a deputy chair and three other members, all of whom must be independent of the PCC, the Chief Constable and the Police and Crime Panel.
- 2.2 Members of the Interim JARAC shall be recruited from volunteers drawn from the members of the Derbyshire Police Authority. The Interim JARAC will consist of four members who will appoint a Chair at the meeting in March 2013. The Chair will hold the casting vote.
- 2.3 Members of the JARAC shall be recruited by the JARAC Chair on application and through open competition, in conjunction with the Police and Crime Commissioner and Chief Constable or their representatives. They shall be recruited to ensure that the JARAC has all the necessary skills and experience to fulfil its terms of reference, in accordance with the job description for JARAC members. To ensure the independence of the JARAC, members shall not be:
- A standing or ex-PCC or Chief Constable.
 - A member or ex-member of a Police and Crime Panel.
 - Serving police officers or any person who has served as a police officer within the last 5 years.
 - Currently serving officers of councils within the force area.
 - Have no direct or indirect fiduciary relationship with the Constabulary i.e. a member of any partnership body.
- 2.4 The Chair of the JARAC will be jointly recruited by the PCC and the Chief Constable and will serve for one term in this role as Chair.
- 2.5 All JARAC Members will serve for a maximum of 2 terms, each term being a maximum of 5 years. To ensure continuity, where possible, members shall be rotated on and off the JARAC in turn rather than as a group, therefore the term of membership for the JARAC will be determined on recruitment of the member.
- 2.6 The deputy Chair is selected by a vote by members of the JARAC. The deputy will serve for one term only in this role. The deputy Chair will act as Chair at meetings in the absence of the Chair. If the Chair can no longer continue in this role, the deputy Chair will act as the Chair until the formal appointment of a new Chair. The deputy Chair will not automatically become the new Chair, although may apply for the post of Chair as part of the recruitment and replacement process run by the PCC and Chief Constable.
- 2.7 All members of the JARAC will be subject to an independent annual appraisal, the outcomes will inform the member development programme. See paragraph 9.4 of these terms of reference.

- 2.8 On joining the JARAC, each member must attend an induction training course to help them understand the roles of the PCC and the Chief Constable, the Police and Crime Committee and the organisations pertaining to the PCC and Chief Constable. Further training on specific relevant topics will be provided as necessary, according to the members' own relevant experience and emerging business needs of the JARAC. Members of the JARAC will be expected to attend all such training and to develop their skills as part of a member development programme. Training needs will be considered during the annual appraisal process and a training & development programme established both for the JARAC and its individual members as appropriate.
- 2.9 In accordance with the JARAC members code of conduct, each member will be required to record any conflicts of interest in the register of pecuniary and non-pecuniary interests. In addition, JARAC members will be required to disclose any such interests at the commencement of any meeting where there is a need to do so due to the nature of the JARAC agenda, or immediately if they arise unexpectedly in discussion.

3 RIGHTS

- 3.1 The JARAC may with reasonable justification and with prior agreement of the PCC and Chief Constable, procure specialist ad-hoc advice to obtain additional skills, knowledge and experience at the expense of the PCC and Chief Constable to support the JARAC in the achievement of its terms of reference. This will be considered appropriate where specialist advice is not available within the existing JARAC support arrangements or it is not considered appropriate to use this support.
- 3.2 Only members of the JARAC have the right to vote on matters.
- 3.3 The members of the JARAC will be remunerated and reimbursed for all expenses incurred in the fulfilment of their JARAC duties, roles and responsibilities in accordance with the schedule of allowances and expenses agreed by the PCC and Chief Constable. The allowances and expenses of the Interim JARAC are detailed in par 3.4
- 3.4 The members of the Interim JARAC will be remunerated and reimbursed for all expenses incurred in the fulfilment of their Interim JARAC duties, roles and responsibilities in line with the allowances specified as follows
- for a full day attendance (more than 4 hours including travel)
Chair £263.94; Ordinary Member £211.15.
 - for a part day attendance (less than 4 hours including travel)
Chair £130.62; Ordinary Member £104.50.
 - Notional preparation and reading time, per hour £15.00

