



To: Joint Audit Committee
From: Simon Smith, Chair of Joint Audit Committee
Date: 25 July 2019

2018/19 Committee Annual Report

1. Purpose

- 1.1 To provide the Cambridgeshire Police and Crime Commissioner and the Chief Constable for Cambridgeshire with a review summarising the work undertaken and the Joint Audit Committee's conclusions from meetings held between 1st April 2018 and 31st March 2019.

2. Background

- 2.1 This report provides an overview of the role and function of the Joint Audit Committee ('the Committee') and how it has supported the effective discharge of business by providing advice and guidance. The emphasis is intended to be primarily on review with a focus on audit assurance, governance, internal control and the risk management process.

3. The Role of the Committee

- 3.1 The role of the Committee, as set out in its Terms of reference (Appendix 1), is to provide independent assurance to the Cambridgeshire Police and Crime Commissioner and the Chief Constable on the adequacy and effectiveness of the risk management framework and the internal control environment. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees both internal and external audit, thereby helping to ensure that effective and efficient assurance is provided.

4. Key Areas of Focus in 2018/19

4.1 The Committee met four times during the year, on 18th April, 25th July and 31st October 2018, and 30th January 2019. There was no meeting of the Tri Force Audit Forum, made up of the Joint Audit Committees for Cambridgeshire, Bedfordshire and Hertfordshire. We return to this subsequently in our report.

Financial Reporting

4.2 In July 2018, the Committee reviewed the Police and Crime Commissioners' and the Chief Constables' Statements of Account for 2017/18. The Committee were pleased to note that the Audit had proceeded satisfactorily.

Annual Governance Statements

4.3 At the April 2018 meeting, the Committee reviewed and recommended adoption of the Annual Governance Statements of the Police and Crime Commissioner and Chief Constable. Both contained a significant level of detail.

Internal Audit and Other Forms of Assurance

4.4 The Committee reviewed and commented on the draft 2018/19 Internal Audit plan at its meeting on 14th December 2017. At each meeting the Committee has received a progress report highlighting any issues and concerns, with the Internal Auditors (RSM) attending every meeting and additionally making themselves available to the Chair outside meetings as required. Additionally, the Committee has received updates on HMICFRS assessments as they have arisen.

Risk Management

4.5 The Committee has had good oversight of the risk management approach in both organisations. The Strategic Risk Register and the Operational Risk Register for the Constabulary are standing agenda items every six months. Specifically, the Strategic register was discussed in April and October 2018, and the Operational register in July 2018 and in January 2019. This is an appropriate point at which to record that both organisations have continued to show themselves as open to challenge and keen to work with the Committee; we, in turn, have been mindful of the need to play our part in fostering professional working relationships with all stakeholders. We have been very pleased to start working with Nick Dean as the new Chief Constable.

Treasury Management

4.6 The Committee is responsible for ensuring that an effective system of scrutiny is in place in respect of Treasury Management strategy, policies and practices. At our April meeting, we reviewed a detailed strategy proposed for 2018/19. The Annual report was reviewed at our October 2018 meeting.

Integrity and Counter Fraud

- 4.7 The Committee has a responsibility for oversight of the controls environment for non-financial integrity arrangements. We received a report in October 2018 which summarised the controls process and how the Committee gains assurance.

5. Key Observations

External Audit

- 5.1 The Committee continued to have a generalised concern as to whether the Auditors would be able to meet the deadlines of the financial reporting process. Happily, as stated elsewhere, everything proceeded more smoothly but the Committee continued to be focused on the need for good levels of ongoing communication to support effective and timely delivery.

Collaboration Governance

- 5.2 As far back as 2016/17 Internal Auditors Opinion provided a 'partial assurance' opinion on the governance structures in place, including those for change management and benefits realisation. The Committee has continued to monitor progress in this area. We were very pleased to receive a follow up Internal Audit report to our April meeting which found 'good progress'. We also asked for further relevant reports from management during the year, including to our January meeting.

