



AGENDA ITEM 14

JOINT AUDIT COMMITTEE
8th JUNE 2017

**JOINT AUDIT COMMITTEE
ANNUAL REPORT 2016/17**
Report of the Chair of the Audit Committee

1. INTRODUCTION

1.1 This is the annual report of the Joint Audit Committee (JAC) and covers the financial year 2016/17. The format of the report, which reflects best practice, has been developed to enable the reader to form a view about the effectiveness of the Committee's activities during the year and its oversight of the Assurance and Risk Management Frameworks within which the Police and Crime Commissioner West Midlands (PCCWM) and West Midlands Police (WMP) operates.

2. ROLE OF THE COMMITTEE

2.1 The Committee's approved Terms of Reference, which were revised in March 2017, are detailed on the Police and Crime Commissioner's website <http://www.westmidlands-pcc.gov.uk/media/451419/JAC-Terms-of-Reference-March-2017.pdf> and can be summarised as:

- Exercising the PCCWM and WMP responsibilities in relation to corporate governance, risk management and other regulatory issues;
- Overseeing the work of Internal and External Audit;
- Ensuring that robust Internal Control and Risk Management arrangements are maintained; and
- Reviewing the Annual Statement of Accounts.

A commentary on the Committee's work during 2016/17 is set out in the following paragraphs.

2.2 The JAC is, therefore, the primary means by which the PCC / WMP ensures that adequate assurance and internal control systems are in place. It ensures that these are regularly reviewed, reflect regularity and propriety and also oversees the PCC / WMP risk management processes and corporate governance arrangements. The JAC's responsibilities are additional and supportive to those of the Chief Financial Officer.

2.3 A total of forty six reports were considered during the year, the details of which are provided in Appendix A.

3. ADOPTION OF RECOMMENDED PRACTICE

- 3.1 During 2015/16, the JAC undertook a self-assessment exercise of its performance, which was based upon good practices identified by the Chartered Institute of Public Finance and Accountancy (CIPFA). This was supplemented by the Committee Members receiving additional training from CIPFA on 'Effective Audit Committees' in September 2016.
- 3.2 The JAC also oversees the preparation of Annual Governance Statements for the PCC and WMP, which are consistent with the principles of the *CIPFA/SOLACE Framework: Delivering Good Governance in Local Government*.

4 THE WORK OF THE COMMITTEE IN 2016/17

Review of Activity against the Terms of Reference

- 4.1 The specific objectives of the JAC set in March 2016 was to overseeing the following arrangements:
 - Internal Control Environment
 - Corporate Risk Management
 - Safety and Health
 - Equalities and Diversity
 - Regulatory Framework
 - Internal Audit
 - External Audit
 - Financial Reporting
 - Inspection and Review
 - Complaints
- 4.2 The Committee has met most of its requirements during the year. The key activities are summarised below:
 - **Internal Control Environment** - Annual Governance Statements were considered by the Committee prior to their final production. The Committee has also considered the robustness of the internal control environment through reports from services such as Internal Audit, Risk Management and External Audit.
 - **Corporate Risk Management** - Risk Management updates of the Force and PCC were considered at each meeting with the focus being on key strategic risks. A revised Risk Management Strategy for the PCC was also approved.
 - **Regulatory Framework** - Specific aspects of the regulatory framework, such Anti-Fraud and Corruption Strategy have been considered and recommended for approval by the Committee. An update on internal investigations was also presented to the Committee. The Committee's overview in respect of contract procedure rules and codes of conduct and behaviour was limited to the assurance work provided by internal Audit in these areas.
 - **Internal and External Audit** - Audit activity was reviewed at every meeting with plans and regular update reports being received from both Internal and External Audit. The Committee has received regular updates on the Internal Audit Service compliance against the Public Sector Internal Audit Standards throughout the year and has contributed to the decisions on the type and form of the forthcoming external inspection.
 - **Financial Reporting** – Statements of Accounts were reviewed prior to their final production in addition to considering the related External Auditor's report. The Accounting Policies and Treasury Management Strategy have also been reported and considered during the year.

- **Inspection and Review** – The Committee has pursued progress with the HMIC Tracker, receiving updates at each Committee. Progress updates for a sample of inspections have also been reported and discussed during the year. More specific areas of scrutiny have been deliberated, including HMIC Value for Money profile.