- Travel by car £0.45 per mile irrespective of engine size
- Car parking: costs incurred, receipt required
- Travel by taxi: costs incurred, receipt required
- Carer or child care: costs incurred¹, receipt required

4 SUPPORT

- 4.1 The Chair, in conjunction with the PCC and Chief Constable has particular responsibility for ensuring that the work of the JARAC is appropriately resourced, including appropriate secretariat support and any other specialist support necessary to ensure its members are effective in their role. The JARAC Chair has a duty to report any shortfall in the level of support to the PCC and Chief Constable in the first instance and in a public report if this is not remedied.
- 4.2 The allocation of secretariat support to the JARAC and its funding will be agreed between the PCC and Chief Constable. This will include ensuring that best practice as contained in relevant good governance codes and protocols are upheld so that the JARAC is effective and the members independence is maintained.

5 FREQUENCY AND NOTICE OF MEETINGS

- 5.1 The Interim JARAC will meet in March 2013.
- 5.2 The JARAC will meet at four times a year after March 2013. The calendar of meetings shall be agreed at the start of each financial year. One meeting shall be dedicated to the scrutiny of the statement of accounts of the PCC and Chief Constable before submission to external audit.
- 5.3 Further meetings outside of the normal cycle of the JARAC can be convened at the request of the JARAC Chair or any of its members, subject to agreement by the Chair.
- 5.4 The PCC and or CC may ask the JARAC to convene further meetings to discuss particular issues on which they want the JARAC's advice.
- 5.5 Meetings can be requested by the external or internal auditors where this is considered necessary and on agreement of the JARAC Chair.

¹ The carer cannot be a member of the claimant's household; The minimum rate will be the adult hourly minimum wage, and the maximum rate will be £11.72 (the hourly weekday rate charged locally to Derby City Council for a home care assistant). The payment is payable only in respect of children aged 16 or under and in respect of other dependants where there is medical or social work evidence that care is required.

- 5.6 Unless otherwise agreed, formal notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, will be forwarded to each member of the JARAC, any other person required to attend and all other appropriate persons determined by the Chair, no later than five working days before the date of the meeting.
- 5.7 Any meetings held outside the normal cycle of meetings should be convened with a minimum notice of five working days. Extraordinary or urgent meetings may be held with less notice but should be for exceptional matters only, subject to the Chair's agreement and quorum requirements. In this case the agenda and any supporting papers will be sent to the JARAC members and to other attendees at the same time as the meeting notice is sent out, recognising that if the matter is so urgent that there may only be an oral report. If this is the case then this will be identified on the agenda.

6 ATTENDANCE AT MEETINGS

- 6.1 Members of the JARAC are expected to attend all meetings. If two or more meetings are missed in a year, this will be discussed as part of the annual appraisal. Regular non-attendance of JARAC members will lead to their removal as a member of the JARAC on agreement by the Chair.
- 6.2 The PCC and Chief Constable, will attend all meetings of the JARAC, or ensure that they are suitably and appropriately represented, therefore ensuring that the purpose of the meeting is not compromised and that the members are able to appropriately fulfil their responsibilities. In addition, the Police Reform and Social Responsibility Act 2011, Section 114 of the Local Government Finance Act 1988 and the Audit and Accounts Regulations 2011 assign a number of statutory responsibilities to each of the Chief Finance Officers of the PCC and Chief Constable. Given the nature of these responsibilities it is expected that both the Chief Finance Officers of the PCC and the Chief Constable will attend all meetings of the JARAC, or where this is not possible then their nominated representatives.
- 6.3 The Head of Internal Audit and representatives of the external auditor will be invited to attend meetings on a regular basis. The JARAC should meet with the Head of Internal Audit and representatives of the external auditor separately and privately at least once a year.
- 6.4 A minimum of three members of the JARAC or the Interim JARAC must be present for the meeting to be deemed quorate, one of whom must be either the Chair or deputy Chair.
- 6.5 All JARAC meetings will be held in public with the matters discussed being placed in the public domain. Where items are considered commercially sensitive or contain issues which are deemed confidential

or relate to a member of staff the JARAC may sit privately, that is, excluding members of the public or press, and will record their reasons for this decision in the public domain.

