



Joint Audit Committee
Annual Report for the year ending 31st March 2019 (2018/19)

Chair's Foreword

The Joint Audit Committee 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 Chair, 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 commitment and input, not only at the formal meetings but also in the numerous consultations and discussions that take place away from the meetings.

Five formal meetings have been held during the year, with wide and varied agendas which reflected the broadening approach of the JAC to meeting its obligations under an ever-expanding Terms of Reference. The year also saw the first full 12 months of the adoption of "lead-member" roles by JAC members whereby they were able to bring their specific skills and knowledge to bear on various topics enabling improved focus and scrutiny by the Committee as a whole.

The year saw a continuing climate of financial pressure on policing budgets and it was a particularly challenging year for the Finance Department with a faster closing requirement for the year-end accounts, changes to operating systems and staff re-organisation. The impact of these challenges resulted in the JAC increasing its scrutiny of reports, both internal and external, on progress and implementation. We trust that a more stable environment going forward will reduce pressure on staff and systems and improved audit reports.

I would like to express my appreciation to all support staff, senior finance officers and, increasingly, operational officers from the Force who aided and guided the JAC through its oversight role and the Committee is 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.

Finally, 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. Good working relationships between the auditors and JAC has aided open and honest discussion on reports and issues arising which has benefitted the continual development of the control environment within the Office of the Police and Crime Commissioner and the Force.

Jonathan Sheppard
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 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 Mr Jonathan Sheppard (Chair), Ms Dawn Turner (Vice-Chair), Mr Andrew Blackmore, Mr Roger Leadbeter and Dr Janet Wademan. There had been no changes to membership during 2018/19.

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))

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 Governance Officer and Head of Assurance and Compliance of the OPCC.

Five formal meetings are scheduled each financial year as well as an annual all Wales JAC training day. Members are in attendance 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 2018/19

❖ Terms of Reference

The ToR set out the core functions that the JAC must undertake. Compliance with the ToR for 2018/19 was reported to the June 2019 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.

Work has been undertaken during 2018/19 to further understand the JAC's role in relation to Value for Money (VfM). A comparison of the wording used in relation to VfM was undertaken across JACs in England and Wales, with detailed discussions taking place at the meeting on 13th September 2018 and at the VfM deep dive on 13th December 2018. The ToR has been amended to reflect the wording suggested within the CIPFA guidance for audit committees.

❖ Joint Annual Governance Statement and Statement of Accounts

The 2018/19 Joint Annual Governance Statement was presented to the JAC in draft format at the March 2019 and June 2019 meetings for consideration and comment. 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 due to be presented to the July 2019 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 2019.

❖ **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 Torfaen County Borough Council (TCBC); TIAA continue to undertake all other audits on behalf of the OPCC and Force.

The annual TIAA Internal Audit Plan is agreed by the Chief Finance Officer of the OPCC and the Assistant Chief Officer, Resources of the Force, whereas the annual Internal Audit Plan for the Shared Resources Service (SRS) (provided by TCBC) is agreed at the SRS Board meeting which is attended by the Assistant Chief Officer, Resources on behalf of the OPCC and Force. Both Annual Audit Plans are presented to the JAC for approval. Reports on the adequacy of controls in the systems audited are also presented to the JAC.

The JAC was satisfied that TIAA's proposed annual Audit Plan for 2018/19 was appropriate for, and aligned to, Gwent's risk profile. However, the JAC was less comfortable with TCBC's proposed 2018/19 Annual Audit Plan for the SRS and required further assurances as to the extent to which it met Gwent's requirements. Concern was also raised in relation to the number of audits that had not been completed from the 2017/18 Audit Plan alongside the overall assurance rating being 'major improvement required'.

As a result the Chief Operating Officer of the SRS attended the June 2018 meeting and provided an in-depth account in relation to the work ongoing within the SRS to ensure that the 2018/19 audit plan, along with those audits outstanding from the 2017/18 audit plan, were resourced adequately. The JAC noted that an improved focus was being placed on the area of audit by the SRS and an updated Audit Plan for 2018/19 was presented to the JAC in September 2018.

After reviewing the revised Audit Plan for 2018/19 the JAC agreed that although changes had started to be made, further work needed to be undertaken and requested its significant concerns in relation to the audit completion rate and absence of an articulated SRS overall risk exposure assessment be formally noted.

At the request of the JAC, the Commissioner contacted the audit committees of the other partner organisations of the SRS to determine if they shared the same concerns in relation to the recent audit outcomes. The letter written by the Commissioner was discussed by the Section 151 Officers at the Finance and Governance Board who noted the concerns raised but felt that they were not appropriate to raise with their individual audit committees. The JAC accepted that each organisation had a different risk threshold but was concerned that audit outcomes, particularly in relation to the "limited" service continuity audit, were not given the same importance by Gwent's partners within the SRS. Some assurance was received that the SRS were taking the matter seriously and had provided a comprehensive update to the Finance and Governance Board of the plans they were putting in place to resolve the issues identified, particularly in relation to service continuity.