4.3 The Committee identified some areas of overlap between the Joint Audit Committee's terms of reference and that of the Strategic Police and Crime Board. The Chair has liaised with both the Police and Crime Commissioner and Chief Constable regarding the areas of overlap and as a result the Terms of Reference was revised in March 2017 to remove the following areas:

- Safety and Health;
- Equalities and Diversity; and
- Complaints.

4.4 Whilst the Terms of Reference refer to the Committee approving the External Audit fees, in practice this does not occur as fees are set nationally. The Committee are however made aware of the fees through external audit reports and have the opportunity to comment.

How the Committee has Added Value

4.5 A wide range of issues were considered by the Committee during the year, providing independent scrutiny of the PCC and the Chief Constable. The Committee has made an impact on the governance of both organisations and the following areas provide good examples of this:

- The Committee has enhanced its review of HMIC inspection tracking by receiving detailed updates on selected HMIC inspections at each meeting. One area of concern arose from these reports which the Committee felt needed to be escalated to the PCC, which was addressed by the Chair. The Committee also received regular updates on the HMIC tracker to ensure statutory responsibilities on HMIC recommendations are being managed.
- Increased scrutiny of risk registers has not only enabled the Committee to contribute to developments within the risk management arrangements of the PCC and Force, but has allowed the Committee to ensure that the work of internal audit is being directed to those areas of greatest risk.
- The Committee approved changes to the Internal Audit Work Plan mid-year which increased its scrutiny and assurances relating to the significant risk areas of both the PCC and Force. This included increased coverage of IT aspects and the WMP2020 transformation programme through the revised Internal Audit Plan.
- In order to enhance scrutiny, the Committee has commenced the benchmarking of activity with other police forces, for example in respect of Value for Money, where several outliers in the data received from HMIC are being explored in co-operation with other Forces.
- The Committee has been involved in selecting the assessment process for the Internal Audit Services external quality assessment against Public Sector Audit Standards, ensuring the process is open and transparent. The Committee has requested they have involvement in the process and receive a report directly from the assessor to continue transparency throughout the process.
- The Committee also considered the latest position in relation to the appointment of External Auditors for both the PCC and Force. This is to enable External Auditors to be in place from April 2018 to complete the audit of accounts for the financial year 2018/19. The Committee provided advice to the Police and Crime Commissioner that the national process is used.

Membership of the Committee and Attendance Record

- 4.6 The Committee comprises of six members and is chaired by Sue Davis. The other members are Christine Barve (Vice Chair), Ernie Hendricks, Cath Hannon, Gurinder Josan, Waheed Saleem.
- 4.7 The Committee met formally on four occasions during 2016/17, all of which were quorate. The attendance of members was:

Table 1: JAC Committee Attendance 2016/17

Member	No. of Meetings Held	Number of Meetings Attended	% of Meetings Attended
Sue Davis – Chair	4	4	100%
Christine Barve – Vice Chair	4	3	75%
Waheed Saleem	4	3	75%
Ernie Hendricks	4	4	100%
Cath Hannon	4	3	75%
Gurinder Josan	4	3	75%

- 4.8 No declarations of interest were recorded during the year.
- 4.9 In addition to the members, the Chief Executive, Chief Finance Officer, Internal Audit Manager, Director of Commercial Services, representatives from External Audit (Grant Thornton) and other officers, as appropriate, attended Committee meetings.

Committee Training and Development Activity and Evaluation of performance

- 4.10 The 2015/16 self-assessment undertaken by the Joint Audit Committee provided an evaluation of the Committee's effectiveness and several areas were identified as gaps against best practice, the majority of which have been addressed or progressed during 2016/17. These included:
- Clarity over some of the specific roles of the Committee – A revised terms of reference for the Committee was approved in March 2017 following discussions with the PCC and Chief Constable.
 - Perceptions that oversight of key areas is not being undertaken – the Committee has increased its oversight in a number of areas during 2016/17, for example:
 - HMIC recommendations, with details of four reports being discussed at each meeting.
 - Internal Investigations, with biannual updates planned.
 - Internal Audits compliance against the Public Sector internal Audit Standards.
 - The need for periodic private discussions with Internal and External Audit – a private meeting with the external auditor was held in March 2017 and a private meeting with Internal Audit is planned in June 2017.
 - The need for a second independent member - A second independent member has been appointed and was subsequently appointed Vice-Chair.
 - The need for the Committee to evaluate whether Internal Audit complies with Public Sector Internal Audit Standards - The Committee now receive quarterly updates on Internal Audits assessment against the Public Sector Internal Audit Standards and has had input into the type of external assessment planned for October 2017.

