



## **Joint Audit Committee** **Annual Report 2016/17**

### **About Gwent**

The Gwent Policing area serves the five Local Authority areas of Blaenau Gwent, Caerphilly, Newport, Monmouthshire and Torfaen and covers an area of 600 square miles. The area is mixed, rural and urban and the road network carries large volumes of traffic through the M4 link to the East, which incorporates the Second Severn Crossing.

Since the 1<sup>st</sup> April 2015, Gwent Police have operated an East/West model covering the five Local Authority areas. The 'East' area covers Monmouthshire and Newport while the 'West' area covers Blaenau Gwent, Caerphilly and Torfaen.

During 2016/17 the Gwent policing area had two Police and Crime Commissioners. Ian Johnston QPM held the post from 1<sup>st</sup> April 2016 having been elected as Gwent's first Police and Crime Commissioner in November 2012. He stood down from office on 11<sup>th</sup> May 2016.

On 5<sup>th</sup> May 2016 elections were held to appoint the next Police and Crime Commissioners for each policing area. The successful candidate for Gwent was Jeff Cuthbert B.Sc., MCIPD, who became Police and Crime Commissioner on 12<sup>th</sup> May 2016; he will hold the post for the next four years.

The Chief Constable for the area was Jeff Farrar QPM.

### **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.

## **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.

The [Operating Principles and Terms of Reference \(ToR\)](#) establish the core functions of the Committee and are reviewed on an annual basis.

## **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. At the start of the 2016/17 financial year, the JAC Members were Mr Roger Leadbeter (Chair), Mr Jonathan Sheppard (Vice-Chair), Mr Andrew Blackmore, Mr Geoffrey Hughes, and Mrs Dawn Turner.

The previous Chair was required to stand down in March 2017 having served the maximum number of years as Chair allowed by the ToR. At the meeting held on 9<sup>th</sup> March 2017, a new Chair and Vice-Chair were appointed, Mr Jonathan Sheppard and Mrs Dawn Turner respectively. The previous Chair was thanked for his leadership and the counsel shown during his tenure, with recognition given to his role in the development of the JAC since its inception in September 2012.

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 of Staff, OPCC
- ❖ Chief Finance Officer, OPCC
- ❖ Chief Constable, Force
- ❖ Assistant Chief Officer - Resources, Force
- ❖ Chief Superintendent, Service Development

- ❖ Internal Audit (TIAA)
- ❖ External Audit (Wales Audit Office (WAO))

Members of the JAC have the option to meet privately with the auditors for 30 minutes prior to the start of every meeting, once per annum the time available is extended to one hour.

The Committee is supported by the Information Officer of the OPCC.

The ToR state that four formal meetings should be scheduled each year, with additional formal meetings scheduled if required.

**Members' attendance at meetings during 2016/17**

<b>Member</b>	<b>Number of Meetings Held</b>	<b>Number of Meetings Attended</b>	<b>% of Meetings Attended</b>
R Leadbeter	4	4	100
G Hughes	4	2 <sup>1</sup>	50
J Sheppard	4	4	100
A Blackmore	4	3	75
D Turner	4	4	100

Agendas and minutes from the JAC meetings are made available to the public on the OPCC website. A copy of the draft JAC minutes is also provided to the Police and Crime Commissioner and the Chief Constable for discussion at the Strategy and Performance Board. The Chief Finance Officer also provides regular briefings to the OPCC Executive Board. The Assistant Chief Officer - Resources also provides regular briefings to the Chief Officer Team.

**Overview of Work Undertaken During 2016/17**

❖ **Terms of Reference**

The JAC ToR set out the core functions that the Committee must undertake. Compliance with the ToR for 2016/17 was reported to the June 2017 JAC meeting together with the draft JAC annual report. The purpose of this compliance paper was to provide the Commissioner and the Chief Constable with assurance that the Committee has successfully met these functions during the year.

