



**AGENDA ITEM 16**

**JOINT AUDIT COMMITTEE  
30 June 2022**

**JOINT AUDIT COMMITTEE  
ANNUAL REPORT 2021/22**

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 2021/22. 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 governance, 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 2021/22 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 risk 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 ensure 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 2021/22**

- 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 2021/22 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 38 reports were considered, the details of which are provided in Appendix A. The key activities are summarised below:

- **Internal Control Environment** - The committee maintained its 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 2021 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 meeting. The format and reporting of the risk registers of both the Force and OPCC changed during the year as both have adopted new arrangements. The committee received updates throughout the year on the changes in approaches and shared their assessment of where the registers can be developed and improved further to help understand the risk appetite and effectiveness of mitigations. In addition, members received training on the new approaches during the year.

Members continued to challenge the risks and mitigating actions, particularly where risks' scores have remained static for a length of time.

- **Regulatory Framework** - Specific aspects of the regulatory framework, such a review of Accounting Policies, Treasury Management Strategy and Insurance arrangements have been reviewed by the committee.

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 such as accounts payable and cash services.

- **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; rape and serious sexual offences, victim satisfaction, detained property, Force risk management arrangements, new systems reviews etc. Where appropriate, the committee requested additional updates from management to gain further assurance. The committee also monitored the implementation of internal audit recommendations and challenged progress made by management.

Internal Audit are due to be externally assessed during 2022/23 and in September 2021 the committee approved the proposed form of external assessment and agreed the specification against which external assessors would be evaluated.

In December 2021 the committee endorsed changes to the 2021/22 audit plan which was amended to reflect new risks in the Force’s risk register. Updates on internal audit’s compliance against the Public Sector Internal Audit Standards have also been reviewed and in March 2022 the committee endorsed the Internal Audit Strategy and Audit Charter and the Work Programme for 2022/23.

- **External Audit** – External audit activity was considered at each meeting with plans and update reports received, along with a sector update in March 2022 on emerging national issues and developments that may be relevant to the PCC and the Force.

In December, the committee considered a report on the latest position in relation to the appointment of External Auditors for both the PCC and the Force, to enable External Auditors to be in place from April 2023.

In March 2022 the committee welcomed a new audit manager from Grant Thornton who will be leading the 2021/22 accounts process.

- **Financial Reporting** – Statements of Accounts were reviewed as well as the Accounting Policies and Treasury Management Strategy also being considered during the year.

The outliers identified in the HMICFRS VFM outcomes was shared with the committee as well as the actions taken by the Force to investigate these.

- **Inspection and Review** – Regular updates from HMICFRS inspections were considered at each meeting, which include details of the findings, recommendations or improvement actions and gradings awarded for each inspection. The programme of HMICFRS inspections is also shared with the committee requesting updates where felt appropriate and necessary.

### **Has the committee adopted recommended practice?**

- 3.4 The CIPFA Practical Guidance for Local Authorities and Police Audit Committees was published during 2018/19. Following publication, the committee’s terms of reference was assessed against the model terms of reference detailed in the guidance and minor amendments were made as a result. The terms of reference were considered and approved by committee in March.

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

- 3.5 Training was a key objective of the Committee during 2021/22 following the appointment of new members who joined the Committee in July 2021 following election of a new Police and Crime Commissioner. External training was commissioned from CIPFA to act as both a formal induction session for new members and refresher training for existing members. The objectives of this session, which was provided in September 2021, included:

- Developing knowledge of the joint audit committee, its roles and responsibilities
- Develop skills and confidence
- How to question, scrutinise, and make a difference:
- Risk principles
- Relations with internal audit
- Accountability, assurance and making an impact
- Challenging yourself to improve

Further training on risk management arrangements of both the Force and Office of the Police and Crime Commissioner was provided in January 2022 to increase knowledge and awareness of the changes in this area.

Two further training sessions have been identified for 2022/23, one in respect of external audit and another around treasury management. Timings of these have yet to be determined.

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

- 3.6 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 was positive with only minor exceptions being identified, which have since been addressed.
- 3.7 Due to the uncertainty around PCC elections in 2020/21 a further assessment was not undertaken as the election was likely to instigate 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 and the outcome of this discussion have been considered during 2021/22. The feedback included:
- *maintaining the openness and transparency that the committee has established through the public meetings which are broadcast live by webcam.*  
Following periods of disruption due to lockdowns as a result of the pandemic, the committee managed to hold two face to face meetings during the year which the public can attend and which were broadcast live. Even when not able to conduct meetings face to face live broadcasts continued, although meetings were held virtually.
  - *having knowledgeable and insightful members who can provide an informed input.*  
The wide-ranging agenda requires a breadth of knowledge which requires members to work as a collective to provide appropriate scrutiny and challenge. The membership of the committee changed during the year with the Chair and Vice Chair being joined by new members following the PCC election in May 2021. Training and development has been and will continue to be provided to develop the committee's knowledge and awareness. Despite the infancy of new members in their role, the committee has continued to provide rigorous scrutiny.
  - *having continued commitment and attendance from senior staff and officers from across both the Force and OPCC.*  
All meetings have continued to be well supported by senior staff and officers who have responded honestly and openly to any questions asked of them.
- 3.8 The Chair continues to have 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.

