



**Lancashire
Constabulary**

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Decision No 2012/18

REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

CHIEF CONSTABLE – LANCASHIRE CONSTABULARY

REPORT BY: POLICY AND PERFORMANCE OFFICER (OPCC)

DATE: 20 MARCH 2013

EXTENSION OF INTERIM COMBINED AUDIT COMMITTEE

Appendix A refers

EXECUTIVE SUMMARY

On 30 November 2012, the Police and Crime Commissioner (PCC) and Chief Constable (CC) for Lancashire approved the establishment of an Interim Combined Audit Committee (Decision No 2012 / 02 refers). This reports seeks the approval to:

- 1 an extension of the existing arrangements until March 2014; and
- 2 revised terms of reference, as recommended by the Committee at its first meeting on 25 February 2013.

RECOMMENDATION

To approve the extension of the combined PCC / CC Audit Committee until 31 March 2014 and the revised terms of reference at Appendix A.

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:

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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

Relates to Decision No 2012 / 18

TITLE: EXTENSION OF COMBINED INTERIM AUDIT COMMITTEE AND REVISED TERMS OF REFERENCE

1. Background

- 1.1. An interim combined Audit Committee for the Police and Crime Commissioner (PCC) and Chief Constable (CC) for Lancashire was established on 30 November 2012, to run until 31 March 2013 (with an option to extend until 31 March 2014).
- 1.2. The first meeting of the Committee was held on 25 February 2013. Three further meetings will be held before 31 March 2014.
- 1.3. Draft Terms of Reference for the Committee were approved by the PCC / CC on 30 November 2012. These have been considered further by a small working group made up of officers from the offices of the PCC / CC and the interim Audit Committee Members.
- 1.4. The revised Terms of Reference were formally considered by the Committee at the meeting on 25 February 2013. Revised Terms of Reference, as recommended by the interim combined Audit Committee, are attached at Annex A for endorsement / formal approval by the PCC / CC.

2. Interim Arrangements

- 2.1. It is a legal requirement to appoint an Audit Committee. Approval of the interim arrangements enabled the Committee to discharge its duties as soon as possible and to provide continuous provision over the remaining 2012 / 13 audit programme and beyond.
- 2.2. The interim Audit Committee comprises of four members who are independent of the PCC and CC. The Members are:
 - Doug Soper (Chair)
 - Keith Williams (Vice-Chair)
 - Paula Goulding
 - Jacqueline Pratt

- 2.3. Arrangements to appoint a substantive Chair for the Audit Committee are currently being drawn up. It is expected that the appointment process will be completed by mid-July 2013.
- 2.4. Upon successful appointment of an Audit Committee Chair, recruitment for the remaining substantive Committee members will commence. This will enable the newly appointed Committee Chair to be engaged in the recruitment of Audit Committee members.
- 2.5. In order for this work to progress it is recommended that the interim arrangements be extended until 31 March 2014 or until the full recruitment exercise / handover arrangements have been finalised. The option to extend the arrangements was included in the original decision.

3. Implications:

This item has the following implications, as indicated:

3.1 Financial Comments

- Recruitment expenses will be met from within the PCC budget.
- Allowances and expenses will be met from within the PCC budget.
- PCC liability insurance will extend to cover members of the 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

The Commissioner's team will be mindful of the need to ensure that due regard is given to the equality duties when undertaking the recruitment processes.

4. Background Papers (available on the PCC website)

PCC / CC Key Decision: 30 November 2012 / 02

Interim Combined Audit Committee papers 25 February 2013

5. Public access to information

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

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
LEGAL IMPLICATIONS The legal services team have been consulted on this proposal.	18.3.2013
FINANCIAL IMPLICATIONS The Chief Finance Officer(s) have been consulted on this proposal.	18.3.2013
EQUALITIES IMPLICATIONS The Commissioner/Constabulary teams will be mindful of the need to ensure that due regard is given to the equality duties when undertaking the recruitment processes.	19.3.2013
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.....	



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Annex A

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

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 Police and Crime Commissioner (the Commissioner) and of the Chief Constable of Lancashire Constabulary (the Chief Constable).

It also assists the Commissioner in discharging statutory responsibilities in holding the Chief Constable to account and helping to deliver an improved policing service.

