

Annual Report of the Joint Audit Committee of the Police and Crime Commissioner and Chief Constable of Hampshire 2014/15

Introduction

1. In 2013, the Police and Crime Commissioner for Hampshire and the Isle of Wight (PCC), and the Chief Constable for Hampshire Constabulary (CC) established a Joint Audit Committee (JAC), as required by legislation, following the creation of Police and Crime Commissioners in England and Wales
2. The committee comprises of five non-executive independent members:

Mike Attenborough-Cox (chair)
Elizabeth Mackenzie (vice chair)
Elizabeth Dermody
Lesley Kirk
Peter Lloyd
3. The purpose of an Audit Committee¹ is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial report and annual governance processes. In this context, the PCC and CC are those charged with governance, and the JAC remains an advisory body, i.e. its recommendations are advisory, and those charged with governance are not compelled to follow them.
4. The Committee is expected to report regularly on its work, and at least annually, to report an assessment of its performance. This, the second annual report of the Committee, aims to fulfil both these functions, thus enabling those charged with governance to meet their objective of holding the Committee to account.
5. In its 2013 Guidance, the Chartered Institute of Public Finance and Accountancy (CIPFA) has helpfully provided a framework on which to structure this report:
 - Has the JAC fulfilled its agreed terms of reference?
 - Has the JAC adopted recommended practice?
 - Have the needs of the JAC members been assessed, and, are members accessing briefing and training opportunities?
 - Has the JAC assessed its own effectiveness, or been the subject of a review?
 - What impact has the JAC had on the improvement of governance, risk, and control?
6. Unless otherwise stated, commentary provided herein applies equally to the separate governance and internal control systems of the PCC and CC.

Has the JAC fulfilled its agreed terms of reference?

7. The terms of reference (ToR) under which the Committee was operating is appended at Annex A with a summary of the reports received under these terms during 2014/15, at Annex B.

¹ From CIPFA: *Audit Committees: Practical guidance for Local Authorities and Police, 2013*

8. The Committee's terms of reference are modelled on those in the CIPFA Guidance, and were adopted by the Committee on 30 June 2015 as a working document pending further review as the Committee considered there are a number of shortcomings against best practice, which could hinder the Committee in its role and duty to provide independent advice to the OPCC and the CC and to enable it to operate independently, robustly and effectively.
9. During 2014-15, the Committee discharged its **governance, risk, and control** responsibilities by:
- Reviewing draft and final versions of the Annual Governance Statement, making recommendations for change, in particular to improve the laypersons understanding of governance arrangements, and also to describe the proven efficacy of the risk mitigations put in place regarding in-year changes to financial systems
 - Considering the Code of Corporate Governance under which each organisation conducts its business
 - Considering the Treasury Management Statement and Investment Strategy through which value for money is achieved alongside prudent stewardship of public assets, and receiving a mid-year update on the same
 - Reviewing the risk register and supporting processes and accountabilities, and certain arrangements for securing integrity and combating the risk of fraud / corruption, and making related recommendations
 - Considering, with the assistance of the internal auditor, the effectiveness of the system of internal controls, particularly those pertaining to risk management
 - Meeting at least four times in the year, and ensuring that those meetings were open to the public, excepting where a relevant statutory exemption applies
10. In relation to its **internal audit** responsibilities, the Committee discharged these through:
- An annual review of the internal audit charter, and separately, consideration of the Head of Internal Audit's Annual Report and Opinion
 - Regularly reviewing the audit plan, commenting upon the span of scrutiny, the resources available, and the length of time allocated to certain audits
 - Reviewing confidential internal audit reports relating to different aspects of the system of internal controls²; questioning and commenting upon the reports and upon progress made by management in implementing any necessary improvement
 - Noting the appointment of the internal audit service, and considering its independence. The JAC's terms of reference excludes the committee from having a role in the appointment of the internal audit, contrary to best practice. However, the Committee felt it deserved attention, when in December 2014; the Committee was invited to consider a report into the future provision via H3³ of internal audit services, rather than through the existing sold-service arrangements. The Committee's advice (that value for money might be better assured through a more transparent market tested approach), was conveyed to those charged with governance.