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

3.9 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 and has requested progress be reported back on several external inspections. The committee has encouraged the Force to consider wider organisational learning from these inspections and internal audit findings.
- The risk management session held in January 2022 allowed members to contribute to the developments within the risk management arrangements of the OPCC and Force. The committee particularly expressed support for introducing risk appetite onto the Force risk register which is in development. The risk registers are now more dynamic and the committee has continued to challenge the mitigations in some of the developing risk areas such as vulnerability and training.
- The committee ensures that the work of internal audit continues to be directed to those areas of greatest risk and encourages revisions to the audit plan when new risks arise. For matters of significant weaknesses raised by internal audit, the committee have requested 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 the management of rape and serious sexual offence investigations and the management and administration of detained property.
- The committee 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.
- As part of their financial reporting oversight, the committee consider and endorsed various strategies and policies including treasury management strategy, accounting policies and insurance arrangements and challenged arrangements in these areas to ensure best practice approaches are taken. How the Force demonstrates value for money was also considered during the year by encouraging investigation of the outliers identified in the HMICFRS value for money report.
- The committee monitors the performance of the internal and external auditors and has considered and endorsed the recommendation that the PCC and Chief Constable opt into the next round of national appointment arrangements being coordinated by the Public Sector Audit Appointments for the period 2023/24 through to 2027/28.
- The Chair was invited to a session reviewing the draft new Police and Crime Plan following the Commissioner's election.

#### **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, Charmaine Burton and Bhupinder Gakhal.

4.2 The Committee met on four occasions during 2021/22. The June 2021 meeting was represented by the Chair and Vice Chair whilst awaiting the appointment of new members following the PCC elections in May 2021. During 2021/22 all meetings held were quorate. The attendance of members was:

Table 1: Joint Audit Committee Attendance 2021/22

| Member            | No. of Meetings were attendance requested | Number of Meetings Attended |
|-------------------|---|-----------------------------|
| Sue Davis – Chair | 4   | 4                           |
| Richard Hollands  | 4   | 4                           |
| Cath Hannon       | 3   | 3                           |
| Charmaine Burton  | 3   | 2                           |
| Bhupinder Gakhal  | 3   | 2                           |

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 2022/23

5.1 The committee's schedule of work for 2022/23 was approved in March 2022 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 arrangements.

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

- Continue to build knowledge and awareness of members through establishment of a training programme, including training on areas within the work programme such as treasury management and external audit.
- 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 by HMICFRS.
- Continue 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 (PSIAS) and review the effectiveness of internal audit through its regular reporting on performance. Also contribute to the self-assessment against PSIAS and to the next external assessment of internal audit due to commence in June 2022.
- 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 2022/23, 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 and development is required.

## **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. The committee saw new membership during the year and we embarked on several training sessions to build knowledge and awareness and this training will continue during the coming year to ensure we can maintain our customary vigorous levels of scrutiny.
- 6.4 I would like to thank my fellow committee members for their 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 2021/22**

**June 2021**

- Annual Governance Statements
- Statement of Accounts (Draft)
- Internal Audit Update
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- HMICFRS Update
- HMICFRS VFM profiles
- Internal Audit Quality Assurance and Improvement programme
- Internal Audit Annual Report 2020/21
- External Audit - Progress Report and Sector Update
- Joint Audit Committee Annual report 2019/20
- JAC Work programme 2020/21

**September 2021**

- Internal Audit Update
- Public Sector Internal Audit Standards update
- Treasury Management Update
- HMICFRS Update
- HMICFRS VFM profiles – Follow Up
- Insurance Update
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- External Audit – External Audit Joint Audit Findings Report (Year ending 31 March 2021)
- JAC Work programme 2021/22

1 Private item report

**December 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
- Public Sector Audit Appointments
- External Audit – External Audit Joint Audit Findings
- JAC Work programme 2021/22

1 Private item report

**March 2022**

- 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 2022/23
- External Audit – Progress Report and Sector Update
- JAC Terms of Reference and Work Programme 2022/23