



STRATEGIC POLICING AND CRIME BOARD

7th July 2015

Appendix 1

ANNUAL REPORT ON ACTIVITIES 2014/15

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 2014/15. The format of the report, which reflects best practice in both the public and private sectors, has been developed to enable the reader to form a view about the effectiveness of the Committee's activities during the year, the contribution the Committee makes to the achievement of the Police and Crime Commissioner's and Chief Constable's strategic objectives and the effectiveness of the Assurance and Risk Management Frameworks within which the Office of the Police and Crime Commissioner West Midlands (OPCCWM) and West Midlands Police (WMP) operates.
- 1.2 The Committee's approved Terms of Reference, which are set out in full in **Appendix A**, can be summarised as:
- Exercising the OPCCWM 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 arrangements are maintained
 - Review the Annual Statement of Accounts
 - Maintain an overview of Force complaints against OPCCWM and WMP;

A commentary on the Committee's work in these areas during 2014/15 is set out in the following paragraphs.

2. COMMITTEE PURPOSE AND COMPOSITION

- 2.1 The JAC is, therefore, the primary means by which the OPCCWM / 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 OPCC / WMP risk management processes and corporate governance arrangements. The JAC's responsibilities are additional and supportive to those of the Chief Financial Officer.
- 2.2 During 2014/15, the Committee comprised of five members and was chaired by Susan Davies. The other members were Tim Sawdon, Brendan Conner, Ernie Henricks and Cath Hannon.
- 2.3 The Committee met formally on four occasions during 2014/15, all of which were quorate. The attendance of members was:

Member	No. of Meetings Held	Number of Meetings Attended	% of Meetings Attended
Susan Davies - Chair	4	4	100%
Tim Sawdon – Vice Chair	4	4	100%
Brendan Connor	4	3	75%
Ernie Henricks	4	4	100%
Cath Hannon	4	4	100%

2.4 Members of the Committee declared the following interests:

Member	Interest Declared
Susan Davies - Chair	Chair of Birmingham and Solihull Mental Health NHS Foundation Trust

2.5 A total of thirty four reports were considered during the year covering the following matters:

June 2014

Statement of Accounts

Annual Governance Statement (including the Review of the Effectiveness of the System of Internal Audit)

Internal Audit Annual Report 2013/14

Internal Audit Activity Report 2014/15

External Audit Annual Opinion Plan and fee letters

Work Plan 2014/15

Police Inspections

Assurance Framework to include Risk Management progress update as appropriate (risk registers – verbal update)

Joint Audit Committee – Review of Self-Assessment Questionnaire

September 2014

ISA 260 Report 2013/14

Publication of Statement of Accounts

Treasury Management Update

Assurance Framework to include Risk Management progress update as appropriate (risk registers)

Internal Audit Activity Report 2014/15

Police Inspections Update Report

Anti-Fraud and Corruption / Fraud Response Plan / Whistleblowing Policies – plan updates

Information Report(s) as appropriate

Joint Audit Committee Self-Assessment Process – Skills Audit of Committee Members

Progress on items previously considered

December 2014

External Audit Annual Letter

Internal Audit Activity Report 2014/15

Police Inspections Update Report

Assurance Framework to include Risk Management progress update as appropriate

Corporate Governance Review / Joint Scheme of Governance

Information Reports(s) as appropriate

Progress on items previously considered

March 2015

Treasury Management Strategy Report

Internal Audit Annual Plan 2015/16

Internal Audit Activity Report 2014/15

External Audit opinion plan 2014/15

Assurance Framework to include Risk Management progress update as appropriate

Procurement Arrangements

Police Inspections Update Report

Annual Private Meetings with Auditors

2.6 In addition to the members, the Chief Financial Officer, Head of Internal Audit, Director of Resources, representatives from External Audit (Grant Thornton) and other officers as appropriate attended Committee meetings.

3. EXERCISING THE OPCCWM AND WMP RESPONSIBILITIES IN RELATION TO CORPORATE GOVERNANCE, RISK MANAGEMENT AND OTHER REGULATORY ISSUES

