



AGENDA ITEM 14

**JOINT AUDIT COMMITTEE
24 June 2021**

**JOINT AUDIT COMMITTEE
ANNUAL REPORT 2020/21**

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 2020/21. 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 (PCC) and West Midlands Police Force operates.

2. ROLE OF THE COMMITTEE

- 2.1 The committee's terms of reference for 2020/21 sets out the purpose of the committee, which can be summarised as:
- Advising the PCC and the Chief Constable according to good governance principles.
 - Providing independent assurance on the adequacy and effectiveness of the PCC's and Force's 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 PCC's and Force's 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 the Chief Constable 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 2020/21

- 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 2020/21 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 40 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 the Force, 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 in June 2020 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 Force were considered at each committee meeting. The risk registers presented to each meeting focused on the most strategic risks. The committee received updates throughout the year on the review the Force is undertaking of its own risk management arrangements.

More recently, Members have challenged on risks relating to how the impacts of Covid-19 are being managed including any revised governance arrangements, consequences of Brexit, the impact of significant IT change and wider vulnerability risks.

- **Regulatory Framework** - Specific aspects of the regulatory framework, such a review of Accounting Policies, Treasury Management Strategy, Anti-Fraud and Corruption Policy etc. have taken place during the year.

The annual effectiveness review of anti-fraud and corruption arrangements included an update on internal investigations undertaken by the Professional Standards Department, providing oversight on matters of conduct and behaviour.

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, payroll, bank reconciliation covert funds etc.

During the year the Chair was advised of a breach in the Corporate Governance Framework and for openness the committee was made aware and the breach was appropriately recorded.

- **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 findings considered by the committee continue to be wide ranging, for example; domestic abuse serial perpetrators, missing persons, new IT systems implementation, fraud and cybercrime. Where appropriate, the committee requested additional updates from management to gain additional assurances around the audit findings. Further updates were received on missing persons during the year.

The committee also monitored the implementation of internal audit recommendations and challenged progress made by management and in some cases requested responsible officers attend the meeting to provide progress updates.

In addition, updates on internal audit’s compliance against the Public Sector Internal Audit Standards have also been deliberated. In January 2021 the committee considered changes to the 2020/21 audit plan as result of a shortfall in resources and in March 2021 the committee endorsed the Internal Audit Strategy and Audit Charter and the Work Programme for 2021/22.

- **External Audit** – External audit activity was 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 the Force were considered as part of these updates.

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.

In March 2021 the committee welcomed a new engagement lead and audit manager from Grant Thornton who will be leading the 2020/21 accounts audit.

- **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.

Due to the impact of Covid-19, work on investigating the outliers identified from the HMICFRS VFM outcomes that are published annually was delayed. A further HMICFRS VFM report was released towards end March 2021 which will be reviewed and any outliers investigated with updates reported to the committee during 2021/22.

- **Inspection and Review** – Regular updates from HMICFRS inspections were considered at each meeting, which include details of recommendations or improvement actions and gradings awarded for each inspection. The programme of HMICFRS inspections was suspended for a short time due to Covid-19, but updates on the programme continued to be provided to members. Members also received updates on outstanding HMICFRS recommendations which are now subject to review by a new panel established within the Force.

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 have been required since with terms of reference being considered and approved by committee in March.
- 3.5 The guidance recommends undertaking a regular self-assessment against the requirements set out in the CIPFA guidance. The last full self-assessment was undertaken in March 2019.