² System of Internal controls: e.g. finance, people, corporate governance, risk management, project/programme management, information management, policy/strategy development

³ Corporate services provided by Hampshire County Council in partnership with Hampshire Fire and Rescue and Hampshire's Police and Crime Commissioner.

- The Committee has raised concerns over the potential for conflict of interest and independence, whether it is real or a matter of perception. As the Committee's advice and recommendations pertaining have not been taken onboard in successive years, it is concerned that there is potential for serious reputational risk. The Committee has a duty to report these concerns; having done so, it will not report again on this issue.

11. **External audit** services were considered by the Committee:

- Commenting on scope of the external audit plan
- Commenting on the annual audit results report prepared by the EY, the external auditors
- Reviewing the annual audit letter provided by the external auditors, in which is detailed any issue of concern; in December 2014 the Committee noted that in that letter, the external auditors provided an unqualified audit opinion and an unqualified value for money conclusion for the preceding financial year.

12. **Financial reporting** responsibilities were executed by the Committee:

- Reviewing in detail at its September meeting, the annual statement of accounts preparatory to these being signed off by the Chief Financial Officers, the PCC and the CC as appropriate.
- Commenting on the outturn report of the Treasury strategy
- Noting the findings of HMIC's value for money inspection; the Committee commented that the overall finding of 'Good' seemed unduly harsh given the evidence that was presented and supported efforts by the Constabulary to seek a finding of 'Outstanding'.

Has the JAC adopted recommended practice?

13. Recommended practice can be found in guidance issued by, for example, CIPFA, HM Treasury, and the National Audit Office, amongst others.

14. Recommended practices include:

- The production of this Annual Report
- Terms of Reference modelled on those included in the 2013 CIPFA Guidance, but are in the Committee's view in need of further review.
- Direct access to the internal and external auditors
- Membership that is wholly independent of the executive of either the Office of the PCC or the Constabulary⁴.
- The JAC follows recommended practice in other regards, for example by including amongst its members a knowledge base that encompasses policing, governance, risk management, financial management and accountancy, programme and project management, internal and external audit experience, and audit committee experience.

⁴ As required by *Home Office: Financial Management Code of Practice for the Police Forces of England and Wales, 2013*

Have the needs of the JAC members been assessed, and, are members accessing briefing and training opportunities?

15. The needs of the Committee were assessed in advance of the reporting year. A training session was scheduled before each meeting. These sessions have featured wide ranging briefings; for example:
- On matters relevant to the terms of reference, such as the Statement of Accounts and underlying accounting policies
 - On operational policing matters. These briefings are intended to improve the Committee's understanding of the risk profile, and of the dynamic environment in which the Constabulary operates.
 - On major in-year organisational change, such as the move to centralised finance and procurement (H3)
16. This schedule is supplemented by an annual briefing on the statutory and economic conditions affecting the Treasury Management and Investment Strategy.
17. The Committee noted that CIPFA provides further briefing opportunities bespoke to PCC and CC Audit Committees and considers that attendance would benefit its work in future years. Members have not attended any workshops, briefings or seminars during the year due to funding constraints. Subject to the approval of the PCC and the CC and available funding, the Committee hopes it will be able to avail itself of these opportunities in 2015/16 alongside other areas identified during its self-assessment process.

Has the JAC assessed its own effectiveness, or been the subject of a review?

18. The Committee has not been subject to independent review. It has undertaken a self-assessment process, as is recommended practice, and this will inform its future practices. This is attached at Annex C for reference.
19. The PCC and CC hold the JAC to account, and assess its effectiveness, partly through the evidence provided in this report, as well as that provided during the year by the performance of the JAC at each meeting. The PCC and CC have the right to attend JAC meetings but this was not exercised during the year.

What impact has the JAC had on the improvement of governance, risk, and control?

