



AGENDA ITEM 15

**JOINT AUDIT COMMITTEE
28th JUNE 2018**

**JOINT AUDIT COMMITTEE
ANNUAL REPORT 2017/18**

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 2017/18. The report 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 West Midlands Police and Crime Commissioner West Midlands (PCC) 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 and reaffirmed in March 2018, 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 PCC 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.
- 2.2 The JAC is, therefore, the primary means by which the PCC and 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 and WMP risk management processes and corporate governance arrangements. The JAC's responsibilities are additional and supportive to those of the Chief Financial Officer.

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 It is anticipated that a further self-assessment exercise will be undertaken during 2018/19 following the recent publication of revised guidance from CIPFA for Local Authorities and Police Audit Committees. This guidance incorporates new legislation affecting audit committees in combined authorities and updates to regulations and statutory guidance. The updates to the Public Sector Internal Audit Standards, and Delivering Good Governance in Local Government: Framework and associated guidance are also considered for their impact on the work of the audit committee.
- 3.3 During 2018/19, the Terms of Reference for the Committee will also be reviewed to establish if any changes are required as a result of the recent guidance, and further training needs for the Committee will be considered to supplement the training received from CIPFA in 2016/17.

4 THE WORK OF THE COMMITTEE IN 2017/18

Review of Activity against the Terms of Reference

- 4.1 The specific objectives of the Committee set in March 2017 was to oversee the following arrangements:
- Internal Control Environment
 - Corporate Risk Management
 - Regulatory Framework
 - Internal Audit
 - External Audit
 - Financial Reporting
 - Inspection and Review

The Terms of Reference for the Committee was last revised in March 2017. The Committee considered the Terms of Reference again in March 2018 and no revisions were required.

- 4.2 The Committee has met its requirements during the year. A total of 51 reports were considered, the details of which are provided in Appendix A. The key activities are summarised below:

- **Internal Control Environment** - The Committee maintained oversight of 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*. The Annual Governance Statements were considered by the Committee prior to their final production.

The Committee also considered the robustness of the internal control environment through reports from services such as Internal Audit, Risk Management and External Audit.

Regular updates from HMICFRS inspections and more detailed reports on progressing the areas of concern arising from a selection of inspections was also considered at each meeting.

- **Corporate Risk Management** - Risk Management updates of the Force and PCC were considered at each JAC meeting with the focus being on key strategic risks. The risk registers were presented regularly to the Committee.
- **Regulatory Framework** - Specific aspects of the regulatory framework, such as Anti-Fraud and Corruption annual effectiveness review have been considered during the year. An update on internal investigations undertaken by the Professional Standards Department was also presented to the Committee, providing oversight on matters of conduct and behaviour.

The Committee's maintained an overview in respect of contract procedure rules through the assurance work provided by Internal Audit during the year on areas such as Contract Management, Use of Consultants etc.

- **Internal Audit** – Internal Audit activity updates were reviewed at every meeting with updates on agreed plans, progress in implementing recommendations and significant findings from those audits with a ‘Limited’ or ‘Minimal’ opinion being considered. The internal audit findings and updates considered by the Committee were wide ranging, for example; access and usage of intelligence systems, vetting arrangements, victims code compliance, robustness of financial processes, contract management arrangements and WMP2020 aspects were also considered; such as, Body Worn Video and Innovation and Integration Partnership Performance Management. Where appropriate, the Committee requested additional updates from management to gain additional assurances around action taken in response to audit findings.

The Committee has noted an increased number of limited assurance opinions arising from internal audits work, but regards this as a healthy sign of a more rigorous audit approach which is adding value.

The Committee also received regular updates on the Internal Audit Service compliance against the Public Sector Internal Audit Standards throughout the year. Members contributed to the external inspection of the Internal Audit Service, providing input both during the inspection and in agreeing the management actions arising from the inspection. Progress on addressing the actions arising from the inspection is being monitored regularly.

In March 2018, the Committee endorsed the Internal Audit Strategy and Work Programme for 2018/19.