❖ **Self-Assessment**

---

<sup>1</sup> Mr G Hughes was absent from the December 2016 meeting due to illness.

The third self-assessment exercise was undertaken during March and April 2017. This allowed the results to be analysed and any key outcomes included in the Annual Report for 2016/17.

As with the previous self-assessment exercises, the template utilised was based on the example contained within the CIPFA publication 'Audit Committees, Practical Guidance for Local Authorities and Police 2013 edition' with a few additional questions incorporated. Feedback on the form will be incorporated for use during the 2017/18 exercise.

Following Members' review of the self-assessment exercise, an action plan has been drafted to support the JAC's continuous improvement. This is reviewed by the JAC on a quarterly basis.

The action plan has been updated after completion of the self-assessment process for 2016/17. New actions arising have been included and those actions still on-going remain; any actions from 2016/17 that were completed have been removed.

#### ❖ **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. The annual Internal Audit plan is agreed by the Chief Finance Officers of both corporations' sole, and is presented to the JAC for approval. Reports on the adequacy of controls in the systems audited are also presented to the JAC.

#### Change to the Internal Audit Work Programme

During the December 2016 meeting the JAC agreed to approve a development in the internal audit function. This resulted in all IT related audits being undertaken by Torfaen County Borough Council (TCBC); the current Internal Auditors (TIAA) would continue to undertake all other audits for the OPCC and Force.

There were 21 internal audits completed by TIAA in 2016/17 with the following assurance assessments:

<u>Assurance Rating</u>	<u>Audit Title</u>
Substantial Assurance - 4	Risk Management – Mitigating Controls
	Joint Legal Services
	Counter-Fraud – Learning from Cases

	Payroll
Reasonable Assurance - 13	Fleet Strategy
	Budgetary Control
	Creditors
	Pensions
	Fixed Assets
	Estate Management Strategy
	HR Absence Management
	Expenses and Other Additional Payments
	Governance - Performance Management
	Finance and Resource System Implementation
	General Ledger
	First Point of Contact
	Information Management
Limited Assurance - 2	Debtors
	Marketing Social Networking
No Assurance – 0	
Operational Reviews (No assurance rating provided) - 2	Governance Board Assurance Framework
	Corporate Communications

At the March 2017 meeting it was agreed that in future all reviews undertaken will be provided with an assurance rating in order to determine if further, detailed attention needs to be given to that area of audit by the JAC.

A Follow-Up audit was also undertaken in March 2017 which reviewed the management actions taken in relation to priority 1, 2 and 3 recommendations arising from internal audit reviews completed by TIAA during 2015/16 and 2016/17. The report highlighted the recommendations that have been implemented and those still outstanding.

There were 3 internal audits completed by TCBC on the IT services provided to the OPCC and Force in 2016/17 <sup>2</sup> with the following assurance assessments:

<b><u>Assurance Rating</u></b>	<b><u>Audit Title</u></b>

<sup>2</sup> Torfaen County Borough Council took over the auditing of the IT function from TIAA in September 2016

Full - 0	
Substantial – 2	Email ISO27001:2013
Moderate - 1	Virtualisation
Limited - 0	
Nil – 0	

Two follow up audits were also completed during 2016/17 which both received an Excellent rating:

- Service Desk
- Change Management

The following audits from the 2016/17 Audit Plan are still in progress:

- Application Development Management
- IT Governance

## Overview of Training Undertaken During 2016/17

### ❖ Training and Development

Members have participated in a number of different training events in order to ensure the knowledge and skills they have can be applied to the policing service and provide relevant advice and assurance to both the Commissioner and Chief Constable. Internally the OPCC and Force also 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

- Staying Ahead, 30<sup>th</sup> June 2016;
- Strategic Policing Requirement and Strategic Assessment, 15<sup>th</sup> September 2016;
- Value for Money Profiles, 21<sup>st</sup> December 2016; and
- Tour of Disaster Recovery Site, 9<sup>th</sup> March 2017.