- 3.1 During the year the Committee reviewed and approved the Annual Governance Statement (AGS), having been sufficiently assured of the framework in place and the processes that underpin its production.
- 3.2 The 2013/14 AGS recorded that despite the biggest reduction in Government funding levels for any police service in the country, WMP have continued to maintain and improve service levels. The implementation of the Organisational Change Programme continues to be delivered, changing the way services are being delivered to the public.
- 3.3 The AGS were also updated to reflect the new PCC that was elected in August 2014 and the Committee also recognises the fact that the Governance arrangements of the Strategic Police and Crime Board need to be determined.
- 3.4 Work continued to be undertaken during the year to appoint an Innovation and Integration Partner (IIP) under a 5 year contract, with Accenture being appointed. Accenture are currently working alongside the Force in delivering a programme of change for the Force that will assist in addressing the financial and service delivery challenges over the medium term.
- 3.5 The Joint Audit Committee will have a strong input into the IIP Programme and will continue to monitor and review the progress being made.
- 3.6 Within the OPCCWM a Strategic Police and Crime Plan and Annual Delivery Plan has been constructed to monitor achievement of the plan with the overall aim to re-align the Commissioner's Assurance Framework and Risk Register with this Annual Delivery Plan.
- 3.7 There continues to be significant progress within the Force to fully embed risk management, building on the progress made last year with an Organisational Risk Management Board being introduced to provide recommendations and assurances to Command Team relating to the management of risk. The Board will also oversee the formalisation of risk management structures and new policy documents. This demonstrates risk management as a dynamic process, with regular updates to the Committee throughout the year on updates to the risk register. Therefore the Committee remains well sighted on this area of work.
- 3.8 In approving the Annual Accounts for 2013/14 and Supporting Statements, the Committee noted that it had been difficult to be consistent in producing the statement of accounts due to rules and regulation changes.
- 3.9 The Committee continued to keep Treasury Management arrangements under review and noted that there has been no borrowing due to the level of cash reserves. There has been good investment returns, compared to both budget and target benchmarks during the year, with interest earned on investments being above the average return on 3 months.
- 3.10 The Committee considers that the overall arrangements for Corporate Governance remain satisfactory, with the Chair of the Committee part of the Joint Governance Board to review Governance arrangements and task other agencies, e.g. Professional Standards Department or Internal Audit with 'deep diving' activities and report their findings back to the Joint Governance Board.
- 3.11 The Committee remains proactive with regards to the external inspection regimes, in addition to Grant Thornton, that exist to undertake inspections of both the OPCCWM and the Force. To assist their governance and oversight role, the Committee continues to consider and review the summary produced outlining all such agencies, along with their planned programme of inspections. This summary also details their respective reporting protocols and timescales, enabling the Committee to remain adequately sighted on any significant issues. This summary remains a fundamental part of the Committee work plan and an updated version is presented to each Committee meeting.

- 3.12 However, there remains no room for complacency. The Committee has acknowledged that the scale of changes necessary to sustain service delivery and meet budget shortfalls will require robust management and close monitoring during 2015/16. The Committee also acknowledges that maintaining effective governance and control in a period of significantly reducing resources, coupled with IIP Project remains a significant issue and particularly challenging.

4. OVERSEEING THE WORK OF INTERNAL AND EXTERNAL AUDIT

- 4.1 The Committee continues to play a key role in monitoring and assessing the quality of both Internal and External Audit. Responsible for approving both the Strategic and Annual Internal Audit Plans and the External Auditors Planning Memorandum, the Committee ensures the work of both is complementary, provides value for money, is targeted at key risks and statutory responsibilities and is, therefore, well placed to identify any major weaknesses in the control environment and provide the necessary assurances.
- 4.2 During the year the Committee continued to receive from Internal Audit, quarterly activity reports outlining the work undertaken within the OPCCWM and Force. These provide members with greater granulation thereby giving them a greater oversight of Internal Audit work. These reports also provided the Committee with assurances around the overall control environment and details of any significant issues arising.
- 4.3 Including use of the CIPFA local government application note (LGAN) in the United Kingdom for the Public Sector Internal Audit Standards (PSIAS), which includes a checklist to measure internal audit teams against, the Joint Corporate Governance Group completed the annual review of the effectiveness of Internal Audit and concluded that the current Internal Audit provision is totally compliant with these standards. The review was considered and endorsed by the Committee at its meeting in June 2015, which also concluded that, compared to other similar police audit operations, Internal Audit provides good value for money.
- 4.4 This view was further endorsed with the results of the External Auditor's assessment of Internal Audit and the conclusion that External Audit was able to place reliance on the work of Internal Audit during the year.
- 4.5 The Committee also continues to seek out best practice, considering and implementing, where appropriate, statements on professional standards and best practice guidance. Most recent examples being the consideration of CIPFA statements around the Role of the Head of Internal Audit, which set out the principles, core activities and behaviors' that belong to such a role, along with the organisational arrangements needed to support them. Also the Public Sector Internal Audit Standards, produced by the Institute of Internal Auditors (IIA), enabling the IIA International Standards to be applied to the Public Sector. These, plus approval of the associated Internal Audit Charter will be fundamental drivers in the continued provision of an effective audit service. The Audit Charter is attached as **Appendix 1**.

