

APPENDIX B

Joint Audit Committee for the Lancashire Police and Crime Commissioner and Chief Constable

Terms of Reference (April 2015 Review Version)

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 (PCC) and of the Chief Constable of Lancashire Constabulary (CC).

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

This will be achieved by:

- Providing **independent assurance to both the PCC and CC** 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 overall 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 Chief Constable.

The executive of the Office of the PCC 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 of the Commissioner and the Constabulary that may be called upon to attend meetings to address specific issues.

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Private meetings will also be held with the Manager of Internal Audit and with the Engagement Lead of external audit no less frequently than once a year.

Frequency of Meetings

The Audit Committee will meet no less than four 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 providing assurance to the PCC and CC in respect of:

1 Internal Audit

- 1.1 ~~Ensuring Advising the PCC and the CC on the~~ appropriate arrangements for internal audit and approving the internal audit strategy.
- 1.2 Reviewing and approving the internal audit plan.
- 1.3 Ensuring that there are no unreasonable or unjustified restrictions or limitations on the work of internal audit.
- 1.4 Considering the annual report and opinion by the Head of Internal Audit, including a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the internal control environment and governance arrangements for the PCC and CC.
- 1.5 Considering summaries of specific internal audit reports as required.
- 1.6 Considering and monitoring the management and performance of internal audit ~~by taking the above steps.-~~

2 External Audit

- 2.1 Receiving and considering the external audit plan and scope of the audit.
- 2.2 Considering the external auditor's annual audit letter and reports.

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2.3 Monitoring the responses of the staff of the PCC and CC to the findings and reports of external audit.

2.4 Monitoring the effectiveness of the work of external audit and ensuring that external audit provides value for money.

3 Statutory Accounts

3.1 Reviewing the annual statement of accounts and considering whether the accounts are complete and consistent with information known to the Committee and whether appropriate accounting policies 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 PCC and CC 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 PCC and CC by reviewing risk registers for the PCC and CC at not less than 6 monthly intervals.-

4.2 Considering the effectiveness of the internal control systems of the PCC and CC, including systems for monitoring compliance with relevant laws and regulations.

4.3 Reviewing the PCC and CC scheme of governance in respect of contract procedures and financial regulations.

4.4 Reviewing the draft Annual Governance statement for the PCC and the CC 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, eg HMIC

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5 Reporting

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

6 Other Responsibilities

6.1 ~~Monitoring and reviewing any proposed changes to the office of the Review the~~ PCC and the Constabulary's governance and framework documents to ensure they remain up to date and relevant.

6.2 Reviewing any issue referred to the Committee by the PCC and/or the CC.

6.3 Receiving reports from officers of the PCC and/or CC on matters referred for investigation, including any issues of alleged or proven fraud or financial irregularity. The CFO's for the PCC and CC will inform the Chair of the Committee of any significant cases and it is at the discretion of the Chair whether other Members of the Committee should be advised.

~~6.4 Making arrangements for the invitation of applications for the appointment of members to the Committee and making recommendations for appointment to the PCC and CC.~~

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6.56.4 Reviewing and assessing the adequacy of the Committee Terms of Reference annually and seeking the approval of the PCC and CC for any proposed changes.

~~6.66.5~~ Confirming annually that all responsibilities outlined in the Terms of Reference have been carried out.

6.76.6 Evaluating the Committee's performance on a regular basis.

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~~6.86.7~~ Performing any other relevant activities requested by the PCC and/or CC.

April 2015

Review Date: April 2016