Tri-Force Joint Audit Committee

- 5.3 A meeting on 3rd November 2017 resulted in a fundamental reappraisal of the role of the Tri Force Committee. Members across the three Committees agreed that a change in remit was required. There appeared to be agreement on revised Terms of Reference, but it has not proved possible to convene a meeting (although the Committee were keen to support this). We have encouraged and supported the observing of meetings within the Tri Force area. We are also assisted by having a member, Andrew Godman, who is also a member of the Hertfordshire Joint Audit Committee. We remain committed to working with our colleagues across the Tri Force area.

No Assurance Internal Audit Report

- 5.4 The report on seized property and controlled drugs was problematic and the Committee looked for further assurance. This remained on our radar throughout the year. The Constabulary took significant steps to address the issues raised, culminating in a pleasing 'reasonable assurance' follow up Internal Audit report to our January meeting.

6. Performance of the Committee and Evaluation of Our Effectiveness

- 6.1 Members of the Committee need to acquire an understanding of the financial, risk and control, and corporate governance issues facing the Commissioner and the Chief Constable. Members must have the ability to challenge, question, probe and seek clarification from the Commissioner and the Chief Constable.
- 6.2 Training. The role requires an irreducible minimum level of knowledge to be acquired principally through attendance at our quarterly meetings. Diary coordination for additional activities can be problematic, not least given operational demands and the range of external commitments held by members. We did not undertake an additional day visiting Constabulary operations in 2018/19, but this has been scheduled in 2019/20, when it will usefully accommodate our new members.
- 6.3 Whilst scheduled meetings have remained at four per annum, the Committee have looked to increase the level of contact between members, for example, following the pre meetings attended by the Chair and at other relevant opportunities. This is felt to be quite important given the corporation sole structure, with no main board, in avoiding the relationships being entirely 'arm's length' - whilst still balancing this with a realistic time commitment to be given over to the role.
- 6.4 As subsequently referenced, we have also started to meet separately with both the Police and Crime Commissioner, and with the Chief Constable, to discuss matters of interest outside Committee. Looking ahead, our aim is to do this twice a year. We attended single meetings with both during the review period.

7. Attendance and Membership

- 7.1 James Morgan resigned from the Committee of necessity in October due to his appointment with the City of London Police. Andrew Godman and Lucy Sales were recruited in September 2018. Both add valuable new skills and perspectives to the Committee.

The table below shows attendance by members at the meetings:

	April 2018	July 2018	October 2018	January 2019	
Simon Smith	Y	Y	Y	Y	
Mike Hindmarch	N	Y	Y	Y	
Gary Ward	Y	N	Y	Y	
Ian Pinches	Y	Y	Y	Y	
James Morgan	Y	N	Y	Resigned 31/10/2018	
Andrew Godman	N/A	N/A	N/A	Y	
Lucy Sales	N/A	N/A	N/A	Y	

Evaluation of Effectiveness

- 7.2 The Committee reviewed its effectiveness at its October meeting, when the Terms of Reference were also reviewed. The Committee noted that it was effective in meeting these. It also reported on the external review of the Committee conducted by RSM and the actions identified there.
- 7.3 The Committee's responsibility for appointing External Auditors was removed from the Terms of Reference due to this now being handled by the PSAA (Public Sector Audit Appointments).

Reporting

- 7.5 Agendas, reports and minutes from the Committee are made available on the website of the Police and Crime Commissioner at <http://www.cambridgeshire-pcc.gov.uk/>

8. Priorities for 2019/20

- 8.1 The Committee continues to be appreciative of the openness and transparency that characterises all our dealings with the Office of the Police and Crime Commissioner and Cambridgeshire Constabulary. It is important to the Committee that we do all we can to encourage this behaviour in all our stakeholders. This will remain a key objective in our overall approach as positive, professional relationships mean that both organisations have been open to challenge from the Committee, with good ownership of outcomes.
- 8.2 These relationships have been reinforced by generally consistent attendance from both organisations. The Committee recognise that on occasion operational issues will have to take priority for senior leadership but hope that the chain of command will ordinarily be sufficient to permit attendance at Committee meetings; we would like to reinforce how much our discussions benefit from senior attendance. The Committee would add that we are very keen that anyone attending a meeting should be able to contribute to any part of the agenda, in addition to a specific item in their name. We will do more to encourage this.
- 8.3 The very helpful RSM performance review identified both existing good practice and areas where the Committee can improve its performance. In line with this, we have been very mindful of the need to link agendas, papers and outcomes to levels of perceived risk. We have sought to refocus and reshape agendas to focus on key items, and to enhance summation at meetings.
- 8.4 The Committee welcomed the appointment by the PSAA of BDO as our new external auditors and commenced building that relationship.