This will be achieved by:

- Providing **independent assurance** of the adequacy and efficiency of the risk management framework and the associated control environment within the Constabulary and the office of the Commissioner.
- **Independently reviewing** financial and non-financial performance to the extent that it affects the Commissioner and 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 suitably qualified members who will be independent of the Commissioner and the Chief Constable.

The executive of the Office of the Commissioner and representatives of the Command Team of the Constabulary are required to provide pertinent information as necessary and to attend each meeting of the Committee.

Attendees may include the Commissioner's Chief Executive and Chief Financial Officer, the Constabulary's Director of Resources, the Manager of Internal Audit and any other officers from the Office of the Commissioner and of the Constabulary as may be called upon to attend meetings to address specific issues.

Separate meetings will also be held in private with the Manager of Internal Audit and with the lead manager of external audit no less frequently than once a year.

Frequency of Meetings

The Audit Committee will meet no less than three times a year on dates to be determined by the Committee and has the authority to convene additional meetings as circumstances may require.

Terms of Reference

In order to effectively discharge its function and purpose, the Audit Committee is responsible for:

1 Internal Audit

- 1.1 Advising the Commissioner and the Chief Constable on the appropriate arrangements for internal audit and approving the Internal Audit Strategy.
- 1.2 Reviewing and approving the annual audit plan.
- 1.3 Ensuring that there are no unjustified restrictions or limitations on the work of internal audit.
- 1.4 Considering the head of internal audit's annual report and opinion, and a summary of internal audit activity [actual and proposed] and the level of assurance it can give over the Commissioner's and the Chief Constable's internal control environments and governance arrangements.
- 1.5 Considering summaries of specific internal audit reports as required.
- 1.6 Considering and monitoring the management and performance of internal audit.

2 External Audit

- 2.1 Receiving and considering the external audit plan and scope.
- 2.2 Considering the external auditor's annual letter and reports, and reporting these to the Commissioner and Chief Constable.
- 2.3 Monitoring the Commissioner's and Chief Constable's responses to the findings and reports of external audit.
- 2.4 Monitoring the effectiveness of the work of external audit services and ensuring that it gives value for money.

3 Statutory Accounts

- 3.1 Reviewing the annual statement of accounts and considering whether they are complete and consistent with information known to the Committee and whether appropriate accounting policies and principles have been followed.

- 3.2 Reviewing other sections of the annual report and related regulatory filings before release and considering the accuracy and completeness of the information.
- 3.3 Reviewing, with management, the external auditor's report and opinion on the financial statements and reporting to the Commissioner and the Chief Constable any issues arising from or difficulties encountered during the audit.

4 Internal Control

- 4.1 Considering the effectiveness of the processes for assessing and managing key risks to the Commissioner and the Chief Constable.
- 4.2 Considering the effectiveness of the internal control systems of the Commissioner and the Constabulary including the systems for monitoring compliance with relevant laws and regulations.
- 4.3 Reviewing the Commissioner's and the Constabulary's scheme of governance in respect of contract procedure rules and financial regulations.
- 4.4 Assisting in the preparation of the Annual Governance Statement for the Commissioner and the Constabulary, and reviewing the overall strategic processes and arrangements for risk management and effective corporate governance.
- 4.5 Reviewing the findings of any examinations by regulatory agencies.

5 Reporting

- 5.1 Reporting regularly to the Commissioner and the Chief Constable about Committee activities, issues, and related recommendations.
- 5.2 Providing an open avenue of communication between internal audit, the external auditor, and the Commissioner and Chief Constable.

6 Other responsibilities

- 6.1 Monitoring and reviewing any proposed changes to the office of the Commissioner and the Constabulary's governance and framework documents.
- 6.2 Reviewing any issue referred to it by the Commissioner and / or the Chief Constable.
- 6.3 Receiving reports from the Monitoring Officer on matters referred for

investigation, including any issues of alleged fraud or financial irregularities.

- 6.4 Making arrangements for the invitation of applications for the appointment of members to the Committee and making recommendations for appointment to the Commissioner and the Chief Constable.
- 6.5 Reviewing and assessing the adequacy of the Committee Terms of Reference annually and seeking the approval of the Commissioner and the Chief Constable to any proposed changes.
- 6.6 Confirming annually that all responsibilities outlined in the Terms of Reference have been carried out.
- 6.7 Evaluating the Committee's performance on a regular basis.
- 6.8 Performing any other relevant activities requested by the Commissioner and / or the Chief Constable.

25 February 2013

Review date: February 2014