



AGENDA NO: 11

INDEPENDENT AUDIT COMMITTEE: 29 October, 2020

ANNUAL REVIEW OF THE TERMS OF REFERENCE AND OPERATING PRINCIPLES

REPORT BY: HELEN DONNELLAN, Chair of the Independent Audit Committee

PURPOSE OF THE REPORT:

The purpose of the report is to present the Annual Review of the Terms of Reference and Operating Principles for the Independent Audit Committee (IAC). Attention is drawn to changes from the previous documents.

1. INTRODUCTION

1.1 The IAC terms of reference reflect the Chartered Institute of Public Finance (CIPFA), Practical Guidance for Local Authorities and Police, 2018 edition, including an annual review. The operating principles for the Dorset, Devon & Cornwall IAC accompany the terms of reference.

2. TERMS OF REFERENCE – 2020 changes

2.1 These continue to summarise the core functions of the Committee.

2.2 Governance Risk and Control, para 3. Following changes to the processes for risk management, this now reflects the Committee's focus on risk management arrangements rather than risk registers. A bi-annual audit of the arrangements by the internal audit provider has been suggested.

2.3 Governance Risk and Control, para 6. The Committee welcomes the introduction of a formal programme for review of policies. The amended wording aligns IAC reviews of the four policies specified in the CIPFA guidance, with the policy review schedule. This will avoid duplication and improve efficiency.

3. OPERATING PRINCIPLES – 2020 changes

- 3.1 **COMPOSITION.** This now reflects the agreed membership of five members, with a quorum of four.
- 3.2 **ADMINISTRATIVE SUPPORT.** The Committee values the support from officers, new and established administrative colleagues in Dorset, Devon and Cornwall during an unpredictable year.
- 3.3 **DATA SECURITY.** This is an addition to cover the changed ways of working introduced during 2020
- 3.4 **REMUNERATION.** Currently this reflects Home Office fees for Police Appeals Tribunal Members. These tribunals differ significantly from the work of an Independent Audit Committee working with four corporations sole, seeking to ‘promote good governance, make things better and not only review what happened in the past (CIPFA Practical Guidance, 2018 edition)’.
- 3.5 Discussions at a national PSAA meeting for Audit Committees in 2019, highlighted different models for members’ expenses. It was agreed that flexibility is needed to reflect the range of contexts, including Audit Committees with a heavier workload. Our context of four corporations sole, not the usual two for Police Audit Committees, was cited as an example of a heavier workload, including the demands of preparing more papers.
- 3.6 The need for appropriate levels of expenses was stressed in order to encourage greater diversity in membership. The majority of the Audit Committee members are retired white professionals, even in areas with a high BAME population.
- 3.7 This Independent Audit Committee lacks ethnic diversity and recent recruitment was dominated by people with other means of income, often by retirement. Members have explored other arrangements for reimbursing Police Independent Audit Committees and identified different models.
- 3.8 Given the changed ways of Committee working, members wish their expenses arrangements to be reviewed.
- 3.9 All members of the Committee emphasise and recognise the need for an expenses system to support members in achieving the aims agreed by the heads of the four corporations’ sole. At the same time, arrangements need to be simple to operate, easily understood, encourage diversity, be fair to members and achieve good value for the corporations’ sole.
- 3.10 Our conclusion is that the current arrangement does not meet these criteria. The heads of the four corporations’ sole have made it clear that they welcome and value the development of the Committee’s forward-thinking and rigorous approach. The expenses system based on Police Tribunal allowances appears incongruous with this, as the Police Tribunal allowance structure is limited to attendance at meetings.

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- 3.11 We suggest an alternative model is adopted, moving away from the Police Tribunal structure to a fixed allowance arrangement, as is widely used across other Independent Audit Committees. This was adopted across local government some time ago. The rationale was to recognise that councillors had a far wider job than attending committee meetings, upon which the previous attendance allowance system was based.
- 3.12 The Committee members are clear that that they do not wish to suggest a level of allowance, but note that many councils determine their allowances after a report from an independent person with expertise in this area of work. We also note that our research evidence from other police Independent Audit Committees is based on these supporting two corporations' sole, and not four, as in our case.
- 3.13 **REIMBURSEMENT OF TRAVEL COSTS.** It is appropriate for this to remain in this document, however with virtual meetings, travel in 2020 has been minimal and will continue like this. A nominal budget was suggested for 2019/20, which included £1400 for members' travel. This all points to an outdated structure for reimbursing expenses.
- 3.14 **OTHER IAC MEMBERS' COSTS.** IAC members welcome receipt of Force-provided laptop/tablet computers, as they have previously used personal equipment, resources and internet connections. The improved security gained is welcomed, but given the move to electronic papers and virtual meetings, some individual members have faced increased charges for their internet capacity, leading to a cost not able to be reclaimed under current arrangements.
- 3.15 This all points to the need for a review of expenses.
- 3.16 **BUDGET.** The operating principles state, 'This will be reviewed each year as part of the budget setting cycle and should be reviewed in line with the ongoing workload of the Committee.' Combining a review of budget and expenses seems logical.
- 3.17 **PUBLIC ACCESS.** The second sentence has been added to reflect the move to virtual meetings.

4. RECOMMENDATIONS.

- 4.1 To approve the changes and additional text in both documents.
- 4.2 That the Committee budget is reviewed along with a review of the arrangements for reimbursing members' expenses

AUTHOR

Helen Donnellan
Chair, Independent Audit Committee

On behalf and agreed by:

Not Protectively Marked

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Tom Grainger, vice-Chair
David Bowles
Gordon Mattocks
Linda Williams