- 8.5 We will also continue to support and, where we can, assist in the development of a Board Assurance Framework in whatever format senior management finds helpful for their use.
- 8.6 The Committee will continue to be exercised by our role in relation to collaborated areas of activity. At the very least we wish to be adequately sighted in relation to Internal Audit reports for those functions where Cambridgeshire is not the lead force. We entirely respect and support that the lead audit committee role will be undertaken by the local committee, working with the relevant lead constabulary for a particular function. However, a significant part of Cambridgeshire's budget is spent on collaborated areas. There is a necessary role for the Committee in seeking assurance and at least contributing to the overall control environment. Mention should therefore be made of the BCH Internal Audit report on 'Dealing with BCH Audits'. This has provided a basis for reaching agreement on the dissemination of all BCH Internal Audit reports in such a way that we can comment on these. We hope that this process will become embedded during 2019/20.
- 8.7 The responsibilities for the Cambridgeshire Fire and Rescue service will also be addressed by the Committee depending on the outcome of the Judicial Review.

9. Conclusion

- 9.1 The Committee has an identified and agreed a forward plan of business for 2019/20 which it will adapt as necessary in the light of the changing risk environment.

10. Recommendation

- 10.1 The Committee is asked to note the contents of this report.
- 10.2 That this annual report be approved by the Police and Crime Commissioner and the Chief Constable.

JOINT AUDIT COMMITTEE - TERMS OF REFERENCE

Adopted October 2018

1. Constitution

- 1.1 Five members who are independent of the Police and Crime Commissioner (Commissioner) and the Constabulary, meeting quarterly.
- 1.2 The quorum for meetings of the Joint Audit Committee is three.
- 1.3 The Chairman will be specifically appointed by the Commissioner and Chief Constable. In the absence of such a specific appointment, the Committee shall elect a Chairman.

2. Statement of Purpose

- 2.1 To provide independent assurance on the adequacy of the corporate governance and risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices.

3. Responsibilities

Governance / Regulatory Framework

- 3.1 To maintain an overview, ensure best practice and make recommendations on the governance arrangements of the Commissioner and Chief Constable including the Scheme of Consent (Delegation), Financial Regulations (including contract procedure rules), and codes of conduct and behaviour. To have an overview of the collaboration governance arrangements as they continue to develop.
- 3.2 To review any issue referred to it by the statutory officers of the Commissioner or Chief Constable or other relevant body.
- 3.3 To monitor the effective development and operation of risk management and make recommendations as appropriate.
- 3.4 To make recommendations for improvements to the arrangements and policies in place in relation to whistle blowing, the anti-fraud and anti-corruption strategy and complaints processes, and to provide oversight to counter-fraud.
- 3.5 To oversee the production of the Commissioner's and Chief Constable's Annual Governance Statement and to recommend its adoption.
- 3.6 To review assurance arrangements that are in place.
- 3.7 To review its own effectiveness on an annual basis.
- 3.8 To ensure public accessibility and transparency of appropriate data and information, consider the annual compliance report to the Committee, and make recommendations as appropriate.

