

Joint Independent Audit Committee

Annual Report 2017/2018



To the Police, Crime and Victims' Commissioner and the Chief Constable of Durham Constabulary

Joint Independent Audit Committee Annual Report 2017/18

Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that Audit Committees report on their work and assess their performance. This is the report of the Joint Independent Audit Committee.

The Joint Independent Audit Committee was established in April 2013 to independently review and advise on the effectiveness of the Police, Crime and Victims' Commissioner (PCVC) and Chief Constable's governance, risk management and control frameworks, financial reporting and annual governance processes, internal and external audit, and treasury management. This report sets out how these responsibilities were met in 2017/18.

The Committee members, appointed through a recruitment process are Elsie Davies (Chair), Jennifer Flynn, Roger Humphries, and Derek Shingleton. Two additional members selected by their authorities are Cllr Edward Bell from Durham and the late Cllr David Regan from Darlington. The Committee is accountable but independent of the PCVC and the Chief Constable. CIPFA sets criteria for this accountability which forms the basis of this report:

- Has the committee fulfilled its agreed terms of reference?
- Has the committee adopted recommended practice?
- Have the development needs of the committee members been assessed and are committee members accessing training opportunities?
- Has the committee assessed its own effectiveness or been the subject of a review?
- What impact has the committee had on the improvement of governance, risk and control?

The report will also consider:

- Progress in addressing last year's action plan detailed in the Ethical Standards Review.

Has the committee fulfilled its terms of reference?

Terms of reference have regard to CIPFA guidance and are reviewed regularly.

Details can be found on the PCVC website and are summarised below:

Governance, risk and control	Corporate governance arrangements, Annual Governance Statements, arrangements to secure value for money, assurance framework, risk management arrangements, internal controls, and fraud risks. There is a process in place detailing the requirements for Members of the Joint Independent Audit Committee to declare any conflicts of interest, or any offers of gifts and hospitality which may be received.
Internal audit	Internal audit charter and resources, audit plan, performance of the internal audit service and its independence, Head of Internal

	Audit's annual report and opinion, progress of internal audit activity against the audit plan, internal audit reports.
External audit	Scope and depth of external audit work, its independence and value for money, annual management letter, report to those charged with governance and other reports, effectiveness of relationships between external and internal audit and other inspection bodies.
Financial reporting	Annual statement of accounts, accounting policies, concerns arising from the audit, report to those charged with governance.
Accountability arrangements	Report to the PCVC and Chief Constable with advice and recommendations on any relevant matters, review performance against terms of reference annually and report the results to the PCVC and Chief Constable.
Treasury Management	Ensure effective scrutiny of the treasury management strategy and policies.

The Committee believes it has met these requirements, through both relevant agenda items and the effectiveness of its review. Audit activity is reviewed periodically including internal and external audit plans and reports. The external quality assessment of internal audit was also considered. Aspects of governance, including risk management, have been reviewed. Treasury management strategy and performance have also been reviewed. The Annual Governance Statements have been considered and were discussed again at the October meeting. The annual accounts and external auditor's report were considered and approved then.

Has the committee adopted recommended practice?

As part of its annual review, the Committee reviewed its performance against good practices identified by CIPFA. There is a minor area where improvements can be made (Appendix 1) the review shows the Committee is following good practice in the way it operates.

Has the committee assessed its own effectiveness or been the subject of a review?

The Committee has assessed its own effectiveness based on CIPFA guidance.

Have the development needs of committee members been assessed and are they accessing briefing and training opportunities?

Members have received training and briefings in several areas during 2017/18, including estates strategy, collaborations, HMICFRS inspections, professional standards and the budget setting process. They declared themselves satisfied that their current training needs are being met.

What impact has the committee had on the improvement of governance, risk and control?

The Committee has considered a wide range of areas during the year, but legislation restricts the role of police audit committees. The Chief Constable and PCVC are 'those charged with governance' the Committee's role is non-executive and purely advisory.

The Committee has made an impact during the year and good examples of this are:

- The Committee has identified areas where briefings and training were required to fulfil its role. It has received presentations on a range of areas including custody, professional standards, collaborations, HMICFRS inspections, the estates strategy, the use of body cams,

stop and search, and the budget setting process. This provides assurance on these arrangements.

- The Committee has a key role in reviewing the annual accounts and annual governance statements. With its overview of governance, the Committee is well-placed to provide assurance to the PCVC and Chief Constable before they formally approve these documents.
- The Committee monitors internal audit resources and progress against the audit plan. It regularly challenges progress, resources and discusses findings from reports.

Committee's Conclusions on Governance

The PCVC and Chief Constable have established a Joint Independent Audit Committee. Its role is to provide an independent review of the effectiveness of governance, risk management and control frameworks, financial reporting and annual governance processes, internal and external audit, and treasury management. This annual report sets out how the Committee fulfilled these responsibilities in 2017/18.

The Committee recognises the significant challenges facing the Commissioner and Chief Constable and aims to support them in developing governance arrangements as they address key challenges, while also meeting the continuing requirement to make cost savings.

Elsie Davies (chair Joint Independent Audit Committee)

Appendix 1

Self-Assessment of Good Practice

Good practice question	Yes	Partly	No
Audit Committee Purpose and Governance			
1. Do the organisations have a dedicated audit committee?	X		
2. Does the audit committee report directly to full council? (Applicable to local government only).	N/A to police audit Committees		
3. Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	X		
4. Is the role and purpose of the audit committee understood and accepted across the organisations?		X	
5. Does the audit committee provide support to both organisations in meeting the requirements of good governance?	X		
6. Are the arrangements to hold the committee to account for its performance operating satisfactorily?	X		
Functions of the Committee			
7. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
• Good Governance	X		
• Assurance Framework	X		
• Internal Audit	X		
• External Audit	X		
• Financial Reporting	X		
• Risk Management	X		
• Value for Money (VfM) or Best Value	X		
• Counter-fraud and corruption	X		
8. Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	X		
9. Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	X		
10. Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A		

Good practice questions			
11. Has the committee maintained its advisory role by not taking on any decision-making powers?	X		
Membership and Support			
12. Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • independent members have been appointed using an appropriate process. 	X X X X		
13. Does the chair of the committee have appropriate knowledge and skills?	X		
14. Are arrangements in place to support the committee with briefings and training?	X		
15. Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	X		
16. Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	X		
17. Is adequate secretariat and administrative support to the committee provided?	X		
Effectiveness of the Committee			
18. Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	X		
19. Has the committee evaluated whether and how it is adding value to the organisation?			X
20. Does the committee have an action plan to improve any areas of weakness?			X

Issues arising from this self-assessment are:

Monitor the process for succession planning and how this should affect the future recruitment of committee members.

Annual review of the Joint Chief Finance Officer Role.

Appendix 2

Evaluating the Effectiveness of the Audit Committee

The Committee assessed each area and agreed a score from 1 to 5. 1 means no evidence can be found that the audit committee has supported improvements in this area. 5 means clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area.

Areas to Add Value	Areas to Develop
Promoting the principles of good governance and their application to decision making.	
Contributing to the development of an effective control environment.	
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	
Aiding the achievement of the organisation's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	
Supporting the development of robust arrangements for ensuring value for money.	
Helping the organisations to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	
Promoting effective public reporting to the organisation's stakeholders and local community and measures to improve transparency and accountability.	