20. As explained previously, the Committee acts in an advisory capacity to the PCC and CC. Where time was of the essence, the Committee corresponded with the PCC and CC during the year to ensure that both might have regard to this advice before proceeding on a course of action.
21. Under ordinary circumstance, the agenda, minutes, and papers of each meeting are provided to the PCC and CC, to the officers that attend each meeting, and are published on the website of the OPCC. As shown in Annex B, a wide range of papers are received by the Committee at each of its meetings, leading to substantive discussion on points of materiality. It is fair to say that the Committee is not afraid to challenge the executive and senior managers when

required, and it is clear that issues raised in those meetings have informed later actions albeit that the Committee's advice has not been adopted.

22. As outlined in previous Governance Statements of the PCC and CC, evidencing adherence to risk management processes has been a particular area of concern. The Committee spent significant time on this at each of its meetings during 2014/15. It has welcomed the parallel focus of the OPP and Constabulary on this element of the system of internal controls, and notes that substantial progress has been made in comparison to the preceding year with performance on an upward trajectory. Nevertheless, the Committee will sustain focus in this area over the coming year.
23. Another area warranting discussion throughout this period at Committee meetings was the concern that adverse inference as might be drawn from the complex statutory and contractual arrangements within which the internal auditors operate. The Committee has expressed to the PCC and CC its concerns that perceived or actual conflicts of interest might arise. It has received reassurances as to the mitigation of such reputational risk; namely, separation of controls and the application of relevant professional standards. In view of the advice already given, the Committee will now not comment further.
24. Taking into account the variety of sources of assurance available to it, the Committee can offer the PCC and CC moderate assurance as to the effectiveness of the governance framework, system of internal controls, and risk management.

Joint Audit Committee

October 2015

Hampshire Police and Crime Commissioner and Hampshire Constabulary
Independent Joint Audit Committee
Statement of Purpose and Terms of Reference

Statement of Purpose

- 1.1 Our Joint Audit Committee is a key component of Hampshire Police and Crime Commissioner's and Hampshire Constabulary's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of our Joint Audit committee is to provide independent advice and recommendation to The Police and Crime Commissioner and the Chief Constable on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of the Office of the Police and Crime Commissioner and Hampshire Constabulary's governance, risk management and control frameworks, their financial reporting and annual governance processes, and internal audit and external audit.

Terms of Reference

- 1.3 These terms of reference summarise the core functions of the Committee in relation to the Office of the Police and Crime Commissioner (OPCC) and to the Constabulary and describe the protocols in place to enable it to operate independently, robustly and effectively.

Governance, risk and control

- 1.4 The Committee will, in relation to the Police and Crime Commissioner and the Chief Constable.
- Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
 - Review the Annual Governance Statement prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement.

- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and the Constabulary.
- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the Police and Crime Commissioner and the Chief Constable in addressing risk-related issues reported to them.
- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy actions and resources.

1.5 And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Internal audit

1.6 The Committee will:

- Annually review the internal audit charter and resources.
- Review the internal audit plan and any proposed revisions to the internal audit plan.
- Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
- Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.
- Consider summaries of internal audit reports and such detailed reports as the Committee may request from the Police and Crime Commissioner and the Chief Constable including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.
- Consider a report on the effectiveness of internal audit to support the Annual Governance Statement, as required by the Accounts and Audit Regulations.

External audit

1.7 The Committee will:

- Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
- Consider the external auditor's annual management letter, relevant reports, and the report to those charged with governance.
- Consider specific reports as agreed with the external auditor.
- Advise and recommended on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

1.8 And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Financial reporting

1.9 The Committee will:

- Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the Police and Crime Commissioner and/or the Chief Constable.
- Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.
- Review and consider the reports from the PCC's Chief Finance Officer on the treasury management function, including the treasury management strategy, half-yearly report and annual report;

1.10 And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Accountability arrangements

1.11 The Committee will:

- On a timely basis report direct to the Police and Crime Commissioner and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.

- Report direct to the Police and Crime Commissioner and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the Police and Crime Commissioner and the Chief Constable.

