



## ACCOUNTABILITY AND GOVERNANCE BOARD

24 September 2024

### JOINT AUDIT COMMITTEE ANNUAL REPORT 2023/24

Presented by: Sue Davis, Joint Audit Committee Chair

#### 1. INTRODUCTION

- 1.1 This is the annual report of the Joint Audit Committee and covers the financial year 2023/24. The report has been developed to enable the reader to form a view about the effectiveness of the committee's activities during the year and its oversight of the governance, assurance and risk management frameworks within which the West Midlands Police and Crime Commissioner (PCC) and West Midlands Police Force operates.

#### 2. ROLE OF THE COMMITTEE

- 2.1 The committee's terms of reference for 2023/24 sets out the purpose of the committee, which can be summarised as:
- Advising the Police and Crime Commissioner and the Chief Constable according to good governance principles.
  - Providing independent assurance on the adequacy and effectiveness of the OPCC and Force internal control environment and risk management frameworks.
  - Overseeing the effectiveness of the framework in place for ensuring compliance with statutory requirements.
  - Independently scrutinising financial and non-financial performance to the extent that it affects the OPCC and Force exposure to risks and weakens the internal control environment.
  - Overseeing the financial reporting and annual governance processes, and internal and external audit.
- 2.2 The Joint Audit Committee is therefore the primary means by which the PCC and the Chief Constable ensure that adequate assurance and internal control systems are in place. The committee's responsibilities are additional and supportive to those of the Chief Finance Officer. The latest terms of reference for the committee can be found on the Police and Crime Commissioner's website.

### 3 THE WORK OF THE COMMITTEE IN 2023/24

- 3.1 The committee is accountable to the PCC and the Chief Constable. CIPFA's Practical Guidance for Local Authorities and Police Audit Committees sets the criteria for this accountability. This report sets out progress made by the committee against each of the following criteria:
- The extent to which the committee follows the CIPFA Position Statement in terms of the size, structure and composition etc.
  - How the committee has fulfilled its terms of reference in the year, including any key issues escalated to the senior management where the committee has concerns.
  - Any development work that will support the committee members, e.g. training.
  - Results of the committee's annual evaluation of its effectiveness.
  - The impact the committee had on improvement of governance, risk and control arrangements.

#### Has the Committee fulfilled its agreed terms of reference?

- 3.2 The specific objectives of the committee during 2023/24 were to oversee the following arrangements:
- Internal Control Environment
  - Corporate Risk Management
  - Regulatory Framework
  - Internal Audit
  - External Audit
  - Financial Reporting
  - Inspection and Review
- 3.3 The committee has met its requirements during the year. A total of 39 reports were considered, the details of which are provided in Appendix A. The key activities are summarised below:

- **Internal Control Environment** - The committee maintained its oversight of the preparation of Annual Governance Statements for the PCC and the Force, which are consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The Annual Governance Statements were considered by the committee in June 2023 prior to their final production.

The committee also considered the robustness of the internal control environment through reports from both internal and external audit, as well as considering reports in relation to any proposed changes in Corporate Governance arrangements.

- **Corporate Risk Management** - Risk management updates of the PCC and Force were considered at each meeting. Responsibility for risk identification, management and mitigation processes continued to evolve during the year as the new risk management process within the Force was embedded. The committee received updates throughout the year on the approaches to embed the new arrangements, including consideration of the proposed risk appetite statement.

The committee continued to challenge the risks and mitigating actions, particularly where risks' scores have remained static for a length of time.

- **Regulatory Framework** - Specific aspects of the regulatory framework, such as a review of Accounting Policies, Treasury Management Strategy and Insurance arrangements, have been reviewed by the committee.

The annual effectiveness review of anti-fraud and corruption arrangements included an update on internal investigations undertaken by the Professional Standards Department, providing oversight on matters of conduct and behaviour.

