

NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE CONSTABULARY

JOINT INDEPENDENT AUDIT COMMITTEE (JIAC) ANNUAL REPORT 2017/18

1. Introduction

This is a shortened version of the Joint Independent Audit Committee's Annual Report for 2017/19. The complete version including the full terms of reference was presented to the JIAC meeting on 23 July 2018.

This is the fifth annual report of the Joint Independent Audit Committee (JIAC) created under the Home Office Financial Code of Practice for Police Services.

2. Role of the Committee

The purpose of the Committee is:

'To support the Police and Crime Commissioner and the Chief Constable to discharge their responsibilities by providing independent assurance on the adequacy of their corporate governance, risk management arrangements and the associated control environments, treasury management and the integrity of financial statements and reporting.'

The full responsibilities of the JIAC are contained in its terms of reference (available on request).

This Audit Committee became operational in November 2012.

3. Committee membership

Membership of the Committee during the financial year, which has not changed, was:

Name	Appointment	Qualifications
John Beckerleg (Chair)	Appointed 1 October 2014	MA, CIPFA, MBA, SSA
Tony Knivett	Appointed December 2013	CQSW
Martin Pettitt	Appointed December 2013	CIPFA
Gill Scoular	Appointed 1 December 2014	CIPFA

The Police and Crime Commissioner (OPCC) and Chief Constable (CC) agreed in 2017 that the size of the Committee should be increased to 5. It was also agreed that a recruitment process should be undertaken to achieve this and also to identify a replacement member for Mr. Pettitt who will come to the end of his period of office in November 2018.

Preparations for the recruitment have been made but a number of factors have delayed the process. It is expected that interviews will take place during August 2018.

5. Committee's Terms of Reference

The Committee has established terms of reference derived from the CIPFA best practice model. The Committee is required to review its terms of reference annually.

The JIAC covers two organisations: the Police and Crime Commissioner (PCC) and the Force. Recently the Home Office has approved a proposal from the PCC to take on the governance of the Northamptonshire Fire and Rescue Service (from Northamptonshire County Council). It is anticipated that the transfer will take place in the autumn 2018. The PCC and the Chief Constable (CC) have concluded that the audit committee requirements for the Fire Service would be best undertaken by expanding the scope of the JIAC.

The arrangements for appointing the External Auditor have changed so that decisions are now made locally.

The terms of reference also need to be changed to reflect the agreed increase in JIAC membership from 4 to 5 members.

The above proposals to change the terms of reference have been incorporated.

6. How the Committee discharges its responsibilities

The Committee's terms of reference drive the work programme and there is a well established approach to agenda planning which has been further developed during 2017-18.

The Committee held 4 formal meetings in the year. The meetings were open to the public. No items were considered in private, which is viewed as good practice and will be continued as far as possible. Attendance at meetings was as follows:

Name	Attendance / Possible attendance
John Beckerleg (Chair)	4/4
Tony Knivett	4/4
Martin Pettit	4/4
Gill Scoular	3/4

The Committee's meetings have been generally well supported by officers from both the Force and OPCC, particularly since the appointment of the PCC chief finance officer. Alongside better agenda planning, the quality and timeliness of reports has improved. Further consideration is being given to producing minutes more promptly and within the timescale set within the terms of reference.

In addition representatives of the Internal Auditor and the External Auditor attended the meetings and the Committee took the opportunity to discuss topics in private with the auditors without officers being present.

To enable the Committee members to be effective, they need to understand the plans, priorities, programmes and issues facing the Force and OPCC. The beneficial programme of workshops was not as extensive in 2017-18 as previous years and the way in which the workshops are organised is under review. In 2017-18 the areas covered have included:

- Estates strategy
- Finance Review
- Internal Audit of JIAC effectiveness
- Collaborations including the Multi Function Shared Service

In addition JIAC members were able to attend a regional workshop organised by the internal auditors which provided an update on a number of topics and the chance to compare JIAC practice with those of similar audit committees.

One topic which is outstanding is in relation to 'Information security and information management' which was requested by the Committee following instances elsewhere in the Country where information had not been used appropriately by Police Forces.