Disaster Recovery

Work has been on-going for a number of years in relation to developing a disaster recovery site in conjunction with South Wales Police. Due to issues arising in respect of the transfer of data to the disaster recovery site, the JAC lead for IT has been supporting the Assistant Chief Officer, Resources, in ensuring there has been a high level of scrutiny in this area. The JAC have been able to provide robust and constructive challenge in relation to disaster recovery and are satisfied that it remains on the joint strategic risk register and are reassured by the regular updates provided by the Assistant Chief Officer, Resources at meetings. Work will continue to be progressed in relation to disaster recovery during 2019/20.

JAC Attendance during Internal Audit Procurement Process

As per the ToR, a member of the JAC was invited to participate in the tender process for the appointment of new internal auditors in early 2019.

Audits Completed - TIAA

There were 22 internal audits completed by TIAA in 2018/19, 2 received 'substantial' assurance, 15 received 'reasonable' assurance, 5 received 'limited' assurance and 0 received 'no assurance'. 2 'follow up' audits were also completed.

There was 1 'advisory' audit requested in addition to the approved audit plan, 'Data Breach Freedom of Information Request'¹.

¹ TIAA was asked to review the circumstances surrounding the Data Breach Freedom of Information request, the identified security weakness in the Connect Gwent website and the decision not to report the identified weakness to the Information Commissioner. This review was undertaken in May 2018 and was additional to the planned audit work for 2018/19. 7 priority 2 recommendations were found.

Audits Completed - Torfaen County Borough Council

There were 8 internal audits completed by TCBC on the IT services provided to the OPCC and Force in 2018/19, 2 received 'substantial' assurance, 3 received 'moderate' assurance, 3 received 'limited' assurance and 0 received 'no assurance'. There were 3 audits that had not been started and had been moved to the 2019/20 audit plan.

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 2018/19 was undertaken during March 2019. This allowed the results to be analysed and any key outcomes included in the priorities for the coming year.

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.

❖ **Annual Performance Reviews**

All members have participated in an annual performance review process. Feedback has been positive with all members finding the process useful.

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 2017/18 annual report.

❖ **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

- Regional Organised Crime Unit (TARIAN) and Welsh Extremism and Counter Terrorism Unit (WECTU), 7th June 2018;
- General Data Protection Regulation Update (OPCC and Force) , 13th September 2018;
- Value for Money Profiles, 13th December 2018; and
- Early Action Together (All Wales Approach to Adverse Childhood Experiences (ACEs)), 4th March 2019.

All Wales JAC Training Day, 19th February 2019

An All-Wales JAC training day was hosted by the Dyfed Powys OPCC and Force and held at the Shared Resource Centre in Llandrindod Wells. The day was facilitated by CIPFA at which updates on the latest strategic, governance and audit issues were provided as well as tips on the earlier closure of the accounts. There was also a presentation on the role of the all Wales Deputy Chief Constable which provided an update on collaborative progress over the previous two years and the direction of travel for the future. A report has been submitted to officers by the Vice Chair to ensure the JAC will be updated on Gwent's progression with the key areas raised.

The JAC agree that these annual development sessions were useful and wished to see them continue in the future.

❖ **Finance Department Restructure**

The JAC continues to be updated in relation to changes within the Finance department and have been made aware that the post implementation review of the new structure identified the need for additional resource within the department which has now been agreed. The JAC has been assured by both the Assistant Chief Officer, Resources and the Chief Finance Officer that the interim structure provides more stability and resilience within the department. The JAC has also highlighted the risk to the organisation as a result of the high turnover of staff and have recommended that the situation is monitored closely.

The JAC is satisfied that progress is being made within the department and that the OPCC and Force will continue to meet their legal commitments.

❖ **Creditors and Debtors**

As a result of issues with the implementation of the new finance system the 'Fully Integrated Resource Management System' (FIRMS), as well as the changes made within the Finance department and the subsequent departure of key staff, the focus placed on managing debts and paying suppliers has been overlooked. Members have received regular updates in relation to progress in both areas and are satisfied that sufficient remediation activity is underway. We were pleased that the finance team were working with PriceWaterhouseCoopers to develop financial procedures for the new system.

December 2018 saw the JAC presented with an audit report on the debtors position and was pleased to note that the assurance rating had increased from 'Limited' in 2017 to 'Reasonable' in 2018. Despite progress made on the creditors position, the JAC was disappointed to receive an audit with a 'Limited' assurance rating in this area. It was acknowledged that further work was needed in relation to the recovery of duplicate payments made as a result of the implementation of

the new FIRMS system and that the 'No Purchase Order No Pay' policy needed to be implemented as soon as possible.

❖ **Early Closure of the Accounts**

The JAC was pleased that the OPCC and Force were able to meet the deadline of 31st July 2018 for approval of the 2017/18 accounts.

A number of issues were experienced during the production of the accounts which resulted in an increase in WAO resources and as a result the fee charged for 2018/19 to ensure the deadline date was met.

The finance team have produced a lessons learnt action plan which is being monitored by the JAC and are implementing the changes required to ensure that the same issues do not arise during the production of the 2018/19 accounts.