The committee has maintained an overview in respect of financial regulations and contract standing orders through the assurance work provided by internal audit during the year on key financial systems such as debtors, payroll and overtime and treasury management.

- **Internal Audit** – Internal audit activity updates were considered at each meeting of the committee with updates against the audit plan, performance of the internal audit team and significant findings from those audits with a ‘Limited’ or ‘Minimal’ opinion being considered. The internal audit findings considered by the committee continue to be wide ranging and where appropriate, the committee requested additional updates from management to gain further assurance. The committee also monitored the implementation of internal audit recommendations and challenged progress made by management, particularly on those recommendations which are long overdue for implementation.

Internal Audit experienced resource issues during the year and the committee endorsed changes to the 2023/24 audit plan in December 2023 as a result. The committee also maintained oversight of the activity to resolve the resource issues with a member of the committee being involved in interview panels for recruitment exercises completed and also participating in an evaluation panel to select an external provider to establish a co-sourced arrangement for internal audit services.

Updates on Internal Audit’s compliance against the Public Sector Internal Audit Standards have also been reviewed and in March 2024 the committee endorsed the Internal Audit Strategy and Audit Charter and the Work Programme for 2024/25.

- **External Audit** – External audit activity was considered at each meeting with plans and update reports received, along with a sector update in December 2023 on emerging national issues and developments that may be relevant to the PCC and the Force.

In December 2023 there was a changeover in the Key Audit Partner role from Grant Thornton who will be leading the 2023/24 accounts process.

- **Financial Reporting** – Statements of Accounts, as well as the Accounting Policies and Treasury Management Strategy, were reviewed during the year.

The outliers identified in the HMICFRS VFM outcomes were scrutinised by the committee as well as the actions taken by the Force to investigate these.

- **Inspection and Review** – Regular updates from HMICFRS inspections were considered at each meeting, which include details of the findings, recommendations or improvement actions and gradings awarded for each inspection. The programme of HMICFRS inspections is also shared, with the committee requesting updates where felt appropriate and necessary.

**Has the committee adopted recommended practice in terms of the size, structure and composition etc.?**

- 3.4 The committee has continued to comply with the CIPFA Practical Guidance for Local Authorities and Police Audit Committees. The committee’s terms of reference were reviewed against the latest guidance issued in October 2022 and continue to be relevant.
- 3.5 The committee comprises of five members and is chaired by Sue Davis. The other members are Richard Hollands (Vice Chair), Cath Hannon, Charmaine Burton and Bhupinder Gakhal.
- 3.6 The Committee met on five occasions during 2023/24. During 2023/24 all meetings held were quorate. The attendance of members was:

Table 1: Joint Audit Committee Attendance 2023/24

Member	No. of Meetings where attendance requested	Number of Meetings Attended
Sue Davis – Chair	5	5
Richard Hollands	5	4
Cath Hannon	5	4
Charmaine Burton	5	4
Bhupinder Gakhal	5	4

- 3.7 In addition to the members, the Chief Executive, Chief Finance Officer, Head of Internal Audit, Deputy Chief Constable, Director of Commercial Services, representatives from external audit (Grant Thornton) and other officers, as appropriate, attended committee meetings.
- 3.8 In January 2024 the International Internal Audit Standards Board released new Global Internal Audit Standards which become effective from 9 January 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) has begun its review of the new global standards to determine the implications for the Public Sector Internal Audit Standards (PSIAS). It is not anticipated that this will significantly impact the remit of the committee, but there may changes to internal audit processes and the information it is required to report to the committee. The committee is maintaining oversight of any proposed changes.

**Have the development needs of committee members been assessed and has any development work that will support the committee members been identified?**

- 3.9 Over the last few years members have received external training from CIPFA and internal training on areas such as risk management and the role and responsibilities of the committee. The Chair and Vice Chair met with Force representatives during the year to understand more around risk appetite as this was an area of concern for the committee.
- 3.10 Following the launch of the new CIPFA practical guidance for audit committees, a self-assessment/facilitated discussion was undertaken with members in March 2023 to assess compliance against the guidance and discuss training requirements. Members are committed to training going forward and this was a focus of the self-assessment exercise undertaken.

