



## Joint Audit and Standards Committee Annual Report 2016/17

### Foreword of the Committee Chair

Welcome to the 2016/17 Annual Report of the Joint Audit and Standards Committee (JASC). The committee is an independent body that provides assurance to the Commissioner and Chief Constable on their arrangements for governance. The committee achieves this by undertaking a wide range of reviews against an annual work programme. Through providing support and challenge the committee aims to improve and add value to those areas of governance within its remit.

Each year the committee undertakes an annual review of effectiveness. The report on the outcome of this review for the 2016/17 financial year was approved by the committee at their meeting on 24 May 2017. The full report, which runs to 46 pages, can be viewed on the JASC pages of the Commissioner’s website at:

<https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/JASC-Review-of-Effectiveness-2016-17.pdf>

This full report summarises the work of the Committee for the 2016/17 financial year in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on best practice for audit committees. The CIPFA guidance document encourages an annual review of the committee’s effectiveness. Pages 3 to 6 of this annual report provide a hi-level summary of the annual review of effectiveness. The summary Review of Effectiveness provides an overview of the key elements of the guidance. It also provides a summary and key highlights of the committee’s performance in support of the conclusions and assessment score.

During the course of the 2016/17 financial year, committee members have considered over 74 reports covering matters of governance including 14 internal audit reviews and the Commissioner and Chief Constable’s Statement of Accounts. In addition, the committee has reviewed a number of HMIC inspection reports for matters of governance. Within that work, members have directed their focus towards making a significant contribution to maintaining and strengthening the governance of both the Office of the Police and Crime

Commissioner and of the Constabulary. Our work has included undertaking a substantive review of key elements of the governance framework, challenging and monitoring the approach to risk management, making key recommendations regarding its improvement and scrutinising the effectiveness of arrangements to secure value for money. In addition for 2016/17, the committee has contributed to the assurance arrangements for the introduction of the Joint Chief Finance Officer, making a number of recommendations to ensure a robust approach to assessing the ongoing effectiveness of the arrangement.

The review of the committee's work for 2016/17 has concluded that the committee meets the CIPFA criteria for being highly effective in its operation, scoring 5 out of 5 in all but one category of the self-assessment. The review has again highlighted scope for improvement in one area within the committee's core functions and this is in the area of promoting reporting and accountability where a

score of 4 out of 5 was achieved. Measures already put in place for 2017/18 whereby the committee receives and comments on the draft statement of accounts before they are audited should see that score increase to 5 (provided all other things remain equal).

For 2017/18 the committee look forward to working with the Police and Crime Commissioner to improve outcome focus so that delivery can be more effectively measured. The committee are also looking to strengthen partnership working with the ethics and integrity panel and to support and monitor the PCC and Constabulary plans to address the more stringent funding environment.

In presenting this annual report, the committee wishes to thank the Commissioner and Chief Constable's officers and appointed auditors for their support. In particular, the committee acknowledges the high standards achieved by the Chief Constable's Finance Team in delivering the

2016/17 Accounts, the timeliness and the quality of the Financial Statements. I hope you will find this report informative, and that the information it provides supports a wider understanding of the contribution made by the committee to the Commissioner and Chief Constable's arrangements for governance.

**Fiona Daley**

**Joint Audit and Standards Committee Chair**



# Joint Audit and Standards Committee Summary Review of Effectiveness 2016/17



## Background

The purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

The **Joint audit and Standards Committee (JASC)** is made up of four independent appointed members and they provide this assurance role for both the Police and Crime Commissioner for Cumbria (PCC) and the Chief Constable for Cumbria Constabulary.

The Chartered Institute of Public Finance and Accountancy (CIPFA) provides guidance on the role of the committee and also recommends that an annual review of effectiveness against these guidance principles is undertaken. This document summarises the findings of the review for the

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2016/17 financial year, the review document in full can be found on the PCC website at:

<https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/JASC-Review-of-Effectiveness-2016-17.pdf>

## Annual Review 2016/17

The self-assessment review of the committee and its functions using the CIPFA guidance concluded that “the committee is highly effective in its operation”. The review provides a 1-5 score (with 5 being highest) against a number of criteria. The committee has scored 5 in all but one category. In the category where a score of 4 was achieved (Promoting reporting and accountability), measures put in place for 2017/18 whereby the committee receives and comments on the draft statement of accounts before they are audited

should see that score increase to 5 for 2017/18 (provided all other things remain equal).

The JASC annual work profile is mapped against the CIPFA guidance to ensure all requirements are covered. The annual work programme arranged by meeting and by assurance format is provided in the full report, together with the role profile of committee chair and members, attendance at meetings and the terms of reference.