Audit Activity

- 3.8 To consider the internal audit strategy and annual plan, making recommendations as appropriate.
- 3.9 To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the corporate governance arrangements, and make recommendations as appropriate.
- 3.10 To consider and make recommendations as appropriate on:
- internal audit reports,
 - reports dealing with the management and performance of the providers of internal audit services,
 - a report from internal audit on agreed recommendations not implemented within a reasonable timescale,
 - the external auditor's annual letter, relevant reports, and the report to those charged with governance, and
 - specific reports as agreed with the external auditor.
- 3.11 To review the independence of the internal audit function.
- 3.12 To comment on the scope and depth of external audit work and to ensure it gives value for money and to review the achievement of value for money through the HMIC Valuing the Police report.
- 3.13 To provide a view on the suitability of the appointment of External Auditors and periodically review the effectiveness and value for money of the contract.
- 3.14 To commission work from internal and external audit.

Accounts

- 3.15 To review the Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit, and make recommendations as appropriate.
- 3.16 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and make recommendations as appropriate.

Integrity

- 3.17 To oversee the management of conduct, complaints and integrity matters (as the controls assurance).
- 3.18 To review the control mechanisms which ensure effective and transparent handling and monitoring of:
- Complaints against the Commissioner and his/her staff
 - Complaints against the Chief Constable and the Force

- Integrity issues such as appointment processes, gifts and hospitality and registerable interests.

3.19 An annual report on the Integrity Controls Assurance Framework will be presented to the Committee, covering:

- a summary of the control processes and their inter-relationship;
- evidence of the control processes being used and their effectiveness; and
 - a summary of complaints and any learning that should be applied.

4. Membership and Meetings

- 4.1 The Chairman of the Committee will be jointly recruited by the Commissioner and the Chief Constable.
- 4.2 All members will serve for a maximum of 2 terms, each term being a maximum of 4 years. To ensure continuity, where possible, members shall be rotated on and off the Committee in turn rather than as a group, therefore the term of membership will be reviewed as appropriate.
- 4.3 The Vice Chairman is selected by a vote by members of the Committee. The Vice Chairman will act as Chairman at meetings in the absence of the Chairman. If the Chairman can no longer continue in this role, the Vice Chairman will act as the Chairman until the formal appointment of a new Chairman. The Vice Chairman will not automatically become the new Chairman, although may apply for the post of Chairman as part of the recruitment and replacement process run by the Commissioner and Chief Constable.
- 4.4 All members will be subject to an annual appraisal to assess their performance and of the committee, independent of the PCC and Chief Constable, the outcomes will inform the member development programme. Induction training will be provided. The Commissioner and Chief Constable may call for an independent review of the committee if they wish.
- 4.5 Each member will be required to record any conflicts of interest in the register of pecuniary and non-pecuniary interests. In addition, members will be required to disclose any such interests at the commencement of any meeting where there is a need to do so due to the nature of the agenda, or immediately if they arise unexpectedly in discussion.
- 4.6 Only members of the Committee have the right to vote on matters.
- 4.7 Members will be remunerated and reimbursed for all expenses incurred in the fulfilment of their duties, roles and responsibilities in accordance with the schedule of allowances and expenses agreed by the Commissioner and Chief Constable.
- 4.8 The Committee may, with joint approval by the respective Chief Finance Officers of the Commissioner and Chief Constable, procure specialist advice not otherwise available from officers.

