



**Joint Audit Committee**  
**Annual Report for the year ending 31<sup>st</sup> March 2021 (2020/21)**

**Chair's Foreword**

The Joint Audit Committee (JAC) is independent of the Police and Crime Commissioner and the Chief Constable and consists of individuals with the relevant expertise and experience to provide an independent oversight of the governance arrangements and internal control environment of the Office of the Police and Crime Commissioner and the Force.

As the new Chair, from March 2020, I would like to formally acknowledge the significant contribution of all the members of the JAC, who are named elsewhere in this report, via their continuing commitment and input, not only at the formal meetings but also in the numerous consultations and discussions that take place away from those meetings and which have increased during this unusual year.

Five formal meetings, all of which have been virtual, have been held during the year, with wide and varied agendas which reflected the ever-widening approach of the JAC to meeting its obligations under an expanded Terms of Reference. Normally we would have deep dive sessions into the most relevant and pressing areas facing our police force following our committee meetings, but this year we have conducted some of these separately where more practical to do so.

In addition to their responsibilities as a cohesive Committee, JAC members adopt "lead-member" roles whereby they are able to bring their specific skills and knowledge to bear on various topics thus enabling improved focus and scrutiny by the Committee as a whole. This has been of particular value this year with increased email correspondence.

The COVID pandemic has, as with all organisations, required co-ordinated response, adaptive and flexible assignment of resource and increased scrutiny and assurance that the changing demand on our police force is being met efficiently and effectively with the resources available.

***THIS SECTION TO BE UPDATED TO RELATE TO 2020/21 AS REPORTED IN LAST YEAR'S ANNUAL REPORT ONCE WE HAVE HAD JUNE MEETING - The continuing financial pressures on policing budgets therefore remained a major challenge with***

*budgetary and financial performance closely monitored. In 2019/20 we saw the Finance Department continue to improve how it was meeting the challenges of faster closing requirements for the year-end accounts for 2018/19, ongoing adoption of changes to operating systems and staff re-organisation. In 2020/21 it was evident that further improvements were made with an improved management letter for the 2019/20 accounts. However, COVID related matters put strain on being able to meet the closing deadlines despite significant efforts from Finance Department and Audit Wales and we decided to delay the accounts sign off until September. A further unexpected delay in closure, which was experienced across all police forces, came with a late Treasury decision on the need to reflect pensions liability in the accounts caused by the outcome of the McCloud case.*

The IT provision via the Shared Resource Service (SRS) continues to require closer examination utilising the audit reports and again, improvements will be expected. Collaboration projects have increased with the objective to achieve greater savings and improve wider effectiveness and we are one of the JAC monitoring implementation and achievement of the expected beneficial outcomes. This is an area that will continue to need focus and improvement on co-ordination of priorities, delivery and scrutiny.

I add my appreciation, to that of previous chairs, to all support staff, senior finance officers and operational officers from the Force who aided and guided the JAC through its oversight role and the Committee remains particularly appreciative of the input of the Commissioner, Deputy Commissioner and Chief Constable, whose very presence at the meetings impacts positively on the work of the JAC and facilitates feedback on actions arising. The delayed PCC elections provided a level of stability which was quite crucial with the challenges that arose from the pandemic.

Good working relationships between the auditors and JAC and open and honest discussion on reports and issues arising can only benefit the continued development of the control environment within the Office of the Police and Crime Commissioner and the Force. I must thank the teams from the Wales Audit Office and TIAA, the external and internal auditors respectively, for their reports and input into the meetings. We continue to believe that it is important that the internal audit team from Torfaen County Borough Council, who audit the IT provision provided by the Shared Resource Service (SRS), attend the JAC meeting at least on an annual basis to present the annual report and audit plan for the coming year, however this is managed through the Finance Officers of the different bodies and reported to JAC. We recognise that this is a majority decision but continue to feel disconnected and often dissatisfied with progress and co-ordination of priorities.

We have been advised that the impact of the pandemic has cost £xxx this year and is likely to have further financial challenges in the forthcoming year. However, we also feel from the reports we have been provided on how Gwent police have managed the pandemic challenges that there are efficiencies that could be continued and we look forward to seeing plans for this.

