



AGENDA ITEM 15

**JOINT AUDIT COMMITTEE
28th JUNE 2019**

**JOINT AUDIT COMMITTEE
ANNUAL REPORT 2018/19**

Report of the Chair of the Audit Committee

1. INTRODUCTION

- 1.1 This is the annual report of the Joint Audit Committee and covers the financial year 2018/19. 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 terms of reference for 2018/19 were approved in March 2017 and reaffirmed in March 2018. The purpose of the committee can be summarised as:
- Advising the WMPCC and the Chief Constable according to good governance principles.
 - Providing independent assurance on the adequacy and effectiveness of the PCC and WMP internal control environment and risk management framework.
 - Overseeing the effectiveness of the framework in place for ensuring compliance with statutory requirements.
 - Independently scrutinising financial and non-financial performance to the extent that it affects the WMPCC and WMP exposure to risks and weakens the internal control environment.
 - Overseeing the financial reporting process.
- 2.2 The Joint Audit Committee is, therefore, the primary means by which the PCC and WMP ensures that adequate assurance and internal control systems are in place. The committee's responsibilities are additional and supportive to those of the Chief Finance Officer. The latest terms of reference for the committee can be found on the [Police and Crime Commissioner's website](#).

3 THE WORK OF THE COMMITTEE IN 2018/19

- 3.1 The committee is accountable to the PCC and the Chief Constable. CIPFA's Practical Guidance for Local Authorities and Police Audit Committees sets the criteria for this accountability which forms the basis of this report. The criteria is as follows:

- Has the committee fulfilled its agreed terms of reference?
- Has the committee adopted recommended practice?
- Have the development needs of committee members been assessed and are committee members accessing briefing and training opportunities?
- Has the committee assessed its own effectiveness or been the subject of a review?
- What impact has the committee had on the improvement of governance, risk and control?

This report sets out progress made by the committee against each of these criteria.

Has the Committee fulfilled its agreed terms of reference?

3.2 The specific objectives of the committee during 2018/19 was to oversee the following arrangements:

- Internal Control Environment
- Corporate Risk Management
- Regulatory Framework
- Internal Audit
- External Audit
- Financial Reporting
- Inspection and Review

3.3 The committee has met its requirements during the year. A total of 42 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 both internal and external audit.

- **Corporate Risk Management** - Risk Management updates of the PCC and WMP were considered at each committee meeting. The risk registers presented to each meeting focused on the most strategic risks.
- **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. In addition, the committee approved a revised Anti-Fraud, Bribery and Corruption Policy.

The committee has maintained an overview in respect of financial regulations and contract standing orders through the assurance work provided by internal audit during the year on key financial systems; including, treasury management, budget monitoring, accounts payable and accounts receivable etc.

- **Internal Audit** – Internal audit activity updates were reviewed at every meeting with updates on agreed plans, performance of the internal audit team and significant findings from those audits with a 'Limited' or 'Minimal' opinion being considered. The internal audit finding updates considered by the committee continue to be wide ranging, for example; Access and Usage of Systems, Force Governance Arrangements, Disclosure, Bail Management, Custody Visiting and WMP2020 aspects, such as Benefits Realisation.

Where appropriate, the committee requested additional updates from management to gain additional assurances around the audit findings.

The committee also monitor the implementation of internal audit recommendations and challenge progress made by management, if required.

In addition, updates on internal audit's compliance against the Public Sector Internal Audit Standards have also been deliberated. In March 2019, the committee endorsed the Internal Audit Strategy and Audit Charter and the Work Programme for 2019/20.

- **External Audit** – External audit activity was also reviewed at each meeting with plans and regular update reports received. Regular sector updates from external audit on emerging national issues and developments that may be relevant to the PCC and WMP were considered as part of these updates. 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 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 the committee considering the related external auditor's report.

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

Members are aware of the HMICFRS VFM outcomes published on an annual basis and this is included in the committee's work plan for 2019.

- **Inspection and Review** – Regular updates from HMICFRS inspections were considered at each meeting and 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:

- PEEL Effectiveness reviews
- Online and on the edge: real risks in a virtual world
- Modern Slavery
- A progress report on the police response to domestic abuse 2017
- PEEL Legitimacy 2016 & 2017

Has the committee adopted recommended practice?

