

Decision No 2012/03



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

REPORT BY: POLICY AND PERFORMANCE OFFICER (OPCC)

DATE: 30 NOVEMBER 2012

ESTABLISHMENT OF AN INTERIM COMBINED AUDIT COMMITTEE
Appendix A refers

EXECUTIVE SUMMARY

The Financial Management code of Practice for the Police Service of England and Wales sets out a requirement for all Police and Crime Commissioners (PCC) and Chief Constables (CC) to establish an independent audit committee. This reports sets out the arrangements needed to set up an interim combined Lancashire Audit Committee until March 2013 (with the option to extend until 2014).

RECOMMENDATION

To approve the interim arrangements for a combined PCC / CC Audit Committee to be made for the period from 22 November 2012 to 31 March 2013 (with an option to extend until 31 March 2014).

Note: the Chief Constable has been party to the development of proposals contained in this report and supports the recommendation.

Decision taken by the Police and Crime Commissioner for Lancashire:

Original decision, as set out in the attached report, approved without amendment (please delete as appropriate)	YES	NO
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Original decision required to be amended and decision as detailed below:

The reasons for the amended decision are as detailed below:

Police and Crime Commissioner: Comments

DECLARATIONS OF INTEREST

The PCC is asked to consider any personal / prejudicial interests he may have to disclose in relation to the matter under consideration in accordance with the law, the Nolan Principles and the Code of Conduct.

STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation. The recommendation reflects the core principle for the Police and Crime Commissioner and Chief Constable to establish a combined interim Audit Committee as set out in the Financial Management Code of Practice for the Police Service of England and Wales.

Signed: Police and Crime Commissioner Date:	Signed: Chief Officer: Date:
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Signed: Chief Constable Date:	Signed: Chief Finance Officer: Date:
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Appendix A

THE POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

TITLE: ESTABLISHMENT OF COMBINED INTERIM AUDIT COMMITTEE

1. Background and Advice

- 1.1. An interim combined Audit Committee for the Police and Crime Commissioner (PCC) and Chief Constable (CC) for Lancashire is to be established. It will be a combined body that will advise the PCC and the CC of Lancashire.
- 1.2. Draft Terms of Reference have been prepared to reflect the full range of responsibilities regarding audit, risk management, financial reporting, equalities and health and safety (copy attached at Annex A).
- 1.3. It will meet three times a year, in February, June and September.
- 1.4. The Chief Financial Officer (PCC) and Director of Resources (Constabulary) and the PCC's legal adviser / monitoring officer will be required to attend each meeting of the Committee.

2. Interim Arrangements

- 2.1. It is a legal requirement to appoint an Audit Committee. Approval of the interim arrangements will ensure that the committee discharges its duties as soon as possible.
- 2.2. This is a joint appointment between the PCC and the CC. The CC is supportive of the interim arrangements.
- 2.3. It is proposed that the interim combined committee is drawn from former Members of the Lancashire Police Authority's Audit and Standards Committee, to facilitate a level of continuous provision over the remaining 2012/13 audit programme.
- 2.4. The interim combined committee will comprise of between three and five members who are independent of the PCC and CC. Details of the individuals who have expressed an interest in the role are attached at Annex B. Each committee member will be subject to the seven principles of public life known as 'the Nolan Principles'.
- 2.5. The Committee Chair must be independent from the PCC and the CC.

- 2.6. It is proposed that the interim combined PCC / CC Audit Committee be established for for the period from 1 December 2012 to 31 March 2013 (with an option to extend until 31 March 2014).
- 2.7. Recruitment for substantive appointments to the combined Audit Committee will take place at a later date prior to the expiration of the interim arrangement.
- 2.8. It is proposed that the Committee members receive a daily allowance in line with the former Authority arrangements and national guide lines.

3. Implications:

This item has the following implications, as indicated:

3.1 Financial Comments

- Allowances and expenses will be met from within the PCC budget.
- PCC liability insurance will extend to cover members of the interim combined Audit Committee as they are working for the PCC (within a predefined role), in terms of discharging their duties.

3.2 Legal Comments

The proposed arrangements are in accordance with the Financial Management Code of Practice for the Police Services of England and Wales and the Police Reform and Social Responsibilities Act.

3.3 Equality Comments

- An expedient appointment process has been used to ensure continued monitoring and scrutiny for the remaining 2012 / 13 Audit Programme.
- A full recruitment process will be applied when establishing a formal combined audit committee.

4. Background Papers

Paper: N/A

5. Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

Any fact or advice that should not be made automatically available on request will not be included in Part I but instead as a Part II form.

Decisions will be available on the Police and Crime Commissioner's website within 2 working days of being approved.

Deferment of publication is only applicable where release before the decision date would compromise the implementation of the decision being approved.

