



Derbyshire  
Police and Crime  
Commissioner

Protecting Communities,  
Fighting Crime



# **POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**

## **TERMS OF REFERENCE FOR JOINT AUDIT, RISK & ASSURANCE COMMITTEE (JARAC) v14**

**EXTERNAL POLICY**

**Control Sheet**

<b>Policy Title</b>	Terms of Reference for Joint Audit, Risk and Assurance Committee (JARAC) V14
<b>Responsible Officer</b>	OPCC's Head of Governance and Compliance
<b>Security Classification</b>	External
<b>Disclosable under FOIA</b>	Yes
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**Policy Details**

<b>Revision date</b>	<b>Changes</b>
November 2022	Changes made to the rules over length of term that a Chair can serve
February 2023	Clarification to the rules over length of term that a Chair can serve  Clarification regarding the need for vetting

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## 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 (Commissioner) and the Chief Constable.
- 1.2 The Commissioner 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 The purpose of the JARAC is to provide independent assurance on the arrangements in place and the adequacy of the following:
- The risk management and the internal control framework operated by the Commissioner and the Chief Constable.
  - The effectiveness of their respective governance arrangements including providing for value for money services.
  - The financial reporting process (including the effectiveness of in-year monitoring).
  - The preparation and audit of the financial statements by having appropriate scrutiny of the annual accounts, with advice from External Audit.
  - The Chief Constable & Commissioner's arrangements to detect Fraud and prevent bribery and corruption.
  - The complaints and whistle-blowing arrangements together with proportionate and independent investigative arrangements.

The JARAC is not there to independently review detailed systems and process but rather assess the overall control environment in the context of risk and receive assurances from the Force and the OPCC on the arrangements in place.

In addition, the JARAC is responsible with partners for agreeing the joint appointment process of internal and external auditors. The JARAC will also 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.

- 1.4 The JARAC is a non-executive Committee and has no executive powers, other than those specifically detailed in these Terms of Reference.
- 1.5 The JARAC will establish effective communication with the Commissioner and Chief Constable, their nominated representatives, their respective Chief Finance Officers, Head of Internal Audit, the External Auditor and other relevant stakeholders, for the purpose of fulfilling these terms of reference. A working protocol will be established to ensure that this is achieved by all parties.
- 1.6 It should be noted that activities to combat Fraud, Bribery and Corruption are managed by the Constabulary's Professional Standards (PSD) department and overseen by scrutiny carried out directly by the Police & Crime Commissioner through their Head of Governance & Compliance. The work of JARAC is intended to provide an additional layer of assurance, and not confuse the lines of accountability. Wherever possible, the JARAC will make use of and take assurance from existing reports, updates and scrutiny work. There may be occasions where either attendance of key individuals or a bespoke report is deemed more appropriate, and those arrangements will be made on a case-by-case basis between the Chair and the Commissioner/Chief Constable (or their representatives).

## **2. MEMBERSHIP**

- 2.1 The JARAC will have a Chair, a deputy chair and four other members, all of whom must be independent of the Commissioner, the Chief Constable and the Police and Crime Panel. All members (including the Chair) are subject to NPPV2 police vetting clearance on appointment and periodic review.
- 2.2 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 current or ex-Commissioner or Chief Constable (including their respective Deputies).
  - A member or ex-member of a Police and Crime Panel.
  - Serving police officers or any person who has served as a police officer (including Special Constabulary officers).
  - Serving police staff member (including OPCC employees) or any person who has served as such.
  - Any individual who works as a volunteer with either the Constabulary or Commissioner or has worked as such within the last 5 years.
  - Currently serving officers or elected members of local authorities within the force area.

- A member of a political party.
  - An employee of either the current or previous (if the change occurred within 1 year) internal or external audit provider.
  - In a direct or indirect fiduciary relationship with the Constabulary or Commissioner not covered by the exclusions above (i.e. a member of any partnership body).
- 2.3 In addition to the factors above that preclude someone from being a member of the JARAC, a candidate must be at least 18 years of age and a substantive (i.e. main home) resident of Derbyshire to be considered for the role.
- 2.4 The Chair of the JARAC will be jointly recruited by the Commissioner and the Chief Constable. The Chair can serve a maximum of two 5-year terms on top of any time served as member. The maximum combined service (member + Chair) for a Chair will not exceed 15 years in total, therefore a Chair who is appointed after 6 or more years of service as a member will have a shortened second term as Chair. The Chair's performance is reviewed after the first 5-year term by the Commissioner and Chief Constable (or their representatives).
- 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, member recruitment will be staggered to limit the churn and loss of expertise in any given year. A member who wishes to serve a second term of five years will be subject to a satisfactory performance review undertaken by the Chair in conjunction with the two Chief Finance Officers. If performance is deemed satisfactory, the Chair may grant a second term for a JARAC member.
- 2.6 The deputy Chair is selected by a simple majority vote of members of the JARAC with the Chair holding the casting vote. 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 Commissioner and Chief Constable.
- 2.7 All members of the JARAC will participate in an annual self-assessment of the JARAC in September each year as detailed in clause 9.3.
- 2.8 On joining the JARAC, each member must attend an induction training course to help them understand the roles of the Commissioner and the Chief Constable, the Police and Crime Panel and the organisations pertaining to the Commissioner 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 self-