Finally, we are pleased that our PCC, Jeff Cuthbert, has been re-elected. My first year as chair has certainly been interesting and I value that the two previous chairs Jon Sheppard and Roger Leadbeter continued to be members of JAC after their tenure as chair, in unusual times retained knowledge has been vital.

**Dawn Turner**

## **Chair Joint Audit Committee**

### **1. Background**

A Joint Audit Committee (JAC) operates in Gwent in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Financial Management Code of Practice for the Police Service of England and Wales, section 11.1.3.

### **2. Role of the Joint Audit Committee**

The purpose of the JAC is to provide independent advice and assurance to the Commissioner and the Chief Constable on matters relating to the internal control environment of the Office of the Police and Crime Commissioner (OPCC) and the Force according to good governance principles. The JAC:

- ❖ considers the internal and external audit reports of both the Commissioner and Chief Constable;
- ❖ provides assurance to the Commissioner and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment;
- ❖ provides scrutiny of the Commissioner's and Force's financial planning and performance; and
- ❖ oversees the financial reporting process adopted from CIPFA Audit Committees' Practical Guidance for Local Authorities and Police.

The [Operating Principles and Terms of Reference](#) (ToR) establish the core functions of the JAC and are reviewed annually.

### **3. Membership and Meetings**

The JAC comprises five members who are organisationally independent of the OPCC and Force. Members are appointed via an externally advertised recruitment process and are selected to ensure the right balance of experience and expertise is provided. The JAC Members are Ms Dawn Turner (Chair), Mr Andrew Blackmore (Vice-Chair), Mr Jonathan Sheppard, Roger Leadbeter and Dr Janet Wademan. There had been no changes to membership during 2020/21.

As well as the independent members, the following officers from the OPCC, Force and the Audit functions are also in attendance:

- ❖ Commissioner or Deputy Commissioner, OPCC
- ❖ Chief Executive, OPCC
- ❖ Chief Finance Officer, OPCC
- ❖ Head of Assurance and Compliance, OPCC
- ❖ Chief Constable, Force
- ❖ Assistant Chief Officer - Resources, Force
- ❖ Chief Superintendent, Head of Strategy, Performance and Change, Force
- ❖ Internal Audit (TIAA)
- ❖ External Audit (Wales Audit Office (WAO))

Officers from Torfaen County Borough Council (TCBC) (IT auditors) and the SRS (IT providers) also occasionally attend.

Members of the JAC meet privately with the auditors prior to the start of every meeting to ensure there is an opportunity for any concerns to be raised.

The JAC is supported by the OPCC's Governance Officer and Head of Assurance and Compliance.

Five formal meetings are scheduled each financial year as well as an annual all Wales JAC training day. Members are in attendance, although in the main virtually this year, at all JAC meetings except in extenuating circumstances.

### **Transparency**

Agendas and minutes from the JAC meetings are made available to the public on the OPCC website. Copies of the draft JAC minutes are also provided to the Commissioner and the Chief Constable for discussion at the Strategy and Performance Board meetings.

## **4. Overview of Core Work Undertaken During 2020/21**

### **❖ Terms of Reference**

The ToR set out the core functions that the JAC must undertake. A comprehensive review of the ToR to assess compliance with CIPFA requirements and guidelines took place in 2018/19 and were updated in 2019. Our review in 2020 did not identify any further changes required to the ToR and we were satisfied we were compliant in carrying out our functions. Compliance with the ToR has been reported to a JAC meeting together with the draft JAC annual report. The purpose of the compliance paper is to provide the Commissioner and the Chief Constable with assurance that the JAC has successfully discharged its duties during the year.

### **❖ Joint Annual Governance Statement and Statement of Accounts 2019/20**

The 2019/20 Joint Annual Governance Statement was presented to the JAC in draft format at the March 2020 and June 2020 meetings for consideration and comment.