Operating Principles

1.12 The following do **NOT** fall within the scope of the Joint Audit Committee:

- Constabulary performance
- Constabulary Operational risks
- HMIC reports with an operational theme / basis e.g. “A Review of the August Disorders” “Intelligence on Criminality Associated With Protest”
- The management of the internal audit function
- Any reviews carried out by the Police and Crime Panel

1.13 The Joint Audit Committee’s methods of working are as follow:

- Advises the PCC and Chief Constable according to good governance principles
- Adopts appropriate risk management arrangements
- Provides robust and constructive challenge
- Takes account of the principles of Corporate Social Responsibility (CSR) (which includes financial and economic stewardship {including VFM}; people and communities {including Diversity, Equality and Human Rights} and environmental sustainability and health & safety).

1.14 In the course of its work the Committee may forge links (direct or indirect) with the following, in no particular order and not limited to:

- Chief Financial Officers / section 151 Officers

- Monitoring Officers
- Equality & Human Rights Commission
- Government Equalities Office
- Head of Internal Audit
- External Auditors
- Her Majesty's Inspector of Constabulary
- The Police and Crime Panel for Hampshire
- Regional Committees
- Community Safety Partnerships

1.15 In general any meetings should be attended by one of the statutory officers and minute-takers as appropriate, however the Joint Audit Committee are able to meet privately and separately with the external auditor and with the head of internal audit if this is considered necessary.

1.16 The committee will comprise 3-5 people, independent of both Hampshire Constabulary and the Office of the Police and Crime Commissioner. The quorum is 3 members.

1.17 Appointment of Chair & Vice-Chair will be as follows:

- Chair and Vice- Chair to be appointed annually by the PCC & CC
- Chair may be re-appointed but to serve no more than 2 consecutive years as Chair.
- If 2 years served as Chair there must be a break of at least 2 years before the person can be appointed as a chair again.

1.18 There will be 4 formal committee meetings scheduled per year (additional formal meetings may be required) A draft schedule of meetings is proposed for March, June, September and December. There will also be scheduled training and development sessions.

- 1.19 The agenda, reports and minutes of formal meetings will be made publicly available on the OPCC and Constabulary websites.
- 1.20 The Police and Crime Commissioner and the Chief Constable and their respective CFO's should attend or be appropriately represented at formal meetings of the Joint Audit Committee. Internal and External Audit will also attend as necessary.
- 1.21 All members of the Joint Audit Committee will be required to sign a confidentiality statement before being given access to restricted or confidential information.
- 1.22 All members of the Joint Audit Committee will abide by the code of conduct of the Police and Crime Commissioner for Hampshire, which sets out the desire to uphold office inline with the intentions of the Policing Protocol Order 2011 and abide by the 'Nolan Principles'.

Annex B

Reports received by the Joint Audit Committee 2014/15 under its Terms of Reference, and attendance by JAC members