The PCC for Cumbria, Peter McCall said **“The committees specialist knowledge and flexibility to provide in depth scrutiny as necessary, gives me, on behalf of the public, additional assurance of the appropriate performance and accountability of the Constabulary”.**

The Chief Constable, Jerry Graham said **“The JASC perform a pivotal function in reassuring me that the appropriate governance and controls are in place within the Constabulary”.**

The categories and scores from the self-assessment are summarised in the table below:

Promoting good governance	5/5
Supporting internal audit and internal control	5/5
Supporting risk management	5/5
Assurance frameworks and planning	5/5
Supporting value for money	5/5
Values & countering fraud and corruption	5/5
External audit and inspection	5/5
Promoting reporting and accountability	4/5
Ethical values and treasury management	5/5
Independence and accountability	5/5
Membership and effectiveness	5/5

The remainder of this report provides a summary of the individual categories included in the self-assessment.

## Core Committee Functions

### Promoting the principles of good governance and annual governance statement

The JASC address governance principles in the course of regular business rather than as a once a year exercise. CIPFA notes the importance of the committee to make things better not just review what has happened in the past. The annual work programme (provided in detail in the full report) includes arrangements for cyclical review of governance documents and all material governance arrangements.

During the year members have contributed to the assurance arrangements for the introduction of the Joint Chief Finance Officer, making a number of recommendations regarding future review processes, including internal audit, to ensure a robust approach to assessing the on-going effectiveness of the arrangements. This includes a specific focus on arrangements to manage conflicts of interest and accountability between the PCC and Chief Constable. In addition, members have made a number of contributions to the narrative within

corporate governance documents that improves their overall accessibility to users and strengthens or clarifies internal controls. This has included feedback to improve wording within financial regulations in respect of arrangements for ex-gratia payments, limits and authorisations and recommended changes to the risk register descriptions for the Emergency Services Network to better communicate the nature of the risk.

### Contributing to the development of an effective control environment and supporting the quality and independence of internal audit

JASC has a clear role in relation to oversight of the internal audit function. JASC review the audit charter and audit plan on an annual basis. JASC also receive all audit reports at the point at which they are finalised, members will then select those reports that they wish to be discussed in more detail at the following meeting. During the year members have given specific focus to audit reports covering code of ethics, property handling, police pensions, creditors, surrendered and seized firearms, procurement, the multi-agency

safeguarding hub, code of corporate governance and stop & search. Increased levels of scrutiny result in improvements to the control environment and provide assurances on the effective implementation of audit recommendations. Scrutiny of the audit recommendation for safeguarding ICT assets has led to job roles being amended to make explicit reference to this critical area of business. Another example of the impact of the committee occurred where following comment in an internal audit report, members challenged the arrangements for staff performance and development review processes and sought further audit assurance on the implementation of the new processes. The JASC have further made recommendations for strengthening the narrative within the Constabulary “plan on a page” regarding on-going investment in staff and officer development. This has resulted in improvements to the document and improvements to the links that access supporting information for staff.

The committee meet annually and independently with the Head of Internal audit (HIA) and also receive the HIA annual report and opinion. JASC also monitor the performance of internal audit

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against agreed indicators on a regular basis. An update on progress against all medium and high level audit recommendations is provided to 4 of the 5 meetings in the year.

### Supporting arrangements for the governance of risk and effective arrangements to manage risk

The Home Office Financial Management Code of Practice directs committees to advise the PCC and Chief Constable on the adoption of appropriate risk management arrangements. JASC consider the risk management strategies and risk registers of the PCC and Constabulary on a regular basis. JASC has a lead member for risk who provides input and advice on risk management strategies prior to consideration by the full committee.

### Assurance frameworks and assurance planning

The committee works within an assurance based programme of work which aligns to the terms of reference. The work programme ensures that assurance activity is planned and delivered efficiently and effectively. The assurance

framework includes receiving assurances from chief officers, management, internal and external auditors.

### Supporting the development of robust arrangements for value for money (VFM)

CIPFA guidance notes that it is the statutory responsibility of the Chief Constable to secure VFM, the PCC holds the Chief Constable to account for this responsibility. The role of JASC is to support both the PCC and Chief Constable to fulfil their responsibilities. The JASC role focuses on the arrangements to ensure VFM and the progress in achieving VFM. The work includes how VFM performance is evaluated as part of the annual governance statements and consideration of the external audit opinion with regards to VFM. The committee also receive a number of VFM reports including an analysis of the HMIC VFM profiles. In addition, the format of internal audit reports specifically identify any VFM implications of audits.

## Helping to implement values of good governance and countering fraud and corruption

CIPFA guidance states that the committee is to have oversight of the counter-fraud strategy, assessing whether it meets recommended practice, governance standards and complies with legislation. JASC has a good understanding of the level of fraud risk to which the organisation is exposed and implications for the wider control environment. The JASC undertakes a cyclical review of the counter fraud strategy including associated codes of conduct on ethical behaviour. On an annual basis the committee receives a report from the OPCC on the effectiveness and monitoring of arrangements for anti-fraud and corruption within the PCC. In addition as part of the process for reviewing the annual statement of accounts the committee receives the PCC and Chief Constable's letter of management assurance to the external auditor which include a full fraud risk assessment. Members further support their understanding by their review of all audit reports which provide an

understanding of internal controls that are in place and how these are working.