We were disappointed to be informed that the Statements of Accounts, having already been delayed from the original approval meeting in July due to the impact of COVID 19, were then delayed further from the re-arranged September meeting to October. This was due to a decision by the National Audit Office (and supported by Audit Wales) in August, for public bodies to update the McCloud/Sargeant pension liability in their 2019/20 Statement of Accounts to reflect changes to the proposed remedy. This was of particular concern when the Finance team had worked extremely hard to meet the new statutory dates that brought forward the closure of the accounts (although we are aware that there is movement allowed under legislation), as well as the fact that the decision to update the pension liability figure could have been taken earlier, or even simply been reflected in a Note to the Statements of Accounts . These concerns were raised during the meeting in October 2020.

The JAC subsequently provided its recommendation to the Commissioner and Chief Constable that the Joint Annual Governance Statement be included within the respective Statement of Accounts documents with the final versions presented to the October 2020 meeting.

❖ **Review of the Manual of Corporate Governance**

The Manual of Corporate Governance is reviewed by the OPCC and Force annually with any changes identified presented to the JAC. The JAC subsequently provided its recommendation to the Commissioner and Chief Constable, to approve the amendments to the Manual of Corporate Governance, in March 2021.

❖ **Internal Audit**

There is a duty upon both the Commissioner and the Chief Constable to maintain an effective internal audit function. The audit work for the year is founded on a risk based approach and focuses on significant financial and operational risks.

Since September 2016, all IT related audits have been undertaken by TCBC; TIAA continue to undertake all other audits on behalf of the OPCC and Force and Collaborative Projects. The level of investment in collaborative projects has increased, and JAC now will receive bi-annual reports on collaborative project expenditure to support JAC in adhering to the Terms of Reference and provide further evidence regarding the scrutiny on Value for Money.

Annual Audit Plans from both TIAA and TCBC are presented to the JAC for review prior to finalisation. Reports on the adequacy of controls in the systems audited are also presented to the JAC.

Progress with the annual audit plans is monitored at each meeting and is challenged as appropriate. The JAC were very satisfied with the work undertaken by TIAA and their adherence to and management of the plan. **TO BE UPDATED FOLLOWING JUNE 2021 MEETING** The JAC agreed that further improvement

was needed in the management of the IT audit plan by both TCBC and the SRS in order to achieve the number of audits allocated in their plan on an annual basis, whilst acknowledging the complexity of the number of partners involved in the process.

**TO BE UPDATED FOLLOWING JUNE 2021 MEETING** The JAC reviewed TIAA's proposed annual Audit Plan for 2021/22 and was satisfied it was appropriate for, and aligned to, Gwent's risk profile. As TIAA were also the internal auditors for the three other Welsh forces, we welcomed the continued development of a collaborative audit plan for the coming year and the sharing of lessons learned across Wales.

Due to the ongoing concerns relating to the progress of audit recommendations by the SRS, the JAC received quarterly update reports from the SRS on progress with the audit recommendations. JAC independent member Dr Janet Wademan, our lead on IT, has met with finance officers separately to undertake more in-depth scrutiny and seek assurance on the SRS and

its activities with respect to Gwent Police. The complexity of running an organization such as the SRS should be recognised as it serves the needs of five heterogeneous organisations. The consortium approach has worked well during this last extraordinary year providing new essential services on a regional basis whilst waiting for national systems to come into operation.

**TO BE UPDATED FOLLOWING JUNE 2021 MEETING** The JAC reviewed the proposed 2021/22 annual Audit Plan for the SRS and was satisfied it was appropriate for, and aligned to, Gwent's risk profile.

Whilst we expected that the audit plans proposed by TIAA and the SRS for 2020/21 would be subject to change based upon any areas of business identified as requiring an audit due to the impact of COVID, we found that the plans remained in place, with the Chief Constable providing quarterly reports to JAC on the impact of the pandemic and how the Force had managed changes in demand.

**TO BE UPDATED FOLLOWING JUNE 2021 MEETING** We are pleased to see in 2021/22 an audit on the XXXX to be assured that continuing risks from the pandemic are being managed.