	26 March 2014 (inquorate)	30 June 2014	24 Sept 2014	4 Dec 2014
Governance, Risk Mgmt	<ul style="list-style-type: none"> • Code of Corporate Governance • JAC ToR review • Strategic risk registers • Risk update reports • Update on OPCC policy development 	<ul style="list-style-type: none"> • Code of Corporate Governance • Draft Governance Statement • JAC ToR review • Strategic risk registers • Risk update reports • OPCC Risk Management Strategy and Policy • Update on OPCC policy development • JAC forward plan 	<ul style="list-style-type: none"> • Final Governance Statement • Strategic risk registers • Risk update reports • JAC forward plan • JAC annual report 2013/14 	<ul style="list-style-type: none"> • Strategic risk registers • Risk update reports • JAC forward plan • JAC annual report 2013/14
Internal Audit	<ul style="list-style-type: none"> • Internal Audit Charter • Audit Plan 2014/15 • Progress report • Audit reports 	<ul style="list-style-type: none"> • Internal Audit Charter • Audit Plan 2014/15 • Progress report • Audit reports • Annual report and Opinion 	<ul style="list-style-type: none"> • Progress report • Audit reports 	<ul style="list-style-type: none"> • Progress report • External assessment of internal audit • Report on future provision of internal audit services
External Audit	<ul style="list-style-type: none"> • Progress report • Public Sector briefing 	<ul style="list-style-type: none"> • Joint audit plan • Annual audit fee letter 	<ul style="list-style-type: none"> • Progress report • Audit results report 	<ul style="list-style-type: none"> • Progress report • Annual audit letter • Audit fee letter
Financial reporting	<ul style="list-style-type: none"> • Treasury Management Strategy & Investment Strategy 2014/15 	<ul style="list-style-type: none"> • Treasury Management Strategy & Investment strategy 2014/15 • Treasury Outturn Report 2013/14 	<ul style="list-style-type: none"> • Statement of Accounts • Treasury mid-year report 2014/15 	<ul style="list-style-type: none"> • HMIC Valuing the Police report
Mike Attenborough-Cox (Chair)	In attendance	In attendance	In attendance	In attendance
Liz Mackenzie (Vice-Chair)	Absent	In attendance	In attendance	In attendance
Peter Lloyd	In attendance	In attendance	In attendance	In attendance
Lesley Kirk	Absent	Absent	In attendance	In attendance
Elizabeth Dermody	Absent	In attendance	In attendance	In attendance

Joint Audit Committee – Effectiveness self Assessment 2014/15

A. Creating an effective audit committee

	More satisfied		Less satisfied			What could the committee do better or differently?
	1	2	3	4	5	
1. Are you satisfied that appropriate steps have been taken by the audit committee and board to review and approve the audit committee's terms of reference on a timely basis?	?	?	?	■	?	Ongoing battle to get an agreed ToR and we are not there yet.
2. Are you satisfied that audit committee members, both individually and collectively, understand what is expected of them and the committee (eg how the committee supports the board in discharging its responsibilities with regard to financial reporting, risk management and control)?	■	?	?	?	?	Unfortunately the Executive of the PCC and the CC do not understand the role of JAC
3. Are you satisfied that all audit committee members are independent of the organisation's management and exercise their own judgement; voice their own opinions; and act freely from any conflicts of interest?	■	?	?	?	?	
4. Are you satisfied with the process by which audit committee members are appointed?	?	■	?	?	?	Process determined by PCC/CC
5. Are you satisfied with the appropriateness of the succession plans in place?	?	?	?	■	?	Do not think there is one.
6. Are you satisfied that audit committee members, as a whole, have sufficient skills, experience, time and resources to undertake their duties?	■	?	?	?	?	
7. Are you satisfied that the audit committee includes at least one member with recent and relevant financial experience?	■	?	?	?	?	
8. Are you satisfied that the audit committee is not over reliant on any individual member (eg the committee member with recent and relevant financial experience)?	?	■	?	?	?	
9. Are you satisfied that the audit committee members have a sufficient understanding of the organisation and the sector in which it operates?	?	?	■	?	?	Gaining knowledge through training programme
10. Are you satisfied that all audit committee members demonstrate the highest level of integrity (including maintaining utmost confidentiality and identifying, disclosing and managing conflicts of interest)	■	?	?	?	?	
11. Are you satisfied with the level of 'secretarial support' placed at the audit committee's disposal?	?	?	?	■	?	Structure determined by the executive. Relationship getting better – but arrangements do not align with best practice.