assessment 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 September each year. 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 Commissioner and Chief Constable, procure specialist ad-hoc advice to obtain additional skills, knowledge and experience at the expense of the Commissioner 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, the Chair has a casting vote.
- 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 Commissioner and Chief Constable. The allowances and expenses of the JARAC are detailed in paragraph.
- 3.4 The members of the JARAC will be remunerated on an allowance basis (paid monthly in arrears) and reimbursed for additional expenses incurred in the fulfilment of their JARAC duties, roles and responsibilities as follows:
- Chair - £3,150 per annum
  - Member - £2,100 per annum
  - The Chair will receive a further payment of £525 per annum in the event they are asked to participate in JARAC interview panels
  - 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 childcare: costs incurred; receipt required

### **4 SUPPORT**

- 4.1 The Chair, in conjunction with the Commissioner and Chief Constable has 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 Commissioner 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 Commissioner 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 JARAC will normally meet five times a year ("core" meetings) along with an accounts workshop. The calendar of meetings shall be agreed at the start of each financial year wherever possible. One of the meetings shall be held in May (or the month most appropriate) each year and dedicated to the scrutiny of the Annual Governance Statements of the Commissioner and Chief Constable before or close to submission to external audit. Furthermore, one of the meetings shall be held in July (or the month most appropriate) each year to receive and consider the report of the external auditor prior to publication of the annual statement of accounts for both the Commissioner and Chief Constable.
- 5.2 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.
- 5.3 The Commissioner and or Chief Constable may ask the JARAC to convene further meetings to discuss issues on which they want the advice of the JARAC.
- 5.4 Meetings can be requested by the external or internal auditors where this is considered necessary and on agreement of the JARAC Chair.
- 5.5 The Constabulary and/or the Commissioner will invite JARAC members to meetings or briefings both internally and externally in support of both their role and their continued development. This may be individually, in limited numbers or as a complete committee where it is considered to be appropriate. Such meetings are not considered part of the public timetable of meetings.
- 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, it will be identified on the agenda.

## **6 ATTENDANCE AT MEETINGS**

- 6.1 Members of the JARAC are expected to attend all five core meetings (see 5.1) together with a briefing on the statement of accounts. If two or more such meetings are missed in a year, this will be discussed as part of the annual self-assessment process and feature as part of a member's performance review should they wish to serve a second term. 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 Commissioner and Chief Constable may attend all core 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 2015 assign a number of statutory responsibilities to each of the Chief Finance Officers of the Commissioner and Chief Constable. Given the nature of these responsibilities it is expected that both the Chief Finance Officers of the Commissioner 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. At the Chair's discretion, the JARAC may choose to meet more frequently with the Head of Internal Audit or the external auditor and involve the two Chief Finance Officers as considered appropriate.
- 6.4 A minimum of four members of the 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 core 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 consider those items during a private (or "closed") section of the agenda (or in a separate

meeting 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 audit of the Commissioner and Chief Constable will have free and confidential access to the Chair of the JARAC and the JARAC Chair will have free and confidential access to the Chief Financial Officers, the Head of Internal Audit and the representative of external audit.

## **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. The minutes of the previous meeting must be approved by the JARAC.
- 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 generally no later than ten working days after the meeting to all members of the JARAC, to the Commissioner and the Chief Constable along with their nominated representative at the JARAC, the Chief Finance Officers of the Commissioner and Chief Constable and to the internal and external auditors, once they have been considered 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 JARAC will provide the Commissioner 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 Commissioner and Chief Constable along with their responses. The Chair will be responsible for dealing with any public or

media questions relating to that report, supported by the Chief Finance Officer(s).

- 9.2 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 Commissioner and Chief Constable.
- 9.3 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 Commissioner and Chief Constable. This annual review of performance will be based on a self-assessment model found in the CIPFA publication "Audit Committees, Practical Guidance for Local Authorities and Police 2018".

## **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 Commissioner 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. In addition, the JARAC will review, consider and comment on the arrangements of both the Commissioner and Chief Constable related to combatting Fraud, Bribery and Corruption (including Whistleblowing).
- 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 Commissioner 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 Commissioner and / or the Chief Constable.
- 10.1.4. The adequacy of arrangements for ensuring compliance with relevant regulatory, legal, code of conduct and anti-fraud and corruption requirements 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 Commissioner and Chief Constable.
- 10.1.6. Major policies and procedures, either new or major revisions, relating to governance and key controls will be assurance reviewed by JARAC prior to approval by the Commissioner and/or Chief Constable. The specific policies and procedures to be reviewed will be agreed between

the Chief Finance Officer, Director of Finance and the Chair of JARAC. Following the assurance review JARAC will provide support and/or comments/suggestions or concerns in terms of the fitness for purpose of the policies and procedures.