- **External Audit** – External Audit activity was reviewed at each JAC meeting with plans and regular update reports received. The Committee received regular sector updates from external audit on emerging national issues and developments that may be relevant to the PCC and WMP. Likewise, Value for Money reviews were considered. The Committee also discussed the performance of external audit against their pre-defined Key Performance Indicators

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.

The Committee have also been kept apprised of the appointment of external auditors through Public Sector Audit Appointments Limited (PSAA).

- **Financial Reporting** – Statements of Accounts were reviewed prior to their final production in addition to JAC considering the related External Auditor’s report.

Accounting Policies and Treasury Management Strategy were also considered during the year.

- **Inspection and Review** – Updates on the latest HMICFRS inspections have been considered by the Committee. A sample of inspections were scrutinised in detail to ensure appropriate progress with implementing the areas for improvement identified by HMICFRS. These reviews have included:

- Child Protection
- Domestic Abuse
- Rape Monitoring
- Crime Data Integrity
- Police Integrity and Corruption
- Policing in Austerity – Meeting the Challenge
- Custody

More specific areas of scrutiny have also been deliberated, including HMIC Value for Money profiles.

How the Committee has added value

4.3 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:

- JAC has continued to enhance its review of HMICFRS inspections tracking by receiving detailed updates on selected HMICFRS inspections at each meeting. The Committee also receives regular updates on the HMIC tracker to ensure statutory responsibilities on HMIC recommendations are being managed.
- Increased scrutiny of risk registers has enabled the Committee to contribute to developments within the risk management arrangements of the PCC and Force. Greater awareness in this area has also allowed the Committee to ensure that the work of internal audit continues to be directed to those areas of greatest risk.
- The Committee approved changes to the Internal Audit Work Plan mid-year. The changes arose as a result of an unplanned long term absence within the Internal Audit Team. The Committee considered the changes proposed, ensuring audit scrutiny continued to be focused on the most significant risk areas of both the PCC and Force.
- For matters of significant weaknesses raised by Internal Audit, the Committee have ensured more in depth scrutiny by receiving updates directly from the Force to gain assurance around progress made to address these high risk areas. Similarly, significant areas of concern raised by external audit have received more in depth scrutiny to ensure matters are progressed and fully resolved.
- The Committee has continued to receive updates on areas such as Value for Money profiles, where several outliers in the benchmarking data received are being explored in co-operation with other Forces. This work is ongoing and JAC continue to receive progress updates.
- JAC was involved in the assessment process for the Internal Audit Services external quality assessment against Public Sector Audit Standards. The Committee was directly involved with the assessment, with a selection of members being interviewed by the assessor. Members were also involved in agreeing the management responses to the recommendations arising and continue to monitor progress against the agreed action plan.
- The Committee continues to monitor progress regarding the appointment of External Auditors for both the PCC and Force. Performance of the existing external auditors has also been monitored against agreed key performance indicators.

Membership of the Committee and Attendance Record

4.4 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.

4.5 The Committee met formally on four occasions during 2017/18, all of which were quorate. The attendance of members was:

Table 1: JAC Committee Attendance 2017/18

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

- 4.6 No declarations of interest were recorded during the year.
- 4.7 In addition to the members, the Chief Executive, Chief Finance Officer, Head of Internal Audit, Deputy Chief Constable, 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

- 4.8 The Committee completed a self-assessment in 2015/16 providing an evaluation of the Committee's effectiveness and several areas were identified as gaps against best practice, these have now been addressed or continued to be progressed and established during 2017/18. 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. The Terms of reference was reaffirmed in March 2018.
 - Perceptions that oversight of key areas is not being undertaken – the Committee has continued to increase its oversight and provide more in depth scrutiny in a number of areas during 2017/18, for example:
 - HMIC recommendations with details of selected reports being discussed in detail at each meeting to obtain assurance that areas for improvement are being addressed.
 - Professional Standards Internal Investigations updates to maintain oversight of types of internal fraud and potential common themes and gaps in control framework.
 - Internal Audits compliance against the Public Sector Internal Audit Standards to ensure the service is following best practice.
 - Internal and external audit findings that merit closer scrutiny and ongoing monitoring to seek assurance that matters are addressed.
 - 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 was held in June 2017. Further private meetings are planned with both internal and external audit, as per the annual work programme agreed by the committee at its March 2018 meeting.
 - The need for a second independent member - A second independent member was appointed and was subsequently appointed Vice-Chair. There has been no change to the Committee membership during 2017/18.
 - The need for the Committee to evaluate whether Internal Audit complies with Public Sector Internal Audit Standards – As mentioned above the Committee received regular updates on the progress towards the external assessment against the Public Sector Internal Audit Standards and has continued to maintain oversight of progress in implementing the actions arising from the assessment which was undertaken in October 2017.
- 4.9 As discussed in Section 3, no further self-assessment or training has been undertaken during 2017/18 pending any learning from the external inspection of Internal Audit and the publication of the revised CIPFA guidance for Local Authorities and Police Audit Committees.

