Agenda Item No.

16

JOINT INDEPENDENT AUDIT COMMITTEE
6 MARCH 2024

SUBJECT	**JIAC TERMS OF REFERENCE, PROCEDURE DOCUMENT AND CODE OF CONDUCT**
REPORT BY	**CHIEF FINANCE OFFICER**
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SUMMARY AND PURPOSE OF REPORT To review the Joint Independent Audit Committee's (JIAC's) Terms of Reference, Procedure Document and Member Code of Conduct.	
RECOMMENDATION	**That** **1. the Terms of Reference attached at Appendix A be reviewed;** **2. the Procedure Document attached at Appendix B be reviewed;** **3. the Member Code of Conduct declaration attached at Appendix C be reviewed.**

A. SUPPORTING INFORMATION

1. TERMS OF REFERENCE

1.1 The terms of reference are reviewed by the Committee on an annual basis. A copy is attached at Appendix A.

2. PROCEDURE DOCUMENT

2.1 The JIAC Procedure Document sets out how the Terms of Reference will be delivered. The JIAC agreed that the Procedure would be reviewed annually alongside the Terms of Reference as per the Forward Plan. A copy is attached at Appendix B.

3. CODE OF CONDUCT

3.1 Members of the JIAC voluntarily adopted a Code of Conduct on 27 November 2014. The Code is based on the seven principles of public life published by the Nolan Committee and prescribes a set of values, standards and behaviours to guide Member conduct. The Committee agreed to review the Code on an annual basis. A copy is attached at Appendix C.

4. TERMS OF REFERENCE REVIEW AND CHANGES CONSIDERED

4.1 A thorough review of the existing terms of reference was undertaken which included direct comparison against the CIPFA guidance as best practice.

4.2 Approximately 77% was reasonably aligned between existing terms of reference and the CIPFA example with an another 10% thought to be good additions. These have been kept within the revised terms of reference points 3, 11, 17, 20 and 41. The revised terms of reference proposed have 90% direct alignment with CIPFA with the remaining 10% being good additions noted above.

4.3 Six items in the CIPFA example were hard to align to the existing terms of reference and have therefore been added in line with best practice. These are as follows:

- To review the governance and assurance arrangements for significant partnerships or collaborations.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.
- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To advise on commissions of additional work from external audit.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To contribute to the QAIP (Quality Assurance & Improvement Program) and in particular to the external quality assessment of internal audit that takes place at least once every five years.

These have now been included in the revised terms of reference being proposed.

4.4 Two items in the existing terms of reference were identified as not aligning to the CIPFA best practice example and included some specific references to some but not all statutory requirements e.g. Treasury Management mid-year report mentioned but not the annual outturn, TMSS was mentioned but not the Capital Strategy, Procurement mid-year report was mentioned but not the annual report, Balance Sheet review mentioned but purpose not clear. It was therefore considered as to whether this could be slightly confusing to be included in the terms of reference in this way and there was a slight worry that some equally important reports could be missed if members or officers were to focus on those very specific reports as detailed below:

- 29. Review the Treasury Management Strategy Statement annually and provide any comments prior to final version being approved.
- 30. Review various in year monitoring reports as set out below and provide any comments.
  a Treasury Management mid-year report
  b Procurement mid-year report
  c Balance Sheet review, twice as standalone report and once within the financial statements.
  d Annual Financial Governance Report

This was also discussed at the JIAC meeting on 4th October 2023 where it was pointed out by the CFO that the Balance Sheet report was introduced as an essential measure to improve future forecasting and controls to support the Treasury Management function and potential planning for borrowing events but that improvements were still desirable.

As a result of that conversation, a working group including members of the finance team, the CFO and a member of JIAC will be set up to review the purpose of that report and develop it to be of use to both management and JIAC. It will therefore feature as an important activity on the JIAC forward work plan and future reporting requirements but does not necessarily require specific inclusion within the terms of reference, so as not to take priority over other equally important areas of reporting that do not have specific reference.

It is therefore recommended that item is covered by the new JIAC term of reference recommended by CIPFA:
No. 14. Monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

In addition to the terms of reference, it is proposed that a listing of all key reports to be collated to support the forward plan and ensure adequate oversight and assurance is gained throughout the year, this will include; strategies, outturn, mid-year updates, governance reports and the Balance Sheet review report.

4.5 The procedures section of the terms of reference made reference to the "Government Protective Marking Scheme (GPMS)" which is no longer in place and had therefore been updated. The "Government Security Classification (GSC) system" has replaced GPMS. The GCS system has three levels: Official, Secret and Top Secret and reflects the fact that reasonable measure need to be taken to look after data and to comply with relevant legislation such as the Data Protection Act, Freedom of Information Act and Public Records Acts. If information relates to general administration it can be treated as 'official' (unmarked). Where information is marked as 'official-sensitive' it will be restricted as confidential where it may contain information used for personal data and/or sensitive data that could have damaging consequences if published in the media. Information classified as 'secret' contains very sensitive information that justifies heightened protective measures to defend against potential threats, and information classified as 'top secret' is the most sensitive information, requiring the highest levels of protection from the most serious of threats.

4.6 **Procedure Document** - Minor changes were proposed following review including the updated police logo.

4.7 **Code of Conduct** – No changes were proposed following review.

B. FINANCIAL CONSIDERATIONS

There are no additional financial considerations to those included in the report itself.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

There are no specific issues arising from this report.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

(including any impact or issues relating to Children and Young People)

There are no specific issues arising from this report.

E. REVIEW ARRANGEMENTS

The Terms of Reference, Procedure Document and Code of Conduct are reviewed by the Committee on an annual basis.

F. RISK MANAGEMENT

Risks are detailed as appropriate within appendices to this report.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.