- 6.6 The JARAC may hold private informal meetings e.g. for briefing and training purposes without any non-members present if they so decide. Decisions cannot be taken at such meetings.

7 ACCESS

- 7.1 The Chief Finance Officers, Head of Internal Audit and the representative of external auditor of the PCC and Chief Constable will have free and confidential access to the Chair of the JARAC.

8 MINUTES OF MEETINGS

- 8.1 The secretary of the JARAC will record the names of those present at the meeting, write minutes, including the key points and decisions of all JARAC meetings, along with any actions stemming from discussion that need to be taken before the next meeting. The minutes of the previous meeting must be approved by the JARAC and signed by the chair as a true record at each meeting.
- 8.2 The secretary of the JARAC will establish, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly, see also paragraph 2.9 of these terms of reference.
- 8.3 The unsigned and unapproved minutes of the most recent JARAC meeting will be circulated promptly and no later than ten working days after the meeting to all members of the JARAC, to the PCC and the Chief Constable along with their nominated representative at the JARAC, the Chief Finance Officers of the PCC and Chief Constable and to the internal and external auditors, once they have been approved by the Chair or deputy Chair in the Chair's absence.
- 8.4 The minutes of the JARAC will be placed in the public domain as soon as these have been approved and signed by the Chair, with exclusion to any matter deemed private and confidential, as per paragraph 6.5 of these terms of reference.

9 REPORTING

- 9.1 The Chair of the Interim JARAC will provide the PCC and Chief Constable with a Report in the name of the Interim JARAC at the end of its tenure in March 2013, summarising its conclusions from the work it has done during the previous 4 months and drawing attention to any significant or emerging issues as appropriate. This report will be placed in the public domain following its discussion with the PCC and Chief Constable along with their responses. The Chair will be responsible for dealing with any public or media questions relating to that report.

- 9.2 The Chair of the JARAC will provide the PCC and Chief Constable with an Annual Report in the name of the JARAC, timed to support finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has done during the year and drawing attention to any significant or emerging issues as appropriate. This report will be placed in the public domain following its discussion with the PCC and Chief Constable along with their responses. The Chair will be responsible for dealing with any public or media questions relating to that report.
- 9.3 The JARAC will, having regard to best governance practice, review these terms of reference annually and make any changes deemed necessary in consultation with the PCC and Chief Constable.
- 9.4 The JARAC will annually review its own performance to ensure it is fulfilling its terms of reference and operating effectively. In doing so it will make any recommendations for change to the PCC and Chief Constable. This annual review of performance will include an individual appraisal of all members of the JARAC, including the Chair. The performance review of the JARAC and its members will be commissioned and undertaken independently.

10 RESPONSIBILITIES

10.1 Risk Management, Governance and internal control responsibilities

The JARAC will obtain assurance in connection with the following:

- 10.1.1. The establishment and maintenance of an effective system of risk management, integrated governance and internal control, across the whole of the PCC and Chief Constable activities that supports the achievement of the objectives of the Police and Crime plan, ensuring probity, value for money and good governance.
- 10.1.2. The timely implementation of any actions necessary to ensure compliance with all internal standards and best practice, both financial and non-financial operated by the PCC and Chief Constable.
- 10.1.3. The adequacy of relevant disclosure statements, in particular the Annual Governance Statement, together with any accompanying Head of Internal Audit report, external audit opinion, risk register or other appropriate independent assurances, prior to endorsement by the PCC and / or the Chief Constable.
- 10.1.4. The adequacy of arrangements for ensuring compliance with relevant regulatory, legal and code of conduct requirements and fraud and corruption as set out in Secretary of State Directives and other relevant bodies or professional standards.

