



**STRATEGIC POLICING AND CRIME BOARD**  
**5<sup>th</sup> JULY 2016**

**JOINT AUDIT COMMITTEE**  
**ANNUAL REPORT 2015/16**

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 2015/16. 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 (OPCCWM) and West Midlands Police (WMP) operates.

**2. ROLE OF THE COMMITTEE**

- 2.1 The Committee's approved Terms of Reference, which are detailed on the Police and Crime Commissioner for West Midlands' website <http://www.westmidlands-pcc.gov.uk/media/423237/joint-audit-committee-terms-of-reference-march-2016.pdf> and 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 and Risk Management arrangements are maintained;
- Reviewing the Annual Statement of Accounts and;
- Maintain an overview of Force complaints against OPCCWM and WMP.

A commentary on the Committee's work during 2015/16 is set out in the following paragraphs.

- 2.2 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.
- 2.3 A total of thirty six reports were considered during the year, the details of which are provided in Appendix A.
- 2.4 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. ADOPTION OF RECOMMENDED PRACTICE

- 3.1 During 2015/16, the JAC undertook a self-assessment exercise of its performance (further referred to in Section 4), which was based upon good practices identified by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.2 The JAC also oversees the preparation of Annual Governance Statements for the OPCCWM 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 2015/16

#### Has the Committee Fulfilled its Terms of Reference?

- 4.1 The Terms of Reference for the Committee were revised in March 2016 to:
- Reduce the minimum membership of the Committee to 2 members (from 3);
  - At least one of the members attending needs to be an independent member;
  - Increase maximum membership to 6 (from 5) and;
  - The JAC to meet with External / Internal Auditors privately at least once per year.
- 4.2 The specific objectives of the JAC relates to overseeing the following arrangements:

Table 1: JAC Key Oversight

Oversight
Internal Control Environment
Corporate Risk Management
Safety and Health
Equalities and Diversity
Regulatory Framework
Internal Audit
External Audit
Financial Reporting
Inspection and Review
Complaints

- 4.3 The Committee has met the majority of these requirements in terms of relevant agenda items. Audit activity is reviewed at every meeting with plans and reports received from Internal and External Audit.
- 4.4 Specific aspects of governance which have been reviewed include risk management arrangements and the Joint Scheme of Corporate Governance. Annual Governance Statements and the Accounts were considered prior to their final production in addition to considering the related External Auditor's report.
- 4.5 During 2015/16, however, the following responsibilities under the Committee's Terms of Reference were not specifically addressed:
- Satisfying itself on behalf of the OPCCWM and the Chief Constable that an adequate and effective framework is in place to discharge statutory requirements in relation to equalities and diversity;
  - Maintaining an overview in respect of contract procedure rules and codes of conduct and behaviour;
  - Approval of the OPCCWM and WMP Corporate Risk Management Strategy;
  - Maintaining an overview of Force complaints (although there is a dip sampling report) and an overview of the complaints against the OPCCWM and its staff.
- 4.6 Additionally, in respect of anti-fraud and corruption, although the Committee received an updated Anti-Fraud and Corruption Policy in September 2015, assurances were not received as to the effectiveness of the policy per se.

- 4.7 Furthermore, under the Protocol between Internal Audit and the Professional Standards for reporting, managing and investigating suspicions and allegations in respect of financial irregularities and fraud, it was incorporated that reports detailing the status of all investigations and any sanctions/redress taken should be reported to the JAC. This oversight has not occurred during 2015/16, nor is it explicitly included in the Terms of Reference for the Committee.
- 4.8 The Terms of Reference also refer to the Committee approving the External Audit fees, but in practice this did not occur.

### **How the Committee has Added Value**

- 4.9 The Committee has considered a wide range of issues during the year, providing independent scrutiny of the OPCCWM 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 commenced scrutiny and the receiving of assurances relating to the WMP2020 transformation programme delivered by Accenture. The Committee has agreed increased coverage of this area in the 2016/17 Internal Audit Plan.
  - The Committee has enhanced its tracking of external inspections undertaken of the Force and has also raised issues in respect of the impact of inspections within the Force.
  - Increased scrutiny has enabled the Committee to contribute to developments within risk management arrangements within the OPCCWM and the Force.
  - In order to enhance scrutiny, the Committee has commenced the benchmarking of activity with other police forces, for example in respect of treasury management and also in the delivery of Internal Audit services.