3.4 The CIPFA Practical Guidance for Local Authorities and Police Audit Committees was published during 2018/19. An assessment was completed of the committee's terms of reference against the model terms of reference detailed in the guidance. Only minor revisions were required that were approved by the Committee in March 2019.

3.5 During the year, the committee also completed a self-assessment against the requirements set out in the CIPFA guidance. This provided an evaluation of the committee's effectiveness, which presented a positive picture of conformance against the requirements set. The committee held an extended discussion, facilitated by Grant Thornton to explore the feedback from the self-assessment and wider best practice/learning, which identified a couple of potential areas to be progressed during 2019/20. These included:

- Seeking clarity over how certain aspects of the committee's oversight responsibilities operate in practice – For example, the committee has an active role in ensuring that an appropriate risk framework is in place and is operating effectively. Having a greater understanding of how the risk process operates would allow for more proactive scrutiny. This also applies to other processes, such as internal audit. The Committee will consider their training requirements during 2019/20 which will contemplate training

around internal processes and external training around best practice and critical success factors for audit committees.

- Exploring further opportunities to evaluate the effectiveness of the committee – For example, obtaining feedback from attendees and other stakeholders. Members will consider methods of seeking feedback on the operation of the committee which would provide additional assurance that the committee is fulfilling its role effectively and it is adding value.
- Strengthening and supporting accountability - An audit committee is most effective in supporting accountability when it discussed governance, risk and control issues with the responsible officers directly. This happens for some areas, for example, HMICFRS reports and occasionally for internal audit report findings, but less so for areas such as risk management. Wider attendance of responsible officers and risk owners will be considered going forward.

Have the development needs of committee members been assessed and are committee members accessing briefing and training opportunities?

- 3.6 No formal training has been undertaken by the committee during 2018/19, with focus being placed on assessing the committee's roles and responsibilities, and in committee members undertaking a formal self-assessment against the requirements of the CIPFA guidance. Formal training requirements will now be considered following conclusion of the self-assessment exercise.

Has the committee assessed its own effectiveness or been the subject of a review?

- 3.7 The committee has assessed its own effectiveness against the CIPFA guidance and Grant Thornton's 'Examining the Evidence - Audit Committee effectiveness in the police sector.' The results of this exercise were largely positive with only minor exceptions being identified. In addition to the points raised in 3.5 above, these exceptions largely relate to the committee's role in obtaining assurance on collaborations. At present assurance on partnerships and wider collaborations is obtained through routine internal audit arrangements which is considered adequate, but as the number and complexity of collaborations increases, this may be an area where the committee will need to consider the need for greater oversight and scrutiny.

What impact has the committee had on the improvement of governance, risk and control?

- 3.8 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 as demonstrated in the following examples:
- The committee has continued to enhance its review of HMICFRS inspections tracking by receiving detailed updates and presentations on selected HMICFRS inspections at each meeting. The committee has provided additional scrutiny to those inspections on the HMICFRS tracker with significant recommendations outstanding.
 - Increased scrutiny of risk registers has enabled the committee to contribute to developments within the risk management arrangements of the PCC and WMP. The committee questioned the inconsistencies in the format and content of the risk registers, which resulted in the format being reviewed mid-year to be consistent across both the PCC and WMP.

- The committee ensures that the work of internal audit continues to be directed to those areas of greatest risk. For matters of significant weaknesses raised by internal audit, the committee have receiving updates directly from WMP to gain a greater level of assurance around progress made to address these high risk areas. The committee has considered in private some areas of particular sensitivity, rather than defer its scrutiny.
- The committee has a played a key role in reviewing the annual accounts and annual governance statements, providing assurance to the PCC and Chief Constable before they formally approve these documents.
- The committee continues to monitor the performance of the internal and external auditors and members have actively participated in nationally held PSAA Local Audit Quality Forum events.
- Supplementary to the above, and following scrutiny of representatives of the West Midlands Combined Authority (WMCA), the committee submitted a full formal response to the WMCA consultation on the future of policing governance and provided its advice to the PCC and Chief Constable accordingly.

4 Membership of the Committee and Attendance Record

4.1 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 Singh Josan and Waheed Saleem.