This assessment proved positive, with only minor training and development areas being identified, majority of which have been addressed and have continued to operate during 2020/21:

- Seeking clarity over how certain aspects of the committee's oversight responsibilities operate in practice – Having a greater understanding of how the risk process operates would allow for more proactive scrutiny.
 - *Committee Members attended a risk management training session in September 2019 where both the Force and OPCC risk strategies were explained in further detail. This increased the committee's awareness allowing for more robust scrutiny being observed throughout 2020/21. During a reflection session in March 2021, the committee felt that risk management training they received would be helpful to any new committee membership following the PCC elections.*
- Exploring further opportunities to evaluate the effectiveness of the committee – This would provide additional assurance that the committee is fulfilling its role effectively and it is adding value.
 - *This has not been fully progressed, in part due to some changes in members and the uncertainty around ongoing membership of the Committee as a result of PCC elections. The Chair has open access to both the PCC and Chief Constable and with internal and external audit providing a platform for any compliments or areas of concern to be discussed.*
- Strengthening and supporting accountability - An audit committee is most effective in supporting accountability when it discusses governance, risk and control issues with the responsible officers directly. Wider attendance of responsible officers and risk owners will be considered going forward.
 - *The Committee continues to invite representatives for specific items, particularly in respect of internal audit findings and long outstanding recommendations.*

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

- 3.6 Following the self-assessment against the requirements of the CIPFA guidance undertaken by Members in March 2019, the training requirements identified were fulfilled during 2019/20. No further formal training was conducted during 2020/21 due to the uncertainty around PCC elections. A new independent member was appointed who was provided with induction training. Similar training will be provided to any new members appointed following the PCC elections in May 2021 and a formal training plan will be developed including specific areas within the scope of the committee's terms of reference such as risk management frameworks and supporting processes.

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

- 3.7 In March 2019, the committee assessed its own effectiveness against the CIPFA guidance and Grant Thornton's 'Examining the Evidence - Audit Committee effectiveness in the police sector.' The result of this exercise were largely positive with only minor exceptions being identified, as discussed in paragraph 3.5.

Due to the uncertainty around PCC elections in 2020/21 a further assessment was not undertaken as the election may instigate a significant change in membership of the committee. The committee did however undertake a reflection session in March 2021 to discuss what works well and what would be recommended to continue under any new membership going forward. The feedback included maintaining the openness and transparency that the committee has established through the public meetings which are broadcast live by webcam, having knowledgeable and insightful members who can provide an informed input and having

continued commitment and attendance from senior staff and officers from across both the Force and OPCC.

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 maintain oversight of HMICFRS inspection findings during the year.
- Increased scrutiny of risk registers has enabled the committee to contribute to developments within the risk management arrangements of the PCC and Force. The committee particularly challenged the mitigations in some of the developing risk areas such as vulnerability, Brexit and significant systems implementation. The committee welcomed the addition of a trending indicator on the Force risk register.
- 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 the Force and the OPCC to gain a greater level of assurance around progress made to address these high risk areas. The Committee gave particular emphasis on scrutiny this year to missing persons and IT administration arrangements.
- 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 Scheme of Governance Framework, which sets out how the PCC and the Chief Constable conduct their organisations business both jointly and separately was considered by the committee during the year. In addition the committee considered a breach to the framework and ensured the matter was recorded and appropriate oversight maintained.
- As part of their financial reporting oversight, the committee considered a matter arising in respect of a £10m investment the PCC has with a Local Authority which was subject to a Section 114 notice. The committee explored the risk factors around this and further investments with other public sector bodies, including what due diligence arrangements are in place.

4 Membership of the Committee and Attendance Record

4.1 The committee comprises of five members and is chaired by Sue Davis. The other members are Richard Hollands (Vice Chair), Cath Hannon, Gurinder Singh Josan and Brendan Connor. During 2020/21 all meetings held were quorate.

4.2 The Committee met on four occasions during 2020/21, with all meetings held virtually due to the Covid-19 pandemic. The attendance of members was:

Table 1: Joint Audit Committee Attendance 2020/21

Member	No. of Meetings were attendance requested	Number of Meetings Attended	% of Meetings Attended
Sue Davis – Chair	4	4	100%
Cath Hannon	4	4	100%
Gurinder Singh Josan	4	4	100%
Brendan Connor	4	3	75%
Richard Hollands	4	4	100%

4.3 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 2021/22

5.1 The schedule of work for 2021/22 was approved by the committee in March 2021 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 Whilst the programme of work was approved the committee recognise that membership may change following the PCC elections in May and new governance arrangements may be established. Therefore the terms of reference and working protocols of the committee and its subsequent work programme should be reviewed following new membership being established. Focus should also be put on establishing any new arrangements, inducting new members and embedding new members into their role.