#### Audits Completed - TIAA

**TO BE UPDATED BY JR ONCE ANNUAL REPORT RECEIVED** - There were 20 internal audits completed by TIAA in 2020/21 (including 5 which were undertaken collaboratively across all Welsh Forces), 7 received 'substantial' assurance, 10 received 'reasonable' assurance, 2 received 'limited' assurance and 0 received 'no assurance'. There was 1 'advisory' audit with no assessment given. 2 'follow

up' audits were also completed. 2 audits were deferred to 2020/21 at management's request.

#### Audits Completed - Torfaen County Borough Council

There were 9 internal audits completed by TCBC on the IT services provided to the OPCC and Force in 2020/21, which includes 1 deferred from 2018/19 and 1 deferred from 2019/20. 1 audit originally planned for 2020/21 was also deferred to 2021/22 at management's request. 7 received 'substantial' assurance, 0 received 'moderate' assurance, 0 received 'limited' assurance and 0 received 'no assurance'. 2 were 'advisory' audits with no assessment given.

All audit reports, as detailed within the Annual Governance Statement, have been scrutinised by the JAC.

#### ❖ **Self-Assessment**

The annual self-assessment exercise which reviewed the JAC's performance during 2020/21 was undertaken during March/April 2021. This allowed the results to be analysed and any key outcomes included in the priorities for 2021/22.

Following Members' review of the self-assessment exercise, an action plan is drafted to support the JAC's continuous improvement and is reviewed on a quarterly basis. We undertook a thorough review of the action plan derived from the 2019/20 self-assessment in December 2020 and found that we had progressed well against the plan, although we were already identifying potential improvements arising from ways of working during the pandemic.

#### ❖ **Annual Performance Reviews**

All members have participated in an annual performance review process. Feedback has been positive with all members finding the process useful. The actions for improvement in the JAC's operation arising from the review process are considered by officers with feedback provided to members.

#### ❖ **Prioritisation of Risk**

The JAC continue to make a commitment to risk management. Due to the success of the risk register being discussed at the beginning of the agenda on an annual basis, the JAC agreed that this item would be prioritised on the agenda at every meeting for 2020/21. This proved to provide the focus we anticipated on key matters and has been beneficial in helping meet the demands of holding virtual meetings where we discuss the agenda items of highest risk or potential risk during the meeting and provide comment and receive feedback on other papers via email.

### **5. Meeting Our Priorities**

Each year the JAC set out in its Annual Report the priorities they will focus upon during the coming year. This section evidences how the JAC has met those priorities set out in the 2019/20 annual report.

## ❖ COVID

Need a section on COVID – to write once we have the latest update in March – which we put back to the next meeting – So will have to wait to complete this section

## ❖ Training and Development

Members have participated in a number of different training events in order to build on their existing knowledge and skills. Internally, the OPCC and Force run sessions where a topic identified by members is explained and discussed in detail; these sessions, known as 'Deep Dives', take place as an addendum to the formal meeting structure.

### Deep Dives

Due to the pandemic and the need for essential services to be prioritised, the JAC reprioritised the deep dives originally agreed for 2020/21. The following took place:

- HQ Briefing Deep Dive – 29<sup>th</sup> July 2020 (this replaced the accounts meeting postponed to September as the scheduled deep dive did not take place in June).
- Stop/Search and Use of Force and Protests, Public Disorder Deep Dive – 4<sup>th</sup> November 2020
- Financial Crime Deep Dive 1<sup>st</sup> March 2021 (instead of the Value For Money Deep Dive postponed from December).
- \* *Please Note: The Value for Money Deep Dive that takes place annually in December was postponed to June 2021 due to a delay in the publication of the profiles by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).*

### All Wales JAC Training Day,

We took part in two All Wales JAC training days due to delayed training for 2019/20.

### June 2020

The training focused on:

- COVID and its impact on the Annual Governance Statement and the work of internal audit
- Impact of the pandemic on policing priorities and operations
- How Audit Wales were approaching the financial statements

### March 2021

The training focused on:

- Strategic and finance issues in policing
- Governance and audit issues
- The Treasury Management Function
- Audit Wales
- The CIPFA Financial Management (FM) Code

We welcomed the recognition that more needs to be done on VFM and look forward to seeing a consistent but fair set of measures for police operations interlinked with financial management.