Last year it was identified that the JIAC agendas were too long and the aim was to reduce the frequency of reports (for example, reporting the risk register every 6 months to demonstrate that the risk management processes are working rather than each meeting). This has helped but the main improvement will be driven by the good quality reports and governance documents (e.g. estates strategy, capital strategy, meaningful treasury management statement) which have begun to give the JIAC the assurance it seeks in key areas. A further suggestion that is included in the JIAC's objectives for 2018/19 is to develop officer / JIAC briefings outside the formal meetings so that the public meeting can focus on key issues whilst maintain an effective challenge.

6. Assessment of the Audit Committee's performance against its plan and terms of reference

The Committee is keen to be effective and in particular make a positive and constructive contribution to the work of the Force / OPCC and the achievement of their strategic priorities.

In June 2017, the Committee was concerned about the lack of key documents which underpin the assurance framework and the financial control arrangements. More detail is given in Appendix 1. By the end of 2017-18 these documents have been produced and, even though some will be reviewed and refined further, there is now a much better basis for the control arrangements.

The Committee has undertaken its responsibilities as set out within the agreed terms of reference including consideration of:

- A revised governance framework for both organisations;
- An Estates Strategy;
- The development of financial planning (medium term financial plan and capital programme);
- The Treasury Management policy (although the required policy and strategy for 2017-18 was not produced until December 2017);
- The operation of risk management;
- 2017/18 Accounts (to an earlier closedown deadline), the Annual Governance statements (including follow up) and the External Auditor's report; and
- Internal Audit Plan 2018/19, specific internal audit reports (recommendations and follow up) and the Internal Auditor's Annual Report for 2017/18.

The Committee has continued to explore how to assess the arrangements for value for money which exist in the two organisations. Greater openness and clarity around the decision making and prioritisation (e.g. in the Police and Crime Panel) has helped but there are some important areas where the Committee will continue its investigation (e.g. multi-force shared service).

In the previous Annual Report the Committee set out its aims and objectives for 2017/18. These are described in Appendix 1 including the progress achieved. There is some further

work to be undertaken in relation to recruiting new members to the JIAC and providing feedback to the organisations.

The Internal Audit Plan 2017/18 included an internal audit review of the effectiveness of the JIAC. This was completed by May 2017 and the recommendations, which were contained in the JIAC objectives for 2017/18, have been addressed during the year.

Appendix 3 sets out the objectives for 2018-19.

A draft of this report has been shared with the OPCC and CC so that officers with knowledge of the work of the JIAC have the opportunity to provide feedback and shape the way the Committee operates.

7. Identification of key issues

During 2017/18 the Committee considered a range of topics and issues. Some of the key ones were:

Annual Accounts 2017/18 – the deadline to complete the closure of the Annual Accounts was brought forward. Finance staff worked hard to ensure that this deadline was met. JIAC reviewed the draft accounts at a workshop in June. These contained the required annual governance statements which provide the committee with assurance.

The committee will formally consider the Annual Accounts at its July 2018 meeting alongside the External Auditor's report.

Value for money – The JIAC is responsible for considering VFM arrangements. These can take many forms: for example, within resource planning, as part of programme management, and in everyday decision making. The Committee has continued to explore the extent to which the organisations have arrangements in place to secure VFM. This has been helped by gaining a better understanding of the budgeting process and the involvement of a JIAC member in the Force Change Governance Board where significant business cases are considered. The Force has undertaken processes to identify potential savings and has more recently embarked on a process of Outcome Based Budgeting which the JIAC will review in 2018-19.

Learning from elsewhere – attempts to try to establish a national forum to share best practice across police audit committees have not been successful. However the JIAC has taken advantage of regional briefings, national workshop and role shadowing to explore best practice from elsewhere. It seems that the JIAC experience in shaping its role and agenda is similar to that of other audit committees. A key theme has been to establish ways in which the Committee gains assurance in the governance arrangements (rather than reviewing detailed points).