5. ENSURING THAT ROBUST INTERNAL CONTROL ARRANGEMENTS ARE MAINTAINED

- 5.1 As previously stated the Committee received regular reports from both Internal and External Audit during the year confirming, in their opinions that an effective, adequate and robust internal control environment is in place. There is a rigorous process in place, by which the Committee monitors the acceptance and implementation of audit recommendations. The Committee noted that 100% of all significant Internal Audit recommendations reviewed during the period (13 in total) had been implemented. A further 6 significant recommendations are to be reviewed during 2015/16, with time allocated in the annual plan to review these recommendations, to which an update will be provided in the Internal Audit Activity Report. External Audit made 1 recommendation related to internal network password security arrangements and assurances have been given, with appropriate evidence that appropriate measures have been made, or are in train to resolve the matter.
- 5.2 There were no significant breakdowns in Internal Control during the year, which saw the continuation of major organisational, structural and operational changes. However indications remain, that structural changes, particularly those impacting on staffing resources and associated capacity, could have adverse effects on the control environment, if not managed properly. In this regard the Committee reiterated its commitment and support of Internal Audit in this area, along with seeking assurances from the Force that this position will be monitored and managed effectively.

5.3 In presenting his Annual Report to the Committee the Head of Internal Audit concluded that “...assurances can be provided to the Authority of the adequacy of the financial arrangements in place” and “From the work undertaken in 2014/15 and from the evidence of follow up audits, the following conclusions are drawn:

- Overall the Internal control Environment remains robust adequate and effective
- Overall the Regulatory framework also remains robust, adequate and satisfactory
- Overall the Corporate Governance arrangements remain effective with no significant issues arising”

6. AUDIT COMMITTEE’S OWN EFFECTIVENESS

6.1 The Committee has over the years reviewed its effectiveness against best practice and developed and implemented improvement plans, where appropriate, following self assessment reviews undertaken using professional standards/checklists such as the Toolkit for Local Authority Audit Committees / Better Governance Forum.

6.2 The Committee’s effectiveness review is currently a work in progress with questionnaires being sent to members for completion. When finalised in 2015/16, the results of the analysis of the questionnaires will be formally reported to the committee, to include any action plans / training requirements if identified.

6.3 The Committee has further evidence of its effectiveness in compliance, in terms of process and procedure, with best practice, as detailed above. The proactive approach of the Committee in relation to the various inspection regimes undertaken by the relevant agencies is further evidence of its effectiveness. It has also confirmed its position of support and commitment towards effective control arrangements by acknowledging the indications of possible control issues and by seeking assurances that these matters will receive due consideration from Force management.

6.4 In reviewing the Committee’s Terms of Reference (TOR) and the range of work undertaken during the year, the Committee believes it has addressed the identified requirements and therefore believes it has been compliant with them. The Committee does not consider that there is currently a need to revise these TOR and consider them adequate.

7. KEY CHALLENGES FOR 2015/16

7.1 Ensuring there are effective governance arrangements and controls in place for the IIP project.

7.2 Development of the Joint Scheme of Governance

7.3 Continue to work on assurance framework and risk management for both OPCCWM and the Force.

8. CONCLUSIONS

8.1 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 and its Committees are sound, reliable, robust and secure.

8.2 This report 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 systems of checks and balances are sound, reliable, robust and secure.

8.3 However, as stated in the 2013/14 Annual Governance Statement, despite the reduction in Government funding levels, WMP have continued to maintain and improve service levels and the continued implementation of the Organisation Change Programme is changing the way in which police services are delivered to the public. Accenture has been appointed as a business partner to assist the Force in delivering the programme of change to effectively manage and address the financial and service delivery challenges, which are central to delivery of the savings requirement to address the funding gap in the medium term.

8.4 The promotion of efficiency, effectiveness and good governance will therefore be even more important in the future.

- 8.5 Risk management has become a dynamic process within both corporations sole, the Committee having been provided with updates on this area of business. The OPCWM have developed a Strategic Police and Crime Plan and Annual Delivery Plan to monitor achievement of the Plan, with any risks identified from these plans being recorded on the Risk Register and associated assurance framework document. In regard to the Force, progress continues to be made with an Organisation Risk Management Board now in place to provide assurances as to the management of risks to the organisation.
- 8.6 The overall arrangements for Corporate Governance were deemed satisfactory and with the Chair now joining the Joint Governance Board an enhanced review of Governance arrangements can be undertaken.
- 8.7 I would like to thank my Vice Chair, fellow Committee members and Officers for their support in enabling us to achieve, in 2014/15, our objectives.

Susan Davis
Chair Audit Committee 2014/15