12. Are you satisfied with the process in place to make funds available to the audit committee to take independent legal, accounting or other advice when it reasonably believes it necessary to do so?	?	?	?	?	<input checked="" type="checkbox"/>	No. Rejected in the terms of reference.
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B. Running an effective audit committee

	More satisfied		3	Less satisfied		What could the committee do better or differently?
	1	2		4	5	
1. Are you satisfied with the audit committee chairman's leadership style (eg, are they decisive, open minded and courteous; do they set a good example, allow members to contribute and hold members to high standards; do they relate well to other members/attendees, deal effectively with dissent and work constructively towards consensus)?	■	?	?	?	?	
2. Are you satisfied that the audit committee's workload is dealt with effectively?	?	?	■	?	?	JAC mtgs limited to 2 hours, requested time should be for 3 hours min. Result agenda items not given due consideration.
3. Are you satisfied that the audit committee members work together constructively as a team?	■	?	?	?	?	
4. Are you satisfied that the audit committee maintains constructive working relationships with those individuals who attend audit committee meetings?	?	?	?	■	?	Could be better - role of the JAC not understood – treated like a local authority committee. Defensive attitude, rather than a constructive attitude taken by some officers
5. Are you satisfied that the relationship between a) the audit committee and b) the CEO, CFO and members of the senior management team strikes the right balance between challenge and mutuality?	?	?	?	■	?	See B4 - above
6. Are you satisfied that the audit committee's discussions enhance the quality of management's decision making (eg, does the audit committee engage those reporting to the committee in dialogue that stimulates and enhances their thinking and performance)?	?	?	■	?	?	Yes, but a cooperative working relationship would matter. Tendency towards presentation with few questions rather than challenge and stimulation.
7. Are you satisfied that the audit committee provide effective support to the board in fulfilling its responsibilities and adds value to the organisation?	?	■	?	?	?	
8. Are you satisfied that the audit committee's work plan covers the committee's main responsibilities and maps across to any regulatory requirements?	?	■	?	?	?	
9. Are you satisfied that the committee's meeting arrangements (eg, frequency, timing, duration, venue and format) enhance its effectiveness?	?	?	?	■	?	Time constrained – see B2. Is a problem!
10. Are you satisfied that the committee's meetings allow sufficient time for the discussion of substantive matters?	?	?	?	■	?	
11. Are you satisfied that the audit committee meeting agendas and related background information are circulated in a timely manner to enable full and proper consideration to be given to the important issues?	?	?	?	?	■	Arrive late for serious reflection, given members work commitments.

12. Are you satisfied with the quality of the audit committee papers (eg, not overly lengthy and clearly explain the key issues and priorities)	?	?	■	?	?	
13. Are you satisfied that sufficient time is allowed between audit committee meetings and meetings of the full board to allow any work arising to be carried out and reported to the board as appropriate?				■		Not appropriate. No board. JAC discuss with officers who are changed with governance, who try to influence the JAC, undermining its independence. Little or no involvement of PCC or CC.
14. Are you satisfied that audit committee meetings are free from inappropriate management influence?				■		
15. Are you satisfied that all meeting attendees (eg, audit committee members, executive directors, management and auditors) are appropriately involved in audit committee meetings?			■			Those attending generally less. PCC does not attend, CC sends DCC as his representative.
16. Are you satisfied with the arrangements in place for the audit committee to meet with external and internal auditors during the year without the presence of management? Are the meetings useful?		■				
17. Are you satisfied that private meetings with the internal auditor are useful?		■				
18. Are you satisfied that private meetings with the external auditor are useful		■				
19. Are you satisfied that the audit committee's meeting minutes are clear, accurate, consistent, complete and timely? Are you satisfied that they include key elements of debates and appropriate details of recommendations and any follow up action?			■			Minutes review and agreed by Chair and Vice Chair
20. Are you satisfied that outstanding actions arising from audit committee meetings are properly followed up?			■			JAC requests for actions and report of actions not as timely as one would expect.
21. Are you satisfied that the audit committee has taken appropriate steps to ensure internal and external audit cooperate appropriately to ensure the completeness of assurance coverage?		■				
22. Are you satisfied that there is an appropriate dialogue between internal and external auditors and management? Is 'bad news' communicated to the audit committee in a timely manner?			■			
23. Are you satisfied that the processes in place for ensuring the audit committee is kept fully informed on all material matters between meetings (including appropriate external information eg emerging risks and material regulatory changes) is working effectively?				■		Little information provided between meetings in particular reports and feedback from National