5.3 Looking forward, the committee would recommend that any future membership should focus on establishing and enhancing its effectiveness in the following areas:

- Receiving a wide range of assurance on key corporate and strategic risks facing the PCC and Force, through scrutiny of risk registers, the risk based approach to internal audit and on scrutiny of progressing areas for improvement identified in HMICFRS inspections.
- Work to strengthen and support accountability by discussing governance, risk and control issues directly with responsible officers, where considered appropriate.
- Promoting a strong ethical and counter fraud structure by maintaining oversight of the internal investigations, considering any revisions to the anti-fraud and corruption arrangements and monitoring the outcomes of National Fraud Investigation matches reported.
- Assess internal audit against the Public Sector Internal Audit Standards and review the effectiveness of internal audit through its regular reporting on performance. Also consider proposals for the next external assessment of internal audit due in 2022. Preparations for this will commence during 2021/22.
- Consider any revisions made to Corporate Governance arrangements and maintain oversight of compliance through any updates from the internal Joint Corporate Governance Board and through review of the annual governance statements and work of internal audit.
- Towards the end of 2021/22, undertake a self-assessment against the CIPFA's Practical Guidance for Local Authorities and Police Audit Committees in light of the new membership of the committee. This will determine whether any further training is required following any initial induction arrangements.

6 CONCLUSION

- 6.1 The committee's primary contribution to the PCC's and Force's 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 recognises the significant challenges facing the Commissioner and the Chief Constable and aims to promote and support good governance. The continued openness of the 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. It has been a particularly difficult year due to the Covid-19 pandemic but this did not hinder the committee and we maintained high levels of attendance and vigorous scrutiny throughout the year moving swiftly to virtual platforms to conduct meetings.
- 6.4 I would like to thank my fellow committee members for their consistent preparation, attendance and balanced and informed input throughout the year and officers for their support in enabling us to achieve our objectives during 2021/22.

Sue Davis
Chair Joint Audit Committee 2021/22

Reports Considered by the Joint Audit Committee 2020/21

July 2020

- Annual Governance Statements
- Statement of Accounts
- Internal Audit Update
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- HMICFRS Update
- Insurance Update
- Internal Audit Quality Assurance and Improvement programme
- Internal Audit Annual Report 2019/20
- External Audit - Progress Report and Sector Update
- External Audit – Addendum to Audit Plan – Covid-19
- Joint Audit Committee Annual report 2019/20
- JAC Work programme 2020/21

1 Private item report

September 2020

- Internal Audit Update
- Treasury Management Update
- HMICFRS Update
- Anti-Fraud, Bribery and Corruption Policy
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- External Audit - Progress Report and Sector Update
- External Audit – External Audit Joint Audit Findings Report (Year ending 31 March 2020)
- JAC Work programme 2020/21

1 Private item report

January 2021

- Anti-Fraud, Bribery and Corruption Effectiveness Review
- HMICFRS Update
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- Internal Audit Update
- Corporate Governance Review
- External Audit – External Audit Joint Audit Findings Report (Year ending 31 March 2020)
- External Audit – Annual Audit letter
- JAC Work programme 2020/21

March 2021

- Risk Management Update, including Force Risk Register and OPCC Risk Register
- HMICFRS Update
- Treasury Management Strategy
- Accounting Policies
- Internal Audit Update

- Internal Audit Annual Strategy and Work Plan 2021/22
- External Audit – External Audit Plan 2020/21
- External Audit – Progress Report and Sector Update
- JAC Terms of Reference and Work Programme 2021/22