10.1.7. 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 Commissioner and Chief Constable and where appropriate seek legal advice if required. Exceptionally, the matter may need to be referred directly to the external auditor, HMICFRS and / or the Home Office e.g. fraud suspicion directly involving the Commissioner or Chief Constable.

## **10.2. Internal audit responsibilities**

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

10.2.1. Have oversight of the process for contracting with the Internal Auditor and provide assurance to the Commissioner and Chief Constable as necessary

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

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

- It is consistent with professional standards;
- It meets the audit needs of the Commissioner and Chief Constable;
- It 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 Commissioner and Chief Constable: and
- Any in year changes to priorities, scope or timescales are appropriate.

10.2.4. 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 Commissioner and Chief Constable.

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

- 10.2.6. Monitor implementation of all priority 1 (red) and 2 (amber) internal audit recommendations in preparation for the internal auditor's follow-up work.
- 10.2.7. Commissioning additional work from the internal auditor, having regard to any actual or potential conflicts of interest.
- 10.2.8. Ensuring co-ordination between the internal and external auditors to optimise audit resources.
- 10.2.9. Annually review the effectiveness of internal audit.

### **10.3. External audit responsibilities**

The Commissioner and Chief Constable have agreed to engage the external auditors as appointed by the PSAA (Public Sector Audit Appointments). The role of the JARAC in relation to external audit will include advising the Commissioner and Chief Constable on the following:

- 10.3.1. Have oversight of the process for contracting with the External Auditor and provide assurance to the Commissioner and Chief Constable as necessary
- 10.3.2. Consider and monitor the performance of the PSAA-appointed external auditors at least annually.
- 10.3.3. Review, advise on and endorse the external audit strategy and annual audit Plan and Progress Report, ensuring that this is consistent with professional standards and the External Audit Code of Audit Practice.
- 10.3.4. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 10.3.5. Consider specific reports as agreed with the external auditor.
- 10.3.6. Commissioning work from the external auditor, having regard to any actual or potential conflicts of interest.
- 10.3.7. Consider major findings of external audit work and the adequacy of response of the Commissioner and / or Chief Constable
- 10.3.8. Ensuring co-ordination between the internal and external auditors to optimise audit resources.
- 10.3.9. Annually review the effectiveness of the external audit function (not the appointed auditor as referred to in 10.3.1).

### **10.4. Financial control and management including the Annual Accounts of the Commissioner 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.
- 10.5. Review Financial Reporting, Budget Preparation and Monitoring reports together with considering the processes underpinning them (in addition to responsibilities around the annual statement of accounts)
  - 10.5.1. The JARAC will be briefed and have oversight of the preparation each year of the Commissioner's revenue and capital budgets (incorporating the Constabulary).
  - 10.5.2. The JARAC will also be briefed and have opportunity to seek assurance on the Commissioner's medium-term financial strategy (MTFS) including plans to address any deficit as part of a wider change programme.
  - 10.5.3. The JARAC will receive regular reports on financial monitoring (both revenue and capital) at each meeting together with updates to the MTFS when they occur. In reviewing these reports, the JARAC will provide a degree of assurance to the Commissioner and Chief Constable as to the effectiveness of the financial monitoring arrangements as well as being able to offer challenge and alternative perspectives from an independent point of view.
  - 10.5.4. To support this role, the JARAC will be given appropriate training, briefings and invited to relevant internal meetings as agreed by the Chair and both Chief Finance Officers.
  - 10.5.5. The JARAC will receive regular exception reports around a range of financial controls including:
    - 10.5.5.1. Single tender waivers
    - 10.5.5.2. Losses and write offs
    - 10.5.5.3. Breaches of financial or standing orders
    - 10.5.5.4. Unusual staff payments

## **11 INFORMATION REQUIREMENTS**

A programme for the annual cycle of JARAC meetings will be prepared and monitored by the Chair in conjunction with the Chief Finance Officer(s). It will ensure appropriate cover of the responsibilities listed in these terms of reference.

11.1 In addition to the cyclic agenda, each meeting of the JARAC will be provided with:

- 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 particular in connection with the implementation of significant risk, governance and internal controls matters, thereby providing an on-going process of follow-up.
- To receive a regular update on HMICFRS Inspection Activity and the Constabulary / OPCC's response to HMICFRS' findings
- Financial monitoring and control exception reports
- A regular update on the Commissioner and Chief Constable's value for money arrangements to help inform the wider financial assurance role of the JARAC

And where applicable: -

- A report summarising any significant changes to the Commissioner 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.
- Any other matters that should be raised in the interest of transparency and sound financial management.

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