5 PRIORITIES FOR 2018/19

- 5.1 The schedule of work for 2018/19 was approved by the Committee in March 2018 and includes reviews of the internal and external annual audit plans, statements of accounts, annual governance statements, annual audit reports, internal audit updates, treasury management strategy, accounting policies, risk management strategy, risk registers, HMICFRS updates and anti-fraud and corruption effectiveness.

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

- Reviewing the Committee's purpose and objectives against the updated guidance for Local Authorities and Police Audit Committees recently published by CIPFA. Further training will be considered also during the review of this guidance;
- Continuing to receiving a wider range of assurance on key corporate and strategic risks facing the PCC and WMP, for example through the risk based approach to Internal Audit and on scrutiny of progressing areas for improvement identified in HMICFRS inspections;
- Maintaining oversight of the internal investigations and approving any revisions to the anti-fraud and corruption arrangements which are key to promoting a strong ethical and counter fraud culture; and
- Continued involvement in assessing Internal Audit against Professional Internal Audit Standards and in reviewing the effectiveness of internal audit through its regular reporting on performance.

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 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 2018/19 and will continue to be identified following publication and review of the CIPFA guidance for Local Authorities and Police Audit Committees. The Committee continues to recognise the significant challenges facing the Commissioner and the Chief Constable and aims to promote and support good governance.

6.4 The continued 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 our objectives during 2017/18.

Sue Davis
Chair Joint Audit Committee 2017/18

Reports Considered by the Joint Audit Committee 2017/18

June 2017

- Statement of Accounts
- Annual Governance Statements
- Internal Audit Annual Report 2016/17
- Internal Audit Activity Report 2017/18
- Update on Public Sector Internal Audit Standards
- HMICFRS Inspections Update
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Insurance update
- External Audit Joint Audit Committee Update – June 2017
- Joint Audit Committee Annual Report 2016/17
- Joint Audit Committee Work Plan

3 Private agenda items considered

September 2017

- Statement of Accounts
- Treasury Management Update
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Internal Audit Activity Report 2017/18
- HMICFRS Inspections Update
- Update on Pensions Data Issue from Grant Thornton Audit Findings Report
- External Audit – Audit Findings Report
- External Audit – Value for Money Report
- External Audit – KPI Report
- External Audit - PCC and CC Joint Audit Committee Update - September 2017
- HMIC Value for Money Profile
- Joint Audit Committee Work Plan 2017/18

3 Private agenda items considered

November 2017

- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Internal Audit Activity Report 2017/18
- Internal Audit PSIAS External Quality Assessment
- HMICFRS Inspections Update
- Anti-Fraud & Corruption Annual Effectiveness Review / Investigations Update from Professional Standards
- Update on Pensions Data Issue from Grant Thornton Audit Findings Report
- External Audit – Annual Audit Letter PCC and CC 2016/17
- External Audit – Audit Progress Report and Sector Update
- External Audit - Joint Audit Committee progress report on recommendations from the 2016/17 external audit

1 Private agenda item considered

March 2018

- Treasury Management Strategy
- Internal Audit Strategy and Work Programme 2018/19
- Internal Audit Activity Report 2017/18
- Joint External Audit Plan 2017/18
- External Audit Progress Report and Sector Update
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- HMICFRS Inspections Update Report
- Joint Audit Committee Terms of Reference and Work Programme 2018/19
- Accounting Policies
- Verbal update on Pensions data issue
- Verbal update on VFM profile work

1 Private agenda item considered