A new induction programme was also established and will be undertaken each time a new member joins the JAC.

### All Wales JAC Development Day, 16<sup>th</sup> January 2017

An All-Wales JAC Development Day was held at the Newport City Centre Campus of the University of South Wales and was hosted by the Gwent OPCC and Force; the Wales Audit Office provided a Financial Audit Manager to assist with the facilitation of the event. Feedback from other JACs was positive with an agreement reached to arrange further all-Wales development events. An action plan resulting from the meeting has been developed and circulated to all Welsh JACs and is also due to be presented at the all Wales Police Resources and Finance Group to discuss those actions that need to be progressed on an all Wales basis.

### **Priorities for 2017/18**

#### **❖ 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:

- Operating Model East/West – June 2017;
- Public Protection – September 2017;
- Annual Review of the Value for Money Profiles - December 2017; and
- NICHE/Visit to Force Control Room – March 2018

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.

#### All-Wales Training

At the all-Wales training day held in January 2017 it was agreed by all members in attendance that further all-Wales events would be beneficial. This is an area that needs to be discussed further by Welsh Finance Officers in order to determine the best way of progressing this request.

#### Her Majesty's Inspectorate of Constabulary (HMIC)

A letter has been sent to HMIC inviting them to attend the December 2017 JAC meeting in order for them to gain insight on how the JAC operate and to enable them to provide members with an overview of the role of HMIC. December was chosen as a suitable date as it coincides with the annual deep dive on the HMIC Value for Money profiles and it was thought it would be beneficial for HMIC to be in attendance when these were discussed.

#### Use of Lead Members

The JAC are eager to progress with the use of lead members who will be able to provide advice and guidance on their agreed areas. This will be discussed further during the coming year with the hope of allocating areas to members with the relevant expertise.

### Holding to Account in the Digital Era

A key area raised during the 2016/17 self-assessment process was how the JAC were to scrutinise the activity of the Force in the digital era. This needs to be considered and addressed during 2017/18 by the JAC and the OPCC and Force lead officers.

#### ❖ **Finance Department Restructure**

The JAC have been kept abreast of changes to the structure of the Finance department. With key staff leaving the organisation and a new Head of department commencing in 2017, the JAC will continue to monitor these changes in order to ensure the OPCC and Force are able to meet their legal commitments with regards to the budget setting process and to ensure stability within the department.

#### ❖ **Raising the Profile of the Joint Audit Committee**

The role of the JAC is not as understood Force-wide as members would like it to be. It is therefore a key task over the coming year to promote its role and provide senior officers with a greater understanding of its purpose.

#### ❖ **Internal Audit**

Gwent received an overall 'Reasonable' assurance rating from Internal Audit for 2016/17 (not including IT audits undertaken since September 2016). Gwent also received an overall assurance rating of 'Generally satisfactory with some improvements required' in relation to IT audits. The JAC will continue to maintain a good working relationship with Internal Audit and will assist the Police and Crime Commissioner and the Chief Constable in ensuring a reduction in the rescheduling of audits continues and that a positive result is also achieved for 2017/18.

The JAC will monitor how the division of the audit function between TIAA and TCBC progresses to ensure that adequate and appropriate information continues to be received and reviewed.

## **Conclusion**

The Committee has complied with its ToR during 2016/17 and has received appropriate, regular and timely information from the OPCC and the Force. The Committee remain satisfied that the Commissioner and the Chief Constable can be assured that their control, risk and governance position for 2016/17 was appropriate.

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 2016/17.

## **Acknowledgements**

We are grateful to all who have attended and contributed to the work of the JAC including officers from the Wales Audit Office and TIAA.

We would like to welcome the new Wales Audit Office Audit Manager to the Committee and thank the departing Audit Manager for the work undertaken since the implementation of the JAC in 2012.