- 3.11 During the self-assessment process, the committee identified training areas for new members joining the committee, or a newly formed committee, including areas such as treasury management and risk management arrangements. These have been incorporated into an induction and training programme for new members.

### **Has the committee assessed its own effectiveness?**

- 3.12 A self-assessment exercise was completed in March 2023 which focused on:
- Where the committee performs well and needs improvements in line with the CIPFA guidance.
  - Considerations for any newly formed committee once existing membership ends.
  - Any training requirements that would be helpful to new or existing members.
- 3.13 The committee performed well against the requirements of the CIPFA guidance. Particular strengths highlighted include openness and transparency, which is a direct result of holding public meetings that are webcast live, and requesting further updates on areas where the committee has raised real concern. No significant actions were identified for the existing members from the self-assessments. However, as reported above, some training areas for new members were identified which have been incorporated into an induction and training programme.
- 3.14 The Chair has continued to have open access to both the PCC and Chief Constable and with internal and external audit, providing a platform for any compliments or areas of concern to be discussed. The committee recommend that this continues.

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

- 3.15 As in previous years, the committee considered a wide range of issues during the year, providing independent scrutiny of the PCC and the Chief Constable. The committee has made an impact on the governance of both organisations, as demonstrated in the following examples:
- The committee maintained oversight of HMICFRS inspection findings and continued to encourage the Force to consider wider organisational learning from these inspections and internal audit findings.
  - The committee supported the new risk arrangements embedded by the Force and contributed to the newly developed risk appetite statement implemented during the year. The committee sought clarity on arrangements for escalating project risks to the corporate risk registers, and continued to challenge the mitigations in developing risk areas.
  - The committee ensures that the work of internal audit continues to be directed to those areas of greatest risk and encouraged revisions to the audit plan when new risks were presented. For matters of significant weaknesses raised by internal audit, the committee requested updates directly from the Force and the OPCC to gain a greater level of assurance around progress made to address these high-risk areas. The committee gave particular emphasis this year to the long overdue audit recommendations, particularly for those audits where several recommendations remain outstanding.

- The committee played a key role in reviewing the annual accounts and annual governance statements, providing assurance to the PCC and Chief Constable before they formally approve these documents.
- The Committee were actively updated on proposed changes to the Scheme of Governance Framework, in preparation for a potential transfer of PCC governance function to the Mayor of the West Midlands. Whilst this transfer is no longer happening, any learning from the activity has been captured.
- As part of their financial reporting oversight, the committee consider and endorsed various strategies and policies including the treasury management strategy, accounting policies and insurance arrangements, and challenged arrangements in these areas to ensure best practice approaches are taken. How the Force demonstrates value for money was also considered during the year by encouraging investigation of the outliers identified in the HMICFRS value for money report.

#### **4 PRIORITIES FOR 2024/25**

- 4.1 The committee's schedule of work for June 2024 was approved in March 2024. The membership of the Committee beyond June 2024 is yet to be determined following Police and Crime Commissioner elections in May 2024. This could result in new membership within the committee and therefore the terms of reference, working protocols and future work programme for the committee may need to be reviewed.
- 4.2 Looking forward, focus should be on establishing any new arrangements, inducting new members and embedding them into their role. The committee should look to enhance its effectiveness by developing in the following areas:
- Build knowledge and awareness of new members through providing relevant training on areas within the work programme such as treasury management, risk management arrangements, internal and external audit processes etc.
  - Ensuring the committee continues to receive reports and engage in open and transparent discussions on a wide range of assurance activity and risks facing the PCC and Force, through scrutiny of risk registers, the risk-based approach to internal audit and on scrutiny of progressing areas for improvement identified by HMICFRS.
  - Given the dynamic risk processes established, the committee should continue to support the development of risk arrangements and maintain scrutiny over the internal audit plan and reassess and encourage revisions to the plan to adapt to changes in risk.
  - Continue to strengthen and support accountability by proactively discussing governance, risk and control issues directly with responsible officers, where considered appropriate.
  - Promoting a strong ethical and counter fraud structure by maintaining oversight of the internal investigations considered by the Professional Standards Department, and seeking assurances on the robustness of anti-fraud and corruption arrangements.
  - Maintain awareness of revisions to the Public Sector Internal Audit Standards as a result of the new global audit standards launched in January 2024 and seek ongoing assurance on how internal audit are implementing any revisions to the