Is the publication of this decision to be deferred? NO

Officer declaration	Date
The legal services team have been consulted on this proposal. LEGAL IMPLICATIONS	
The Chief Finance Officer has been consulted on this proposal. FINANCIAL IMPLICATIONS	
EQUALITIES IMPLICATIONS	
Chief Executive Officer (Monitoring Officer) I have been informed about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire. Signature.....Date.....	

**Interim Combined Audit Committee for the Lancashire Police and Crime
Commissioner and Chief Constable**

Draft Terms of Reference

Statement of Purpose

The Audit Committee is responsible for enhancing public trust and confidence in the governance, financial reporting and financial performance of the Office of the Police and Crime Commissioner and Lancashire Constabulary.

It also assists the Police and Crime Commissioner in discharging statutory responsibilities in holding Lancashire Constabulary to account and help to deliver an improved policing service.

This will be achieved by:

- Providing **independent assurance** of the adequacy of the governance and risk management framework and the associated control environment within Lancashire Constabulary and the PCC.
- **Independently reviewing** the financial and non-financial performance to the extent that it affects the Police and Crime Commissioner and Lancashire Constabulary's exposure to risk and weakens the control environment.
- Providing **assurance** that any issues arising from the process of drawing up, auditing and certifying the annual accounts are properly dealt with and that the appropriate accounting policies have been applied.

Membership

The Committee will comprise between 3 and 5 members who will be independent of the Police and Crime Commissioner and the Chief Constable. The executive of the Office of the Police and Crime Commissioner and a representative of the Command Team of Lancashire Constabulary are required to attend each meeting of the Committee. Attendees will, therefore, include the Chief Executive, the Constabulary's Director of Resources, the Police and Crime Commissioner's Chief Financial Officer and the Head of Internal Audit.

Frequency

The Audit Committee will meet three times a year (February, June, September) and in effectively discharging its functions is responsible for:-

Terms of Reference

Audit

1. Approval of the annual audit plan
2. Considering the head of internal audit's annual report and opinion, and a summary of internal activity [actual and proposed] and the level of assurance it can give over the Police and Crime Commissioner and the Chief Constable's internal control environments and governance arrangements.
3. Considering summaries of specific internal audit reports as requested.
4. To consider reports dealing with the management and performance of the providers of internal audit services.
5. To consider the external auditor's annual letter, relevant reports, and the report these to the Police and Crime Commissioner and Chief Constable.
6. To receive and consider the external audit plans and reports and monitor the Police and Crime Commissioner and Chief Constable's responses to findings
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To commission and monitor the effectiveness of the work of the internal and external audit services.

Regulatory Framework

1. To maintain an overview of the Police and Crime Commissioner's and the Lancashire Constabulary's constitution in respect of contract procedure rules and financial regulations.
2. To undertake an annual review and to provide assurances of the adequacy of the strategic processes for assessing and managing key risks to the Police and Crime Commissioner and the Chief Constable.
3. To review and develop the Annual Governance Statement, together with its strategic processes and arrangements for risk management and corporate governance and advise the Police and Crime Commissioner and the Chief Constable as appropriate.

4. To satisfy itself as to the effectiveness of the internal control systems in operation within the office of the Police and Crime Commissioner and Lancashire Constabulary and advising the Commissioner and the Chief Constable as appropriate.
5. To monitor and review any proposed changes to the office of the Police and Crime Commissioner and Lancashire Constabulary's constitution and framework documents.
6. To review any issue referred to it by the Police and Crime Commissioner and / or the Chief Constable.
7. To receive reports from the monitoring officer on matters referred for investigation including any issue of fraud or financial irregularities.

Statutory Accounts

1. To review the annual statement of accounts, specifically whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit.
2. To consider the external auditor's report and opinion and to report these to the Police and Crime Commissioner and Chief Constable on issues arising from the audit of accounts.

General

1. To advise the Police and Crime Commissioner and the Chief Constable on the adoption and revision of Codes of Conduct for officers and to keep such codes under review.
2. To satisfy itself on behalf of the Commissioner and the Chief Constable that an adequate and effective framework is in place to discharge statutory requirements in relation to equality, diversity and human rights.
3. To satisfy itself on behalf of the Police and Crime Commissioner and the Chief Constable that an adequate and effective framework is in place to discharge legal duties in relation to health and safety, particularly, the welfare of police officers and police staff, people in the care and custody of the Constabulary, and all members of the public on the premises or property.
4. To make arrangements for the invitation of applications for the appointment of Independent Members to the Committee and to make recommendations for appointment to the Police and Crime Commissioner and the Chief Constable.

**Interim Combined Audit Committee for the Lancashire Police and Crime
Commissioner and Chief Constable**

Expressions of Interest Received

- 1 Miss S Afzal**
- 2 Mrs J Pratt**
- 3 Mrs P Goulding**
- 4 Mr D Soper**
- 5 Mr K Willams**