Collaboration – there are many examples of collaborative working between forces involving Northamptonshire. The JIAC has gained increased assurance on collaborations from the existence of legal agreements, the self-assessments undertaken using a framework devised by the previous internal auditors, the systematic testing by the current internal auditors, Mazars, who have undertaken joint internal audits of each of the East Midlands collaborations and from two specific presentations at the regional audit workshop.

There is an important exception to this assurance: the Multi Force Shared Service (MFSS) where there are concerns about the operation and cost of operating this collaboration. This is an area that was also highlighted in last year's Annual Report. A programme has been established with appropriate governance to improve this position

and manage an upgrade to the financial systems. This will be an area that the JIAC will continue to keep under review in 2018-19.

Risk management – The risk management processes are well established and the risk registers for the two organisations are regularly monitored (including by the JIAC). The two organisations have agreed to combine their risk registers which has improved the consistency and comprehensiveness of the reporting. Risk management, including new software, will be the subject of an internal audit study in 2018/19. Related work on the assurance maps will continue to be developed.

Transformation / change programmes – There are a challenging number of change programmes which have been discussed and which are progressing currently. A representative of the JIAC sits on the Force Change Governance Board which provides a helpful link. A key programme implemented in 2017-18 was the Service Delivery Model seeking to allocate resources, including staffing, to the highest policing priorities. Other programmes which continue into 2018-19 (e.g. MFSS, emergency services communications network, Fire service integration) will be kept under review.

Estates programme – The Committee has welcomed and considered a new Estates Strategy which provides a better basis for decisions affecting the property portfolio. Last year the Committee had expressed concern about the proposal to sell the Wootton Hall HQ building and the External Audit also expressed concern in an exception to his otherwise unqualified VFM assessment of the 2016-17 accounts. This decision was reversed in 2016/17 and contracts have been exchanged on the renegotiated land sale. The PCC intends to publish the decision record after the sale is completed.

The Estates process was the subject of an internal audit in 2017/18 resulting in a limited assurance opinion. Areas for improvement were met with a positive response from management (acknowledging both what has been done and what remains to be done).

Capital programme – there is now a comprehensive capital programme. This is supported by the IT and Estates strategies. It also provides an important input to the Treasury management Strategy and the Medium Term Financial Plan.

Medium term financial plan (MTFP) – during the year the JIAC received a report on the MTFP and the detailed workings which supported the plan.

Governance framework – following the decision last year to have a common Governance framework covering the OPCC and Force work was undertaken during 2017-18 to revise and improve the existing documents. The opportunity was also taken to align the Northamptonshire framework with those for Leicestershire and Nottinghamshire. The document was reviewed by JIAC and was implemented on 1 April 2018.

Assurance arrangements – the Force Assurance Board has a remit to consider matters of governance and assurance across a wide spectrum of the Force's work. The Committee is represented on this Board, which is a helpful way of gaining an insight into matters directly covered by the Committee's terms of reference.

Lines of Accountability - The Committee has explored the way in which accountability works between the two organisations. Specifically, how the PCC holds the Chief Constable to account. The arrangements are becoming clearer following the establishment of an Accountability Board with the purpose of exercising this accountability. In addition there has been closer working between the JIAC and the Police and Crime Panel including the presentation of the JIAC Annual report for 2016-17 to the Panel in 2017 and the Panel Chair attending a JIAC meeting.

Human Resources (HR) policies – The JIAC received information about the comprehensive updating of all of the OPCC HR policies. Implementation of the policies has taken longer than originally expected and JIAC will seek confirmation when this has happened.

HMICFRS – the Committee has received information about the conclusions of the Police (and Fire) Inspectorate (HMICFRS) and the actions being undertaken to address recommendations made. The Committee was assured by the process to respond to the recommendations.

Victims Voice – There were changes in the organisational arrangements in place to support victims. The service previously provided by an external body was brought back in house and is now managed via a controlled company. This new arrangement was explored by the JIAC including the governance arrangements (some of which fall outside the remit of the JIAC) and potential conflicts of interest. This area is the subject of an internal audit in 2018/19.