5 PRIORITIES FOR 2017/18

5.1 Looking forward, the Committee will be enhancing its effectiveness by developing in the following areas:

- Receiving a wider range of assurance on key corporate and strategic risks facing the PCC and WMP, for example through the increased Internal Audit coverage against key risk areas and on HMIC recommendations;
- Improving the oversight of the effectiveness of anti-fraud and corruption arrangements and irregularity investigations; and
- Continued involvement in assessing Internal Audit against Professional Internal Audit Standards prior including contributing to the external assessment planned in October 2017 and agreeing any actions arising from this assessment.

6 CONCLUSION

6.1 The Committee's primary contribution to the PCC's and Force strategic objectives is to ensure the Governance, Control, Risk Management and Audit systems which underpin the work of the PCC/Force are sound, reliable, robust and secure.

6.2 This review gives an overview of the extensive range of work undertaken by the Committee, which has enabled it to conclude that the Commissioner's / Chief Constable's system of checks and balances remain robust, adequate and effective and that the overall arrangements for Corporate Governance are deemed satisfactory.

6.3 The Committee has reviewed its effectiveness against its terms of reference and opportunities to enhance the effectiveness of the Committee have been identified for implementation in 2017/18. The Committee recognises the significant challenges facing the Commissioner and the Chief Constable and aims to promote and support good governance.

6.4 The openness of the Police and Crime Commissioner and Chief Constable and the value they place on the work of the Joint Audit Committee in assisting them to provide best value to local citizens is acknowledged.

6.5 I would like to thank my Vice Chair, fellow Committee members and Officers for their support in enabling us to achieve, in 2016/17, our objectives.

Sue Davis
Chair Audit Committee 2016/17

Reports Considered by the Joint Audit Committee 2016/17

June 2016

Annual Governance Statements 2015/16
Statement of Accounts 2015/16
Internal Audit Annual Report 2015/16
Internal Audit Activity Report Plan Year 2016/17
Joint Audit Committee Annual Report 2015/16
External Audit Update Report
Police Inspections
Assurance Framework to include Risk Management Progress Update
Insurance Update
Employee Attendance Data
Stop and Search and Use of Taser Update

Dip Sampling Update – verbal update

September 2016

Publication of Statement of Accounts 2015/16
ISA 260 Report 2015/16 Grant Thornton
Internal Audit Activity Report 2016/17
Public Sector Internal Audit Standards Update
Internal Audit Charter / Quality Assurance and Improvement Plan
Investigations Update
Anti-Fraud and Corruption Policy / Fraud Response Plan
Police Inspections Update Report
Assurance Framework to include OPCC Risk Management Strategy
External Audit Performance Information
Committee Work Plan 2016/17
Committee Self-Assessment Questionnaire

HMIC Tracker Update – verbal update
External Audit Appointment Process – verbal update

December 2016

External Audit Annual Letter & Update
Police Inspections Update
Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
Irregularity Investigations
Internal Audit Activity Report 2016/17
Internal Audit Assurance Opinions & Recommendation Ratings
HMIC Value for Money Profile
Public Sector Internal Audit Standards Update
External Audit Appointment Process
External Audit Performance Assessment
Committee Work Plan 2016/17

HMIC Tracker Update – verbal update

March 2017

Internal Audit Strategy and Work Plan 2017/18
Police HMIC Inspections Update
Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
Accounting Policies
HMIC Value for Money Profile
IT Health Check Report
External Audit 2017/18 Annual Plan and associated Fee Letter
External Audit Joint Audit Committee Update
Internal Audit Activity Report 2016/17
Public Sector Internal Audit Standards Update
Treasury Management Strategy
Joint Audit Committee Terms of Reference and Work Plan 2017/18