- 4.9 The Committee will meet at least four times a year. The calendar of meetings shall be agreed at the start of each year.
- 4.10 Further meetings outside of the normal cycle can be convened at the request of the Chairman.
- 4.11 The Commissioner or Chief Constable may ask the Committee to convene further meetings to discuss particular issues on which they want advice.
- 4.12 Meetings can be requested by the external or internal auditors where this is considered necessary and on agreement of the Chairman.
- 4.13 Unless otherwise agreed, formal notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other appropriate persons determined by the Chairman, no later than five working days before the date of the meeting.
- 4.14 Any meetings held outside the normal cycle of meetings should be convened with a minimum notice of five working days. Extraordinary or urgent meetings may be held with less notice but should be for exceptional matters only, subject to the Chairman's agreement and quorum requirements. In this case the agenda and any supporting papers will be sent to members and to other attendees at the same time as the meeting notice is sent out, recognising that if the matter is so urgent that there may only be an oral report. If this is the case then this will be identified on the agenda.
- 4.15 Members are expected to attend all meetings. Regular non-attendance of members will lead to their removal as a member on agreement by the Chairman.
- 4.16 The Commissioner and Chief Constable will attend all meetings of the Committee, or will ensure that they are suitably and appropriately represented, therefore ensuring that the purpose of the Committee is not compromised and that the members are able to appropriately fulfil their responsibilities.
- 4.17 In addition, the Police Reform and Social Responsibility Act 2011, Section 114 of the Local Government Finance Act 1988 and the Audit and Accounts Regulations 2011 assign a number of statutory responsibilities to each of the Chief Finance Officers of the Commissioner and Chief Constable. Given the nature of these responsibilities it is expected that both the Chief Finance Officers of the Commissioner and the Chief Constable will attend all meetings of the Committee, or where this is not possible then their nominated representatives.
- 4.18 The Head of Internal Audit and representatives of the external auditor will be invited to attend meetings on a regular basis. The Committee should meet with the Head of Internal Audit and representatives of the external auditor separately and privately at least once a year.
- 4.19 A minimum of three members of the Committee must be present for the meeting to be deemed quorate, one of whom must be either the Chairman or Vice Chairman.
- 4.20 Meetings will be held in private but all agendas, reports and minutes will be made available to the public in accordance with Freedom of Information Act requirements.

- 4.21 The Chief Finance Officers, the Monitoring Officer, Head of Internal Audit and the External Auditor of the Commissioner and Chief Constable will have free and confidential access to the Chairman of the Committee.
- 4.22 The secretary of the Committee will record the names of those present at the meeting, write minutes, including the key points and decisions of all meetings, along with any actions stemming from discussion that need to be taken before the next meeting. The minutes of each meeting must be approved by the Committee and signed by the Chairman as a true record at the next meeting of the Committee.
- 4.23 The unsigned and unapproved draft minutes of the most recent meeting will be circulated promptly to all parties attending the meetings, once they have been agreed by the Chairman.
- 4.24 The minutes of the Committee will be placed in the public domain as soon as these have been approved and signed by the Chairman, with exclusion to any matter deemed private or confidential.
- 4.25 To ensure relevant and timely reporting throughout the year to the Committee a reporting timetable will be prepared by the Commissioner and Chief Constable and agreed with the Chairman before submission to the Committee. This will be designed to enable the Committee to fulfil its responsibilities and receive the assurances required.
- 4.26 The Committee will, having regard to best governance practice, review these terms of reference annually and make any changes deemed necessary in consultation with the Commissioner and Chief Constable.
- 4.27 The Committee will annually review its own performance to ensure it is fulfilling its terms of reference and operating effectively. In doing so it will make any recommendations for change to the Commissioner and Chief Constable. This annual review of performance will include an individual appraisal of all members of the Committee, including the Chairman. The performance review of the Committee and its members will be commissioned and undertaken independently.

Draft/Tri-Force Joint Audit Forum Statement.

Purpose:

An annual Forum for sharing, networking, discussing, and supporting the JAC's to deliver the principles set out below:-

How:

- The Chairs will meet at least once prior to the Forum to agree the agenda and any training and development issues that they have identified during the respective JAC meetings.
- The Chairs will be mindful of the need for each JAC to have the opportunity to comment on all collaborated Internal Audit reports and ensure that JAC Minutes are shared.

Core Principles and Benefits of the Forum:

- To aid and support the JAC's, in particular by highlighting:
 - individual financial pressures and issues.
 - developing trends within the remit of each JAC.
 - emerging differences and realities within each Force/OPCC that impinge upon the JAC remit.
 - individual risk management issues.
- To provide an opportunity for 'horizon scanning' and promote an improved understanding of partnership and collaboration.
- To promote good practice in each JAC and support the development of consistent methods of working.
- To discuss how the JAC's can influence behaviours and the management of change (where this is relevant to their remit).
- To discuss potential areas for collaborated audits to be included in the annual Internal Audit plan.
- To provide the basis for all members of the JAC's to receive relevant development and training that has been identified during respective JAC meetings or as informed by national matters.

04/01/18.