						Group.
24. Are you satisfied that the audit committee reports to the PCC and CC on a timely and accurate basis and that such communications are comprehensive, meaningful and focused?					■	Would question what is reported back to the PCC and CC – we have no idea

C. Professional development

	More satisfied		3	Less satisfied		What could the committee do better or differently?
	1	2		4	5	
1. Are you satisfied that new audit committee members are given an appropriate induction programme covering issues like: the role of the audit committee; its terms of reference; members' expected time commitment; an overview of the organisation; and the main operational and financial dynamics and risks?	?	?	?	?	?	Not applicable.
2. Are you satisfied with timeliness and appropriateness of ongoing professional development received by the audit committee (eg, regulatory matters, accounting and financial reporting, audit and risk)?	?	■	?	?	?	Not the timeliness – see B2
3. Are you satisfied that audit committee members are afforded appropriate opportunities to attend formal courses and conferences, internal talks and seminars, and briefings by external advisers such as the organisation's auditors and lawyers?	?	?	?	?	■	Members not provided with any information on causes and where identified tends to be too late. ie. Already occurred. Cost is an issue, both cost of course and members generally receive no attendance allowance
4. Are you satisfied that any induction and professional development programmes adequately equip audit committee members to understand the business environment in which organisation operates?	?	?	?	?	■	

D. Overseeing financial reporting

	More satisfied		3	Less satisfied		What could the committee do better or differently?
	1	2		4	5	
1. Are you satisfied that effective processes are in place to enable audit committee members to understand:						
• the appropriateness of the organisation's critical accounting policies, estimates and judgements?	?	■	?	?	?	
• the clarity and completeness of disclosures in the financial statements?	?	■	?	?	?	
• the impact on the financial statements of any developments in accounting standards or generally accepted accounting practice?	?	■	?	?	?	

2. Are you satisfied that the audit committee robustly challenges the proposed financial reporting and seeks appropriate changes where necessary?	?	■	?	?	?	
3. Are you satisfied that the audit committee understands and approves of the degree of management bias inherent within the financial statements and other documents within its remit?	?	■	?	?	?	

E Overseeing risk management and internal control

	More satisfied		Less satisfied			What could the committee do better or differently?
	1	2	3	4	5	
1. Are you satisfied with the clarity around the role of the audit committee in providing oversight over internal financial controls; the wider aspects of internal control; and risk management systems?	?	?	?	■	?	Unable to agree ToR – under review. Not able to influence appointment of auditors. Advice is not accepted.
2. Are you satisfied that the audit committee understands the organisation's risk appetite for each material category of risk falling within the audit committee's remit?	?	?	■	?	?	From the JAC's view point – yes. Not clear from PCC and CC's side but improving. Executive getting there.
3. Are you satisfied that the audit committee has an appropriate understanding of the processes in place to identify, evaluate and monitor the key risks facing the organisation [including where appropriate] financial, strategic and operational risks?	?	■	?	?	?	See E2 above.
4. Are you satisfied that appropriate processes are in place to enable the audit committee to understand how each material risk may impact the organisation's operations and financial condition?	?	■	?	?	?	
5. Are you satisfied that appropriate processes are in place to monitor changes in the organisation's risk profile?	?	■	?	?	?	Not clear if strategic risks – what is strategic risk is clearly understood by the organisation
6. Are you satisfied that appropriate processes are in place to provide the audit committee with suitable reports on the effectiveness of the systems of internal control?	?	■	?	?	?	
7. Are you satisfied that appropriate processes are in place to ensure the system of key controls are fit for purpose and working as intended?	?	?	■	?	?	
8. Are you satisfied with the quality, content and timeliness of the reports presented to the audit committee? Is there enough focus on risk trends and management action to address these?	?	?	■	?	?	Little or no trend analysis
9. Are you satisfied that the audit committee splits its time appropriately between focusing on risk identification and assessment, and time spent focused on the effectiveness of the risk management framework itself? (eg, time spent on reports and risk content v time on whether executives are taking the right approach.)	?	?	■	?	?	