### **Membership of the Committee and Attendance Record**

- 4.10 Until February 2016, the Committee comprised of five members and was chaired by Susan Davies. The other members were Tim Sawdon, Brendan Connor, Ernie Hendricks and Cath Hannon. In February 2016, a new independent member, Christine Barve, was appointed to the Committee
- 4.11 The Committee met formally on four occasions during 2015/16, all of which were quorate. The attendance of members was:

Table 2: JAC Committee Attendance 2015/16

Member	No. of Meetings Held	Number of Meetings Attended	% of Meetings Attended
Susan Davis - Chair	4	4	100%
Tim Sawdon – Vice Chair	4	4	100%
Brendan Connor	4	2	50%
Ernie Hendricks	4	3	75%
Cath Hannon	4	3	75%
Christine Barve	1	1	100%

- 4.12 No declarations of interest were recorded during the year.

### **Training and Development Activity to Support Committee Members**

- 4.13 During 2015/16, members of the JAC completed a self-assessment checklist based upon CIPFA Audit Committee Guidance. The comments from the assessment included that members' skills and experiences had not been assessed.
- 4.14 The Chief Finance Officer has compiled the results of the self-assessment exercise and it has been identified that training will be provided for members during 2016/17.

## **Evaluation of Committee Performance**

4.15 The self-assessment also provided an evaluation of the Committee's own effectiveness and several areas were identified as gaps against best practice. These included:

- Clarity over some of the specific roles of the Committee;
- Perceptions that oversight of key areas is not being undertaken;
- The need for periodic private discussions with Internal and External Audit;
- The need for a second independent member and;
- The need for the Committee to evaluate whether Internal Audit complies with Public Sector Internal Audit Standards.

4.16 Some of these areas were addressed during 2015/16 and other key issues from the self-assessment should be addressed during 2016/17.

## **5 PRIORITIES FOR 2016/17**

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 OPCCWM and WMP, for example the increased Internal Audit coverage of the WMP2020 programme;
- Improving the oversight of the effectiveness of anti-fraud and corruption arrangements and irregularity investigations;
- Receiving reports on those areas of the Terms of Reference not covered in 2015/16;
- Assessing Internal Audit against Professional Internal Audit Standards prior to an external assessment before 2018;
- Increasing assurances which evaluate effectiveness in addition to compliance.

## **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.

6.3 The overall arrangements for Corporate Governance were deemed satisfactory and, with the Chair on the Joint Governance Board, to ensure that an enhanced review of Governance arrangements is undertaken.

6.4 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 2016/17. The Committee recognises the significant challenges facing the Commissioner and the Chief Constable and aims to promote and support good governance.

6.5 I would like to thank my Vice Chair, fellow Committee members and Officers for their support in enabling us to achieve, in 2015/16, our objectives.

Susan Davis  
Chair Audit Committee 2015/16

## **APPENDIX A**

### **Reports Considered by the Joint Audit Committee 2015/16**

#### June 2015

Committee Work Plan 2015/16  
Annual Governance Statements (including the annual review of the effectiveness of the System of Internal Audit)  
Statement of Accounts 2014/15  
Annual Internal Audit Report 2014/15  
Internal Audit Activity Report 2015/16  
External Inspections  
Insurance Arrangements  
Dip Sampling Update  
Joint Audit Committee Annual Report  
Risk Management Update  
Joint Audit Committee –Self-Assessment Questionnaire  
External Audit Update

#### September 2015

Committee Work Plan 2015/16  
External Audit Findings Report 2014/15  
Publication of Statement of Accounts  
Internal Audit Activity Report 2015/16  
Treasury Management Update  
Risk Management Update  
Health and Safety Update  
Anti-Fraud and Corruption Update

#### December 2015

Committee Work Plan 2015/16  
Recruitment of Additional Audit Committee Member  
External Audit Annual Letter and Update  
Internal Audit Activity Report 2015/16  
Assurance Framework Update  
Corporate Governance Review / Joint Scheme of Governance  
Statement of Accounts 2015/16 – Earlier Closedown

#### March 2016

Committee Work Plan 2016/17  
Amended Committee Terms of Reference  
Treasury Management Strategy Report  
Internal Audit Activity Report 2015/16  
Internal Audit Annual Plan 2016/17  
External Audit Plan 2015/16 AND Fee Letter  
Assurance Framework and Risk Management Update  
Police Inspections Update Report  
Accounting Policies