There is increasing collaboration activity across the four Welsh Police Forces both in terms of joint internal audits and joint improvement projects. We felt that going forward that the JAC should meet at least once a year through a virtual meeting to discuss both of these areas of collaboration, this could be as part of the training day or a separate focused meeting.

#### ❖ **Creditors and Debtors**

Creditors and debtors is an area that the JAC have kept under close scrutiny during 2020/21 to ensure that improvements in processing were made. A follow up audit recommendation report received at the December meeting showed that the outstanding balance of duplicate payments that needed to be recovered had been significantly reduced.

We were also pleased to note the implementation of the 'No Purchase Order No Pay' policy which commenced on 1st February 2020. Despite the impact of the COVID lockdown, the number of invoices with a purchase order that have been paid has grown slightly and been maintained at approximately 35% of all invoices over the period. There has also been a marked improvement in the numbers of days taken to pay suppliers with the target of less than 30 days being consistently met. This, along with a greater level of monitoring each month, has ensured that previous issues with creditors, debtors and duplicate payments have significantly reduced.

#### ❖ **Early Closure of the Accounts**

Whilst the OPCC and Force were able to meet the first statutory deadline of 31<sup>st</sup> July 2019 for approval of the 2018/19 accounts, JAC we disappointed that due to a technical requirement across the piece regarding pension liabilities that the deadline was not met for the 2019/20 accounts.

As with previous years, though fewer in number, there were a number of issues experienced during the production of the accounts and as usual the finance team have produced a lessons learnt action plan which is being monitored by the JAC and are implementing further changes that are required to ensure that the same issues do not arise during the production of the 2020/21 accounts.

JAC are pleased to report that the production of the 2020/21 accounts has progressed well.

#### ❖ **Evidential Property Stores**

In December 2019 JAC raised concerns with regard to the limited assurance rating on Local Policing – Property and Cash **audit report** as the audit of 2018 also had a limited assurance rating. Following the 2018 audit an Evidential Management

Project team was established in order to address the issues and there were improvements put in place, but the 2019 report continued to raise issues of ownership and responsibility. A further review of operations took place and a business case was developed to implement a management model as operated in Dorset. This was delivered between October 2020 and March 2021 and JAC are pleased that.....TO BE COMPLETED ONCE WE ARE ADVISED OF PROGRESS WITH THE FOLLOW UP INTERIM AUDIT WE REQUESTED AT OUR OCTOBER MEETING.

#### ❖ **Shared Resource Service**

The JAC have closely monitored completion of the TCBC internal audit plan to ensure all outstanding audits are being progressed. In order to ensure those recommendations that were of the highest priority were dealt with first, a request was made to the SRS that recommendations were looked at holistically rather than priority given to the recommendations contained within a 'limited' assurance rated report. JAC were pleased to see significant progress this year.

In order to understand more about the management and service delivery of the SRS, since the presentation to JAC in December 2019 by the SRS, our independent member IT lead, Dr Janet Wademan, has had separate meetings with finance officers to gain continued assurance, in particular regarding Disaster Recovery, that matters are continuing to improve and reported back to JAC. This has been particularly useful and enabled JAC to manage appropriate scrutiny alongside demanding agendas in 2020/21.

It was also requested that both TCBC IA and SRS Management attended JAC meetings should an SRS audit receive a limited assurance rating. This would enable closer scrutiny and also allow the JAC to understand the rationale for decisions made in relation to the audit recommendations.

## **6. Priorities for 2021/22**

#### ❖ **Training and Development**

In order to continue to develop and build on the skills of the JAC, 'Deep Dive' sessions are being considered in the following areas Annual VFM Review – June 2021;

- Police Operating Model – July 2021;
- Counter Fraud and Corruption - September 2021;
- Police and Crime Plan – December 2021; and
- Annual VFM Review – March 2022.

The areas above cover a variety of business areas and will help to further support the understanding of the wider work of the OPCC and the Force.