4.2 The Committee met formally on five occasions during 2018/19, one of which was an extraordinary meeting to discuss external audit's findings in relation to the draft statement of accounts. All meetings were quorate. Due to health issues the Vice Chair was unable to attend some of the meetings. The attendance of members is detailed below.

Table 1: Joint Audit Committee Attendance 2018/19

Member	No. of Meetings Held	Number of Meetings Attended	% of Meetings Attended
Sue Davis – Chair	5	5	100%
Christine Barve – Vice Chair	5	2	40%
Waheed Saleem	5	5	100%
Ernie Hendricks	5	4	80%
Cath Hannon	5	3	60%
Gurinder Singh Josan	5	4	80%

4.3 No declarations of interest were recorded during the year.

4.4 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.

5 PRIORITIES FOR 2019/20

5.1 The schedule of work for 2019/20 was approved by the committee in March 2019 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:

- Considering further formal training of the committee following the publication of the revised CIPFA guidance, incorporating best practice and critical success factors for audit committees.
- As part of wider training and development, the committee will seek clarity over how certain aspects of the committee's oversight responsibilities operate in practice through internal awareness sessions/briefings.
- Continuing to receiving a wider range of assurance on key corporate and strategic risks facing the PCC and WMP, for example through examination of risk registers, the risk based approach to internal audit and on scrutiny of progressing areas for improvement identified in HMICFRS inspections. The committee will continue to strengthen and support accountability by discussing governance, risk and control issues directly with responsible officers, where considered appropriate.
- Maintaining oversight of the internal investigations and approving any revisions required to the anti-fraud and corruption arrangements which are key to promoting a strong ethical and counter fraud culture.
- Continued involvement in assessing internal audit against Public Sector Internal Audit Standards and in reviewing the effectiveness of internal audit through its regular reporting on performance.
- Providing oversight of the Corporate Governance arrangements through updates from the internal Joint Corporate Governance Board and through review of the annual governance statements.

6 CONCLUSION

- 6.1 The committee's primary contribution to the PCC's and WMP 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 report gives an overview of the comprehensive 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 has undertaken a self-assessment against the revised CIPFA Practical Guidance for Local Authorities and Police Audit Committees. Opportunities to enhance the effectiveness of the Committee have been identified for implementation in 2019/20.
- 6.4 The committee continues to recognise the significant challenges facing the Commissioner and the Chief Constable and aims to promote and support good governance. Any advice offered will be considerate of these challenges.
- 6.5 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 of vital importance to our effective working and is greatly appreciated.
- 6.6 I would like to thank my Vice Chair, fellow committee members and officers for their support in enabling us to achieve our objectives during 2018/19.

Sue Davis
Chair Joint Audit Committee 2018/19

Reports Considered by the Joint Audit Committee 2018/19

June 2018

- Statement of Accounts
- Annual Governance Statements
- Internal Audit Annual Report 2017/18
- Internal Audit Activity Report 2018/19
- Internal Audit Quality Assurance and Improvement Programme
- HMICFRS Inspections Update
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Insurance update
- External Audit progress report and Sector Update
- External Audit 2018/19 Fee letters
- Joint Audit Committee Annual Report 2017/18
- Joint Audit Committee Work Plan 2018/19

September 2018

- Treasury Management Update
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Internal Audit Activity Report 2018/19
- HMICFRS Inspections Update
- Anti-Fraud, Bribery and Corruption Policy
- External Audit – Joint Audit Findings Report
- External Audit - Annual Audit letter
- External Audit – KPI Outcomes Report 2017/18
- External Audit progress report and Sector Update
- Joint Audit Committee Work Plan 2018/19

December 2018

- Policing Governance
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Internal Audit Activity Report 2018/19
- HMICFRS Inspections Update
- Anti-Fraud & Corruption Annual Effectiveness Review / Investigations Update from Professional Standards
- Uniform ordering, delivery and collection within WMP
- External Audit – Audit Progress Report and Sector Update
- Joint Audit Committee Work Plan 2018/19

March 2019

- Verbal Update on Policing Governance
- Treasury Management Strategy
- Internal Audit Strategy and Work Programme 2019/20
- Internal Audit Activity Report 2018/19

- External Audit - Joint Audit Findings Audit Plan Follow-up
- External Audit – Joint Audit Plan
- 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 2019/20
- Accounting Policies

1 Private agenda item considered