



Foreword of the Committee Chair

Welcome to the 2018/19 Annual Report of the Joint Audit Committee (JAC). 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.

During the course of the 2018/19 financial year, committee members have considered over 91 reports covering matters of governance including 18 internal audit reviews and the Commissioner and Chief Constable's Statement of Accounts. Our work 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 the committee has continued to consider the assurance arrangements following

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.

Each year a review of effectiveness is completed covering the work of the committee. This review, which is classed as a self-assessment is completed on behalf of the committee by the Deputy Chief Finance Officer. The review of the committee's work for 2018/19 has concluded that the committee meets the CIPFA criteria for being highly effective.



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For 2019/20 the committee has prepared an action plan to help ensure that the work of the committee is proactive in focusing on new and emerging issues of governance. We will look to:

- Support and monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment.
- Support and challenge any new governance arrangements, for example, from restructuring and capacity reviews, greater collaboration with other organisations or joint working on delivery of services.
- Improve the Committee's awareness of the work of the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.
- Improve the Committee's strategic awareness of the Police and Crime Plan.

In presenting this annual report, the committee wishes to thank the Commissioner and Chief Constable's officers and appointed auditors for their support. 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 Committee Chair

The Chief Constable, Michelle Skeer said **"I value the work of the Joint Audit Committee in providing assurance that governance within the Constabulary is effective and supports the delivery of an outstanding policing service for the people of Cumbria. The independence, complementary skills and conscientious approach of the committee to their role facilitates robust scrutiny and challenge which contributes to the Constabulary achieving its objectives, and being an efficient and effective policing service."**

The PCC for Cumbria, Peter McCall said *"The Joint Audit Committee provide essential and independent professional assurance that both the Constabulary and the OPCC are delivering their functions with due regard to governance and financial robustness. The Committee have raised appropriate concerns when they have not been assured, I welcome this, no system is perfect and this is why we have such scrutiny, where concerns have been raised this has resulted in immediate action being taken to address them. The service supports both the OPCC and Chief Constable and is complementary to the work of internal audit, the public accountability process and the work of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). I am pleased that the committee have a wide range of skills covering a broad knowledge base which allows for detailed scrutiny to take place and further give me the assurance that I require on behalf of the public of Cumbria."*



Joint Audit Committee Summary Review of Effectiveness 2018/19



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 Committee** (JAC) 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 2018/19 financial year, the review document in full can be found on the PCC website at:

<https://cumbria-pcc.gov.uk/wp-content/uploads/2019/06/Joint-Audit-Committee-Review-of-Effectiveness-2018-19.pdf>

Annual Review 2018/19

The review of the committee and its functions using the updated 2018 CIPFA guidance concluded that the committee meets the standard described by CIPFA as “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 categories. In previous years in one category a score of 4 was achieved (promoting reporting and accountability), measures put in place for

2017/18 and continued in 2018/19 whereby the committee received and commented on the draft statement of accounts before they were audited has seen that score increase to 5.

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

Core Committee Functions

Good Governance and the Annual Governance Statement

The JAC 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 again contributed to the assurance arrangements since the introduction of the Joint Chief Finance Officer by receiving regular updates on the ongoing arrangement. 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 the joint procurement regulations and financial

regulations.

Internal Audit

JAC has a clear role in relation to oversight of the internal audit function. JAC review the audit charter and audit plan on an annual basis. JAC 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 a diverse range of subjects including; duty management, ICT capacity, vulnerability/hate crime, cash receipting, creditors, ICT security, safeguarding hub, digital media investigation unit, GDPR, pensions, command and control/101 and follow up audits on procurement and the use of stingers. Increased levels of scrutiny result in improvements to the control environment and provide assurances on the effective implementation of audit recommendations. The committee meet annually and independently with the Head of Internal audit

(HIA) and also receive the HIA annual report and opinion. JAC also monitor the performance of internal audit 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.

Risk Management

The Home Office Financial Management Code of Practice directs committees to advise the Commissioner and Chief Constable on the adoption of appropriate risk management arrangements. JAC consider the risk management strategies and risk registers of the PCC and Constabulary on a regular basis. JAC has a lead member for risk who provides input and advice on risk management strategies prior to consideration by the full committee. In accordance with best practice, the committee also maintains a separate risk register to manage risks associated with the committees own activities.

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.

Value for Money (VFM) and Best Value

CIPFA guidance notes that it is the statutory responsibility of the Chief Constable to secure VFM, the Commissioner holds the Chief Constable to account for this responsibility. The role of JAC is to support both the Commissioner and Chief Constable to fulfil their responsibilities. The JAC 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 HMICFRS VFM profiles. In addition, the format of internal audit reports specifically identify any VFM implications of audits.

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. JAC has a good understanding of the level of fraud risk to which the organisation is exposed and implications for the wider control environment. The JAC 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 OPCC. In addition as part of the

process for reviewing the annual statement of accounts the committee receives the Commissioner's 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 JAC 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 JAC have a private meeting with the external auditor once a year. External audit are represented at each of the JAC 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.

Financial Reporting

The CIPFA guidance recommends that it is good practice for the accounts and AGS to be reviewed by the committee prior to the commencement of the annual external audit. The work on the statement of accounts includes reviewing consistency between the Joint Chief Finance Officer's narrative forward, 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 Joint Chief Finance Officer that consolidates key areas of assurance on the financial statements and explains any key changes. The committee received the annual statement of accounts and AGS at the May meeting, in advance of the accounts being authorised for issue by the Joint Chief Finance Officer and in advance of the audit thereby complying with best practice guidance.

Partnership Governance and Collaboration

The JAC role includes considering the assurance available on whether partnerships or collaboration arrangements are satisfactorily established and operating effectively. The committee should satisfy itself that the principles of good governance underpin such arrangements.

During 2018/19 the committee have worked with senior officers to ensure that the governance arrangements for the safeguarding hub were robust, in place and operating effectively. This work culminated with the committee having an informative visit to the hub in April 2019.

Governance and Ethical Values

With its core role of supporting good governance, support for the ethical framework of the organisation is also important for the committee. Public sector organisations have an overarching mission to serve the public interest in adhering to the requirements of

legislation and government policies. This makes it essential that the entire organisation can demonstrate the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. The audit committee should be satisfied that there are adequate arrangements to achieve this.

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. The committee also consider the annual report of the Ethics and Integrity Panel and consider the implications of their finding for the overall systems of governance within the Constabulary.

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 JAC receive a treasury management briefing directly from the Commissioner's treasury advisors 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 JAC 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.

During 2018/19 there have been no changes to the membership of the committee. The most recent appointee to the committee started in September 2016 and the appointment further strengthened the committee.

Plans for 2019/20

As part of the review a number of areas of development have been identified for 2019/20 which include plans to:

- Support and monitor the OPCC and Constabulary plans to work effectively within the current funding environment.
- Support and challenge any new governance arrangements, for example, from restructuring and capacity reviews, greater collaboration with other organisations or joint working on delivery of services.
- Improve awareness of the work of the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.
- Strategic awareness of the Police and Crime Plan.

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. 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. Jack is currently working part time as responsible finance officer for a Cumbrian Town Council.



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 Chair of Castles and Coasts 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.