10.1.5. The JARAC will recommend for adoption the Annual Governance Statement for the PCC and Chief Constable.

10.2. Internal audit responsibilities

It is anticipated that the PCC and Chief Constable will engage the same internal auditors. The role of the JARAC in relation to internal audit will include advising the PCC and Chief Constable on the following:

10.2.1. Consider and make recommendations on the provision of internal auditors, including appointment, assessment of performance and dismissal.

10.2.2. Review and advise on the internal audit strategy and annual internal audit plan, ensuring that this :

- is consistent with professional standards;
- meets the audit needs of PCC and Chief Constable; and
- provides the JARAC with adequate coverage for the purpose of obtaining appropriate levels of assurance over the adequacy of the risk management, governance and internal control environment of both the PCC and Chief Constable.

10.2.3. Consider the Head of Internal Audit's annual report and opinion, and a summary of audit activity (actual and proposed) and the level of assurance it gives over the risk management and governance arrangements of the PCC and Chief Constable.

10.2.4. Consider the findings of internal audit reports (or their summaries), the assurance provided and the adequacy of the response by the PCC and / or Chief Constable.

10.2.5. Commissioning additional work from the internal auditor, having regard to any actual or potential conflicts of interest.

10.2.6. Ensuring co-ordination between the internal and external auditors to optimise audit resources.

10.2.7. Annually review the effectiveness of internal audit.

10.2.8. Where the JARAC considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the JARAC wishes to raise, the chair of the JARAC must raise the matter with the PCC and Chief Constable and where appropriate seek legal advice if required. Exceptionally, the matter may need to be referred directly to the external auditor, HMIC and / or the Home Office e.g. fraud suspicion directly involving the PCC or Chief Constable.

10.3. External audit responsibilities

It is anticipated that the PCC and Chief Constable will engage the same external auditors. The role of the JARAC in relation to external audit will include advising the PCC and Chief Constable on the following:

- 10.3.1. Consider and make recommendations on the provision of external auditors, including appointment and dismissal in conjunction with the Audit Commission who are currently responsible for the appointment of external auditors in England to bodies subject to audit under the Audit Commission Act 1998.
- 10.3.2. Review, advise on and endorse the external audit strategy and annual audit plan, ensuring that this is consistent with professional standards and the External Audit Code of Audit Practice.
- 10.3.3. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 10.3.4. Consider specific reports as agreed with the external auditor.
- 10.3.5. Commissioning work from the external auditor, having regard to any actual or potential conflicts of interest.
- 10.3.6. Consider major findings of external audit work and the adequacy of response of the PCC and / or Chief Constable
- 10.3.7. Ensuring co-ordination between the internal and external auditors to optimise audit resources.
- 10.3.8. Annually review the effectiveness of external audit.

10.4. Annual Accounts of the PCC and Chief Constable

The JARAC will:

- 10.4.1. Review and scrutinise the annual statement of accounts prior to their external audit. Specifically, it will seek assurances whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements.
- 10.4.2. Consider the external auditor's report to those charged with governance on issues arising from the audit of accounts.

11 INFORMATION REQUIREMENT

11.1 For each meeting the JARAC will be provided with:

- A report summarising any significant changes to the PCC and Chief Constable risk and controls profile and any action planned in response.

- A report on any governance matters arising or a note that no governance matters have arisen since the last meeting and any action planned in response.
- A progress report from the head of internal audit summarising:
 - Work performed and a comparison with work planned
 - Key issues emerging from internal audit work
 - Management response to audit recommendations
 - Changes to the periodic plan
 - Any resourcing issues affecting the delivery of internal audit objectives
- A progress report from the external audit representative summarising work done and emerging findings.
- A summary report of actions being tracked and progress made in connection with their implementation on significant risk, governance and internal controls matters. Thereby providing for an on-going process of follow-up.

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Chief Constable of Derbyshire Constabulary

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