



AGENDA ITEM 16

**JOINT AUDIT COMMITTEE
2nd JULY 2020**

**JOINT AUDIT COMMITTEE
ANNUAL REPORT 2019/20**

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 2019/20. 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 2019/20 were approved in March 2019 and reaffirmed more recently in March 2020. 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 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 2019/20

- 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 2019/20 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 43 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. Members of the Committee also received risk management training in September 2019 as part of their ongoing development.

More recently, Members have challenged on risks relating to Covid-19 and the impact on the Force and OPCC.

- **Regulatory Framework** - Specific aspects of the regulatory framework, such a review of Accounting Policies, Treasury Management Strategy, Anti-Fraud and Corruption arrangements 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, VAT, Fixed Asset Register, Supplier Relationship Management 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

findings considered by the committee continue to be wide ranging, for example; Missing Persons Process, Drones, Crime Data Integrity and the implementation of new systems such as Controlworks, the new command and control system. Where appropriate, the committee requested additional updates from management to gain additional assurances around the audit findings.

The committee also monitored the implementation of internal audit recommendations and challenged progress made by management and in some cases requested the findings of follow-up reviews be fully reported back.

In addition, updates on internal audit's compliance against the Public Sector Internal Audit Standards have also been deliberated. In March 2020, the committee endorsed the Internal Audit Strategy and Audit Charter and the Work Programme for 2020/21.

- **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 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), and have recently considered information relating to the future of Local Government Audit issued by 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 at an extraordinary meeting held in July 2019. Accounting Policies and Treasury Management Strategy were also considered during the year.

Members also reviewed the HMICFRS VFM outcomes that are published annually and requested additional work to investigate the significant outliers, the results of which will be considered during 2020/21.

- **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. Where relevant, the Committee asked for additional information and updates to be provided.

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 and subsequently reapproved in March 2020.

3.5 In March 2019, the committee also completed a self-assessment against the requirements set out in the CIPFA guidance. This assessment proved positive, with only minor training and development areas being identified following an extended discussion facilitated by Grant Thornton. These included:

- 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 has increased members awareness allowing for more robust scrutiny.*

- Exploring further opportunities to evaluation 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 the uncertainty around ongoing membership of the Committee as a result of PCC elections. The Chair has however held regular briefings with both the PCC and Chief Constable 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 discussed 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, for example Missing Persons lead and Shared Services representatives were requested to attend during the year. There has not been a need for any risk owner to attend during the year, but this would be considered if necessary.*

The Committee will consider the benefit of undertaking a further self-assessment against the CIPFA requirements during 2020/21 as there have been recent changes in membership of the Committee.

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, formal training requirements were considered early in the year and the priority training identified was in respect of the risk management arrangements to provide members with a greater understand of the process. Training on the risk management processes of both the Force and OPCC was undertaken by Members in September 2019.

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.

The PCC elections, originally planned to take place in May 2020, may have instigated a significant change in membership of the committee in 2020/21, therefore a further assessment was not felt appropriate in March 2020. However, as a result of the PCC elections being postponed until 2021 and the addition of new members onto the committee, consideration will be given to whether a further assessment would be beneficial during 2020/21.

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 WMP. The committee received training in the risk management arrangements of both the force and OPCC allowing them to understand the approaches taken to managing risk and allow more structured scrutiny.
- 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 and the OPCC to gain a greater level of assurance around progress made to address these high risk areas.
- 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 monitors the performance of the internal and external auditors and members have continued to actively participate in nationally held PSAA Local Audit Quality Forum events and receive updated on the Future of Local Government Audit.
- 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.

4 Membership of the Committee and Attendance Record

4.1 The committee comprises of five members and is chaired by Sue Davis. During 2019/20 there were a number of changes to the membership of the committee, despite these changes all meetings held were quorate. The members and their duration of membership during the year was as follows:

- Sue Davis (Chair) – Member for all of 2019/20
- Christine Barve (Vice Chair) - Member until September 2019
- Cath Hannon – Membership break between September 2019 to April 2020
- Ernie Hendricks – Member until January 2020
- Gurinder Singh Josan – Member for all of 2019/20
- Brendan Connor – Member from December 2019
- Richard Hollands - Member from January 2020