❖ **Early Closure of the Accounts 2020/21**

We are pleased that the accounts were able to be closed on time this year after the disappointment of late closure for 2019/20 due to pension liability statements.....

❖ **Finance Department Review**

We were pleased to see the appointment of Matthew Coe as Head of Finance and fully support his proposals for further restructure of the finance team. We are pleased or concerned that up date following June meeting.....

❖ **Shared Resource Service – Audit Plans**

The JAC continue to raise concerns in relation to the auditing approach in particular the materiality of the audit recommendations raised and consequential impacts on workload. The JAC have agreed to continue to closely monitor completion of the TCBC internal audit plan to ensure, as far as possible, that all planned audits are completed annually and that adequate resource is provided by the SRS in delivery of the Gwent Police elements of the 2021/22 audit plan.

The JAC will continue to monitor all outstanding audit recommendations via the quarterly Outstanding Audit Recommendations report with any concerns raised with the Assistant Chief Officer, Resources for feedback to be provided to the SRS.

❖ **Shared Resource Service - Service Continuity Management**

Due to the concerns the JAC have in relation to this area of work focus will continue to be placed on ensuring these actions are completed. Outstanding actions will continue to be monitored closely until completion.

❖ **Construction of Police Headquarters**

With the build start of the Police Headquarters JAC welcomed a comprehensive presentation of the project history, how change decisions were made and the detailed plans for completion over 2020 and 2021. Our independent member Estate's lead, Roger Leadbeter, met separately with the finance officers to further understand the risks and opportunities arising from the development of the new HQs, Torfaen Hub and Abergavenny properties and was very appreciative of the comprehensive and positive presentation, especially the forthcoming projects for Torfaen and Abergavenny. We look forward to further presentations on these projects as the business cases are progressed. We are pleased that financial projections and timings are on target and have not been material impacted by the pandemic. We will continue to monitor the establishment of the HQs and seek assurance to its value for money throughout 2021/22. We look forward to having a meeting in the new building.

## ❖ Value for Money

Due to the JAC's role in relation to Value for Money (VfM), it would be helpful if the VfM Profiles issued by HMICFRS and discussed annually during the December deep dive, were supported with performance and cost information that linked to demand and outcomes to aid better understanding of this area and ensure compliance with the ToR. Needs to be done once we have our deep dive on VFM or make statement of delay.

The JAC also want to ensure that as well as the comparison to Gwent's Most Similar Force group in relation to income and expenditure, that in future, information is also provided on demand and outputs/outcomes.

## 7. Conclusion

Based on the JAC's scrutiny of the information provided and its enquiries of management during 2020/21, the JAC is satisfied that the Commissioner and the Chief Constable can be assured that their control, risk and governance position for 2020/21 was appropriate. In doing so the JAC continues to draw attention to the opportunity to seek greater assurances in respect of Collaboration Projects risk and control position on a prospective basis. JAC have been satisfied with management of the COVID risk and the building of the new headquarters and hope that following the July meeting that the requirement for separate papers each meeting will not be needed going forward and that these risks will be able to be overseen by JAC as part of the routine risk management agenda item. The developments and changes within the finance department are seen as very important by JAC and will monitor implementation and any impact on its ability to undertake the budget and accounts auditing process that delay may cause.

In determining this conclusion, the JAC has given due regard to the work of both internal audit providers and is pleased to note that the annual audit opinion from TIAA is that *'The Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives for the areas reviewed during the year'*.

The JAC is satisfied that, as at 1<sup>st</sup> March 2021, TIAA's proposed annual Audit Plan for 2021/22 is appropriate for, and aligned to, Gwent's risk profile.

In relation to IT audits, the SRS received an overall assurance rating of *'Satisfactory'* from TCBC.

The JAC is pleased with the continued improvements being made in the SRS to support the completion of audit recommendations: JAC has received assurance that there is sufficient resource available to meet the audit plan set for 2021/22.

The JAC has confirmed its compliance with its ToR during 2020/21 and has received appropriate information from the OPCC and the Force to enable the discharge of its duties.

The Commissioner and the Chief Constable are asked to note this report as a summary of the work and findings of the JAC for the financial year 2020/21.