## External audit and inspection

The JASC role includes receiving and considering the work of the external auditor. Cyclical reports included in the annual work programme cover the annual report and a mid-year update report. In addition the JASC have a private meeting with the external auditor once a year. External audit are represented at each of the JASC meetings and fully engage with any discussions where appropriate. Where external audit reports include recommendations an update on these is monitored at 4 of the 5 meetings during the year.

## Promoting effective public reporting, partnership governance and accountability

The CIPFA guidance focusses on the role of the committee in relation to financial reporting and governance and specifically on the work of the committee in relation to the statement of accounts. The work on the statement of accounts includes

reviewing consistency between the CFO introduction/foreword, the financial statements and the committee's own understanding of the financial challenges and risks facing the organisation. Consideration is also given to the accessibility and overall readability of the statements. The financial statements are accompanied on the agenda by a report from the Chief Finance Officer that consolidates key areas of assurance on the financial statements and explains any key changes. Best practice requires the statement to be reviewed prior to audit and for this reason a score of 4 out of 5 was given as the draft 2015/16 statements were not finalised to achieve this standard. As an improvement for this year, the committee have received the draft statement of accounts for 2016/17 to review prior to audit and this should see the score increase to 5 (provided all other things stay the same).

## Wider Committee Functions

### Ethical Values and Treasury Management

In relation to ethical values, guidance acknowledges the role of the committee in promoting high standards and that the committee may take on the role of a standards committee. Evidence in support of this requirement is provided within core functions assessment under good governance and countering fraud and corruption.

With regards to treasury management, the committee ensures effective scrutiny of the treasury management strategy and policies. Scrutiny involves developing an understanding of treasury matters and receiving quarterly activity reports to support this. The JASC receive a treasury management briefing directly from the PCC treasury advisors, Arlingclose, on an annual basis in addition to the quarterly activity reports and annual strategy statement.

### Independence and accountability

The CIPFA guidance includes a position statement that covers key features that should be evidenced within audit committees. Outside this statement, arrangements should reflect local circumstances. The committee is fully compliant with the requirements of the CIPFA guidance.

### Membership and Effectiveness

CIPFA recognises that membership composition and operation are a key factor in achieving the characteristics of a good audit committee. The JASC has four members appointed through a recruitment process.

The members come from a range of backgrounds with a wide skillset. A number of development activities are included within the workplan which includes a corporate update at every meeting and members are supported in attending national events relevant to their role.

In September 2016 one of the committee members, Andy Hampshire retired after serving 3 years with

the former Police Authority and 4 years as a member of the JASC. At the July meeting of the JASC, the Chair, Fiona Daley thanked Andy for his work on the committee. A new member, Malcolm Iredale, was subsequently recruited. In addition to experience as a CFO, Malcolm has experience in relation to procurement and this adds a significant additional breadth to the skill sets and experience of the group.

### Plans for 2017/18

As part of the review a number of areas of development have been identified for 2017/18 which include working with the PCC to improve the focus on outcomes so that delivery can be more effectively measured, strengthened partnership working with the ethics and integrity panel, support and monitor PCC/Constabulary plans to address the more stringent funding environment and support and challenge any new governance arrangements.

A brief introduction to the current committee members is provided below:



**Fiona Daley** – Fiona joined the committee in November 2012 and took over as chair of the committee in April 2015.

Fiona comes to the OPCC with a strong public sector audit background. Having worked for the Audit Commission for more than 20 years in a variety of roles, including being appointed District Auditor, Fiona then went on to senior financial management and leadership roles. As well as being a member of the Joint Audit and Standards Committee Fiona has a portfolio of other appointments including working for the Local Government Association on setting up a successor body to the Audit Commission; sitting as an independent appointments panel member for the Judicial Appointment Commission; an accountant member of the Financial Reporting Council's disciplinary panel and; chair of a local charity.



**Jack Jones** – Jack joined the committee in November 2012.

Jack has spent his whole career working within the finance sector, including South Lakeland District Council where he was Treasurer/Director of Finance, and is currently working as an Internal Auditor with a small Cumbrian firm. As a result, Jack has brought with him experience of working in local government as well as a sound understanding of financial management and relevant technical knowledge.



**Fiona Moore** – Fiona joined the committee in April 2015.

Fiona, a solicitor by profession, has considerable experience working in Criminal Justice based organisations most recently in a Head of Governance role in the Ministry of Justice. Fiona is Deputy Chairman of Two Castles Housing Association and Chair of Governors of Windermere C of E Primary School. Fiona has served on a number of Committees in a range of roles and as a member of the Two Castles Audit Committee.



**Malcolm Iredale** – Malcolm joined the committee in September 2016.

Malcolm trained and worked in an English Local Authority before moving to Scotland to work as a Local Government Auditor - both external and internal, including Police Authorities. He then spent over 20 years in the Highlands as a Director of Finance in both Local Government and the NHS, with a particular interest in the delivery of public services in remote and rural areas. He has subsequently undertaken procurement roles at both local and national level, and now serves as a Trustee of a local charity.