Standards and review the effectiveness of internal audit through its regular reporting on performance.

- Consider any revisions made to Corporate Governance arrangements by:
  - maintaining oversight of compliance through any updates from the internal Joint Corporate Governance Board and through review of the annual governance statements and work of internal audit.
  - being cognisant of any governance changes that may arise following the outcome of the PCC elections in May 2024 and input, as required, into any changes in the committee's structure and membership resulting from political changes.
  - be aware of any legislative changes, such as the Procurement Act 2023, that may give rise to changes in local governance arrangements.

The committee should support the PCC and Chief Constable to ensure continued good governance following any changes and assess the future impact on the committee to take decisions and actions as necessary.

## **5 CONCLUSION**

- 5.1 The committee's primary contribution to the PCC's and Force's strategic objectives is to ensure the governance, control, risk management and audit systems which underpin the work of the PCC/Force are sound, reliable, robust and secure.
- 5.2 This report gives an overview of the comprehensive range of work undertaken by the committee, which has enabled it to conclude that the Commissioner's / Chief Constable's system of checks and balances remain adequate and effective and that the overall arrangements for corporate governance are deemed satisfactory.
- 5.3 The committee recognises the continuing significant challenges facing the Commissioner and the Chief Constable and aims to promote and support good governance. The openness of the Commissioner and Chief Constable and the value they place on the work of the Joint Audit Committee in assisting them to provide best value is acknowledged.
- 5.4 I would like to thank my fellow committee members for their preparation, attendance and balanced and informed input throughout the year, and officers for their support in enabling us to achieve our objectives during 2023/24.

**Sue Davis**  
**Chair Joint Audit Committee 2023/24**

**Reports Considered by the Joint Audit Committee 2023/24**

**June 2023**

- Annual Governance Statements
- Statement of Accounts (Draft)
- Internal Audit Update
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- HMICFRS Update
- Insurance Update
- Internal Audit Quality Assurance and Improvement programme
- Internal Audit Annual Report 2022/23
- External Audit: Annual report 2022/22
- Joint Audit Committee Annual report 2022/23
- JAC TOR and Work programme 2023/24

1 Private item report

**September 2023**

- Internal Audit Update
- Treasury Management Update
- HMICFRS Update
- HMICFRS VFM profiles
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- External Audit –Joint Audit Findings Report (Year ending 31 March 2023)
- JAC Work programme 2022/23

**December 2023**

- Anti-Fraud, Bribery and Corruption Effectiveness Review
- HMICFRS Update
- Risk Management Update, including Force Risk Register and OPCC Risk Register
- Internal Audit Update
- Corporate Governance Review
- External Audit: Audit Progress and Sector Update
- JAC Work programme 2022/23

**February 2024**

- Treasury Management Strategy
- Accounting Policies

2 Private Item reports



## **March 2024**

- Risk Management Update, including Force Risk Register and OPCC Risk Register
- HMICFRS Update
- Internal Audit Update
- Internal Audit Annual Strategy and Work Plan 2023/24
- External Audit - Joint Audit Findings Report 2022/23
- External Audit - Annual Audit Report 2022/23
- External Audit - Joint Audit Plan 2023/24
- External Audit - Informing the Audit Risk Assessment 2023/24 (CC and PCC)
- JAC Work Programme 2023/24