



AGENDA ITEM 14

**JOINT AUDIT COMMITTEE
29 June 2023**

**JOINT AUDIT COMMITTEE
ANNUAL REPORT 2022/23**

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 2022/23. 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 2022/23 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 2022/23

- 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 are 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 2022/23 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 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 2022 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. Responsibility for risk identification, management and mitigation processes changed during the year as a new Strategy, Direction & Assurance department was established and new arrangements risk management arrangements adopted. The committee received updates throughout the year on the change in approaches implemented by the new department, and 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 as 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 pensions, budgetary controls and procurement.

- **Internal Audit** – Internal audit activity updates were considered 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; child abuse, airport insider threat, stop and search; strip searches, serious youth violence, uniform services and civil contingencies. 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 were externally assessed in June 2022 and the committee Members were involved in the assessment process. The results were reported to the September 2022 committee meeting. Three advisory actions were raised which were incorporated into the Internal Audit improvement plan that was also presented to the committee with updates on progress on completion of the actions.

In September 2022 the committee endorsed changes to the 2022/23 audit plan, which was amended due to reduced resources within the Internal Audit team as a result of a team member leaving in September 2022 and a new member not joining until the end of January 2023. Updates on Internal Audit's compliance against the Public Sector Internal Audit Standards have also been reviewed and in March 2023 the committee endorsed the Internal Audit Strategy and Audit Charter and the Work Programme for 2023/24.

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

In December 2022 there was a changeover in the audit management role from Grant Thornton who will be leading the 2022/23 accounts process.

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

The outliers identified in the HMICFRS VFM outcomes was scrutinised by 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 committee has continued to comply with the CIPFA Practical Guidance for Local Authorities and Police Audit Committees. A revised version of this guidance was published in October 2022. The committee's terms of reference were reviewed following the publication of the revised guidance and the opportunity was taken to make changes to the terms of reference and working protocols of the committee. Consultation has taken place with senior managers and the committee member during March 2023 and the final proposed version is due to be approved by the committee in June 2023. The changes proposed do not fundamentally alter the operation or remit of the committee.

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

- 3.5 Over the last few years members have received external training from CIPFA and internal training on areas such as risk management and the role and responsibilities of the committee. Following the launch of the new CIPFA practical guidance for audit committees, a self-assessment/facilitated discussion was undertaken with members in March 2023 to assess compliance against the

guidance and discuss training requirements. Members are committed to training going forward and this was a focus of the self-assessment exercise which is covered in more detail below.

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

- 3.6 The committee members undertook a self-assessment exercise in March 2023 which focused on:
- Where the committee performs well and needs improvements in line with the CIPFA guidance.
 - Considerations for any newly formed committee once existing membership ends.
 - Any training requirements that would be helpful to new or existing members.

From the self-assessment exercise, the committee performed well against the requirements of the CIPFA guidance. Particular strengths highlighted by the committee include openness and transparency, which is a direct result of holding public meetings that are webcast live, and requesting further updates on areas where the committee has raised real concern. As well as identifying training areas for new members joining the committee, e.g. around treasury management and risk management, some minor improvements in the administration of the committee were identified to better inform members regarding agenda items and actions. No significant actions were identified from the self-assessments.

- 3.7 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?

- 3.8 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 and encouraged the Force to consider wider organisational learning from these inspections and internal audit findings.
 - The committee continues to express support for introducing risk appetite onto the Force risk registers. 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, organisational learning and information sharing for disclosures.
 - 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 domestic abuse case management, stop and search – strip searches, child abuse and pensions.
 - 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 the 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.

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 2022/23. During 2022/23 all meetings held were quorate. The attendance of members was:

Table 1: Joint Audit Committee Attendance 2022/23

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

- 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 2023/24

- 5.1 The committee’s schedule of work for 2023/24 was approved in March 2023 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 providing relevant 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. Given the flexibility in the annual audit plan this year due to the Force Operating Model which is likely to change the risk profiles, the committee will continue maintain scrutiny over the audit plan and reassess and revise when required.
 - 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 continuing to maintain 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 maintain oversight of the improvement actions identified.
- 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. The committee will be cognisant of any governance changes that may arise from the Levelling Up and Regeneration Bill which is currently going through parliamentary stages for royal assent. The committee will input, as required, into any changes that may arise from this legislation, or other political changes, that are likely to instigate change in the committee's structure and membership. The committee will support the PCC and Chief Constable to ensure continued good governance following any changes and assess the future impact on the committee to take decisions and actions as necessary.

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 will continue to maintain our customary vigorous levels of scrutiny during 2023/24.
- 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 2022/23.

Sue Davis
Chair Joint Audit Committee 2022/23

Reports Considered by the Joint Audit Committee 2022/23

June 2022

- Annual Governance Statements
- Statement of Accounts (Draft)
- 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 2021/22
- External Audit: Annual report 2020/21
- External Audit: Informing the Risk Register
- External Audit - Joint Audit Plan 2021/22
- Joint Audit Committee Annual report 2021/22
- JAC Work programme 2022/23

September 2022

- Internal Audit Update
- Treasury Management Update
- HMICFRS Update
- HMICFRS VFM profiles
- Anti-Fraud, Bribery and Corruption Policy
- Insurance Update
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- External Audit – Joint Audit Findings Report (Year ending 31 March 2022)
- JAC Work programme 2022/23

1 Private item report

December 2022

- 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 (Final)
- External Audit: Audit Progress and Sector Update
- JAC Work programme 2022/23

March 2023

- 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 2023/24
- External audit: Annual Plan (2022/23)

- External Audit – Progress Report and Sector Update
- JAC Work Programme 2023/24

1 Private item report