❖ **Production of Joint Annual Governance Statement**

The first Joint Annual Governance Statement for the OPCC and Force was produced for the financial year 2017/18. This suggestion had been made by the JAC due to the two corporations' sole sharing much of the same governance framework. The JAC agreed that the production of one document was appropriate.

❖ **Prioritisation of Risk**

In order to evidence the JAC's commitment to risk management, the September 2018 meeting saw the strategic risk register discussed at the beginning of the agenda, ensuring that the remaining reports on the agenda reflected those areas of concern. Due to its success, it has been agreed that the strategic risk register will be the first item for discussion on the agenda every September with it remaining towards the latter part of the agenda for the remaining meetings.

❖ **Public Sector Internal Audit Standards**

The TCBC Public Sector Internal Audit Standards (PSIAS) report was shared with JAC and provided reassurance that they were compliant with the requirements of the PSIAS. We acknowledged that as highlighted in their 2018/19 annual report, that TIAA were also compliant with the PSIAS.

❖ **Raising the Profile of the Joint Audit Committee with External Partners**

In order to raise the profile of the JAC externally, 2 members of the Police and Crime Panel attended the December 2018 meeting as observers, in order to assist with their understanding of the role JAC undertake in relation to supporting both the OPCC and Force. Feedback from the Police and Crime Panel members was positive.

6. Priorities for 2019/20

❖ 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:

- Absence Management and Wellbeing – June 2019;
- Day in the Life of a Frontline Police Officer – September 2019;
- Annual Review of the Value for Money Profiles - December 2019; and
- Collaboration or Self-Assessment Form Review. A preferred area will be agreed at a later date – March 2020

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 2018/19

The early closure of the accounts becomes statute for the 2018/19 financial year. Due to the issues experienced in the production and closure of the accounts for 2017/18, the JAC will continue to monitor the action plan created from the 2017/18 closure in order to ensure the process runs smoothly for the 2018/19 accounts.

❖ Shared Resource Service – Audit Plans

The JAC will continue to closely monitor completion of the TCBC internal audit plan to ensure all outstanding audits are finalised from both the 2017/18 and 2018/19 plans and that adequate resource is agreed by the OPCC and Force to support the SRS in delivery of the Gwent Police elements of the 2019/20 audit plan.

The length of time allocated by the SRS to complete audit recommendations has, on occasion, seemed excessive. The JAC will now monitor the completion of all SRS audit recommendations via the quarterly Outstanding Audit Recommendations report – any concerns will be raised with the Assistant Chief Officer, Resources for feedback to be provided to the SRS.

❖ Shared Resource Service - Disaster Recovery

The JAC lead member for IT will continue to support the Assistant Chief Officer, Resources in scrutinising the progression of work in this area.

❖ Shared Resource Service - Service Continuity Management

Due to the concerns the JAC have in relation to this area of work, focus will be placed on ensuring the required action from the OPCC and Force to support the SRS to improve in this area is provided. Outstanding actions will continue to be monitored closely until completion.

❖ **Creditors**

As the most recent audit in this area still raised cause for concern and only provided a 'Limited' assurance rating, the JAC will continue to monitor progress closely, particularly in respect of the recovery of duplicate payments and the implementation of the 'No Purchase Order No Pay' policy.

❖ **Review of the CIPFA 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)**

The OPCC has recently purchased the following guidance from CIPFA, 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)'. An initial review of the guidance has been undertaken and has identified the need for further discussion to take place between officers due to the potential implications related to the suggested reporting requirements to the JAC. Decisions need to take place to determine which of the suggested areas are appropriate for reporting to the JAC and how they would fit into the current reporting structure, taking care to not overload the already significant agendas. A further report highlighting officers' suggestion on how to progress with the suggestions in the guidance will be provided during the 2019/20 financial year for the detailed consideration of members.

7. Conclusion

Based on the JAC's scrutiny of the information provided and its enquiries of management during 2018/19, the JAC is satisfied that the Commissioner and the Chief Constable can be reasonably assured that their control, risk and governance position for 2018/19 was appropriate. In doing so the JAC has drawn attention to the opportunity to seek greater assurances in respect of SRS' risk and control position on a prospective basis.

In determining this conclusion, the JAC has given due regard to the work of both internal audit providers and are pleased to note that the annual audit recommendation 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'*.

The JAC is satisfied that, as at 13th December 2018, TIAA's proposed annual Audit Plan for 2019/20 is appropriate for, and aligned to, Gwent's risk profile.

In relation to IT audits, the SRS received an overall assurance rating of *'Generally satisfactory, some improvement required'* from TCBC.

The JAC is pleased with the improvement in the overall assurance rating provided for the SRS for 2018/19 although is aware that there is still much work to do to continue to improve this area further. These concerns have been shared with TCBC

and with the SRS; the JAC has received assurance that that there is sufficient resource available to meet the audit plan set for 2019/20.

The JAC has confirmed its compliance with its ToR during 2018/19 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 2018/19.