F. Overseeing external audit

	More satisfied		Less satisfied			What could the committee do better or differently?
	1	2	3	4	5	
1. Where applicable, are you satisfied that the audit committee plays an appropriate role in recommending the appointment of the external auditor?	?	?	?	?	■	Not applicable currently, but not allowed for in the ToR
2. Are you satisfied that the external auditor dedicates appropriately qualified and experienced staff and resources to the organisation's audit, taking into account the skills and the breadth and depth of experience necessary to cover the organisation's business operations?	?	■	?	?	?	
3. Are you satisfied that the audit committee takes appropriate steps to ensure the head of internal audit has direct access to the audit committee and makes appropriate use of that access through informal as well as formal meetings? Should this not be the external auditor	?	■	?	?	?	
4. Are you satisfied that the audit committee has taken the appropriate steps to ensure the independence and objectivity of the external auditor is not compromised in any way – including where the external audit provides non-audit services?	?	■	?	?	?	
5. Are you satisfied with the process by which the audit committee reviews and assesses the external auditors work plan?	■	?	?	?	?	
6. Are you satisfied that the external audit work plan focuses on the organisation's key audit risks?	■	?	?	?	?	
7. Are you satisfied with the quality of the internal audit reports (and other documents/presentations) presented to the audit committee? Should this not be external audit	?	?	?	■	?	No formal recommendation, little or no added value.
8. Are you satisfied that the audit committee has an appropriate dialogue with the external auditor regarding the major issues that arose during the course of the audit; the key accounting and audit judgements; and the levels of errors identified during the audit?	?	?	■	?	?	
9. Are you satisfied that the audit committee takes appropriate steps to ensure management respond to the external auditor's enquiries and recommendations in a timely and fitting manner?	?	■	?	?	?	
10. Are you satisfied with both the timeliness and rigor of the process by which the audit committee reviews the effectiveness of the external auditor?	?	■	?	?	?	

G. Overseeing internal audit

	More satisfied		3	Less satisfied		What could the committee do better or differently?
	1	2		4	5	
1. Where applicable, are you satisfied that the audit committee plays an appropriate role in approving the appointment or termination of the head of internal audit (or internal audit provider as applicable)?	?	?	?	?	■	JAC not involved in the appointment. Not part of ToR. Have made recommendations eg market testing as auditors in post for decades. Advice not accepted.
2. Are you satisfied that the internal audit function is appropriately resourced (whether it is in-house, co-sourced or outsourced) taking into account the skills and the breadth and depth of experience necessary to cover the organisation's business operations?	?	?	?	■	?	Traditional internal audit service. No added value. Potential conflict of interest
3. Are you satisfied that the audit committee takes appropriate steps to ensure the head of internal audit has direct access to the audit committee and makes appropriate use of that access through informal as well as formal meetings?	■	?	?	?	?	
4. Are you satisfied with the process by which the audit committee reviews and approves the internal audit function's remit or terms of reference?	?	?	■	?	?	
5. Are you satisfied that the independence and objectivity of internal audit is not compromised in any way?	?	?	?	?	■	No. We consider that internal is compromised. Conflict of interest. Also conflicts between partner organisations.
6. Are you satisfied with the process by which the audit committee reviews and assesses the internal audit work plan?	?	■	?	?	?	
7. Are you satisfied that the internal audit work plan focuses on the organisation's key risks and controls?	?	■	?	?	?	
8. Are you satisfied with the quality of the internal audit reports (and other documents/presentations) presented to the audit committee?	?	?	?	■	?	We would like to see clear concise recommendations, not suggested management actions – and added value comments.
9. Are you satisfied that the audit committee takes appropriate steps to ensure management respond to internal audit's recommendations in a timely and fitting manner?	?	■	?	?	?	
10. Are you satisfied with the both the timeliness and rigor of the process by which the audit committee reviews the effectiveness of the internal audit function?	?	?	?	?	■	No process in place but is being addressed via an IA evaluation checklist.