4.2 The Committee met formally on four occasions during 2019/20, one of which was an extraordinary meeting to discuss external audit's findings in relation to the draft statement of accounts. The meeting planned for March 2020 was impacted by Covid-19 and the scrutiny function was managed virtually, full attendance for this meeting has been assumed in the table below. The attendance of members was:

Table 1: Joint Audit Committee Attendance 2019/20

Member	No. of Meetings were attendance requested	Number of Meetings Attended	% of Meetings Attended
Sue Davis – Chair	5	5	100%
Christine Barve – Vice Chair	2	2	100%
Ernie Hendricks	4	4	100%
Cath Hannon	2	1	50%
Gurinder Singh Josan	5	5	100%
Brendan Connor	2	2	100%
Richard Hollands	1	1	100%

- 4.3 One declaration of interest was recorded during the year in respect of an item reported by Internal Audit in respect of mental health. The Chair declared an interest due to her role as Chair of a local Mental Health Trust. Another member chaired this item, as per agreed protocol.
- 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 2020/21

- 5.1 The schedule of work for 2020/21 was approved by the committee in March 2020 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:
- Continuing to receive a wider range of assurance on key corporate and strategic risks facing the PCC and WMP, 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.
 - Oversight of the internal investigations will be maintained and the committee will consider any revisions required to the anti-fraud and corruption arrangements, both of which are key to promoting a strong ethical and counter fraud culture.
 - 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 will continue. Preparations for the next external assessment of internal audit will commence towards the end of 2020/21 and the Committee will consider the proposals put forward for this assessment.
 - Providing oversight of the Corporate Governance arrangements through any updates from the internal Joint Corporate Governance Board and through review of the annual governance statements.
 - Considering whether a further self-assessment would be beneficial in light of the new membership of the committee. This may determine whether any further training is required, whether this be formal external training or internal awareness sessions.
- 5.3 The committee will be considerate of the response put in place by policing in relation to COVID-19, and the committee's work programme during the year will therefore remain flexible.

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 reviewed its effectiveness against its terms of reference and has continued to develop the areas for improvement identified in the self-assessment undertaken in March 2019, against the revised CIPFA Practical Guidance for Local Authorities and Police Audit Committees.
- 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 acknowledged. I was especially grateful for the flexible and swift response from the OPCC to the series of changes in Committee membership, which allowed us to maintain both our impressive levels of attendance and our customary vigorous scrutiny throughout the year.
- 6.6 I would like to thank my fellow committee members and officers for their support in enabling us to achieve our objectives during 2019/20.

Sue Davis
Chair Joint Audit Committee 2019/20

Reports Considered by the Joint Audit Committee 2019/20

June 2019

- Statement of Accounts
- Annual Governance Statements
- Internal Audit Annual Report 2018/19
- Internal Audit Activity Report 2019/20
- 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 2018/19
- Joint Audit Committee Work Plan 2019/20

July 2019

- External Audit Joint Audit Findings report

September 2019

- Treasury Management Update
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Internal Audit Activity Report 2019/20
- HMICFRS Inspections Update
- External Audit - Annual Audit letter
- External Audit – KPI Outcomes Report 2018/19
- External Audit - Progress Report and Sector Update
- Joint Audit Committee Work Plan 2019/20
- Scheme of Governance

1 Private Item report

December 2019

- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- Internal Audit Activity Report 2019/20
- HMICFRS VFM Profiles
- HMICFRS Inspections Update
- Anti-Fraud & Corruption Annual Effectiveness Review / Investigations Update from Professional Standards
- External Audit – KPI Outcomes Report 2018/19 – Management and member Assessment
- External Audit – Progress Report and Sector Update
- Joint Audit Committee Work Plan 2019/20

March 2020

- Treasury Management Strategy
- Accounting Policies
- Internal Audit Strategy and Work Programme 2020/21
- Internal Audit Activity Report 2019/20
- External Audit - Joint Audit Findings Action Plan Follow-up
- External Audit – Joint Audit Plan
- External Audit Fee letters
- External Audit Progress Report and Sector Update
- Force Risk Management Strategy, including Force Risk Register and OPCC Risk Register
- HMICFRS Inspections Update Report
- PSAA Information on the Future of Local Government Audit
- Joint Audit Committee Terms of Reference and Work Programme 2020/21