8. Assessment of Internal Audit

Mazars were appointed as the internal auditor for four years with effect from 1 April 2015 following a competitive tendering process involving neighbouring Counties. More recently the Chief Finance Officers across the region have concluded that they wish to extend the contract with Mazars for a further three years. There are distinct benefits in having the same internal auditor covering the region (for example, for audits of shared service arrangements).

The internal audit plan for 2017/18 was approved by the JIAC in March 2017, and the Committee recommended the Commissioner and the Chief Constable to sign off the plan. Progress against the audit plan has been good.

Mazars include performance monitoring information in their regular reports to the Committee and the JIAC keep these under review.

The Force and OPCC have generally accepted the recommendations made in the internal audit reports (or explained why a particular recommendation has not been accepted). Managers have progressed the agreed actions in most cases to the agreed timescale and the Committee continues to monitor progress until actions have been completed. Some recommendations have been outstanding for some time and may even have been repeated in follow audits.

The Audit Plan for 2018-19 was presented to the March 2018 meeting of the Committee and agreed.

9. Assessment of External Audit

The external auditor is KPMG.

The 2016-17 accounts were closed by the statutory deadline. The Auditor has provided unqualified opinions on the accounts with an exception in relation to the VFM opinion. This was in relation to the decision to dispose of the Wootton hall HQ building; a decision which has subsequently not been implemented.

In addition the Auditor has presented the External Audit Plan for 2017/18.

The Committee is satisfied about the effectiveness of the external audit process and grateful for the help and advice of the Auditor during the year.

The arrangements for appointing Auditors have been changed and new appointments are required for the 2018-19 accounts. The Committee supported an officer recommendation to subscribe to the procurement process run by Public Sector Audit Appointments to select and appoint a new auditor. The outcome of this procurement was that from 2018-19 there will be a new external auditor, Ernst and Young, who will cover the region's Forces. The JIAC will work to brief the new auditor and ensure a smooth handover.

10. Looking forward

Appendix 2 sets out the draft Aims and Priorities for the Committee for 2018/19.

These reflect:

- Any outstanding recommendations from 2017-18;
- Known areas of concern / high risk; and
- Emerging areas or change programmes likely to be related to the control framework.

12. Conclusion

The Committee has continued to develop its approach over the past 12 months and sought to ensure that the building blocks essential to sound governance and a robust financial control framework are in place. So, in addition to some elements which were already in place at the start of the year (e.g. risk management and handling the HMIC reports) it is pleasing to record that a number of other documents are now in existence. This provides a sound basis for the future.

Whilst there has been progress in a number of areas, it is worth highlighting the prompt closure of accounts to an earlier timetable. This is due in no small part to the efforts of the finance team and also indicates how far things have improved in the last two years.

The JIAC will continue to undertake the responsibilities assigned to it in the agreed terms of reference and seek to ensure that it makes a constructive contribution to achieving the agreed priorities. It is important that the JIAC adds value to the organisations in discharging its responsibilities and so will continue to assess its own effectiveness. There are some key areas which will form a focus for the JIAC work programme in 2018-19. The ongoing work programme is set out in appendix 2.

There will be changes in the JIAC membership in the coming years. Recruitment and induction arrangements will be important but so will the chance to bring fresh skills and ideas to the work of the Committee.

The Committee wishes to record its appreciation for the support it has received from the Force and OPCC, as well as the internal and external auditors.

J Beckerleg
Chair of Joint
Independent Audit Committee

The Joint Independent Audit Committee's – Aims and Objectives 2017-18

(Note: *IA indicates that this is also a recommendation from the Internal Audit review of JIAC effectiveness in 2017)

Aims and objectives	Comment
Recruit a fifth member for the JIAC to provide a wider range of skills and experience and ensure that there is an appropriate induction programme (Autumn 2017) [*IA]	The objective of increasing the size of the Committee to five has been agreed. Initial work on the recruitment (e.g. person specification and process) has been completed. However the actual recruitment has been delayed for a number of reasons. The action will be carried forward to 2018-19 and will need to include recruiting a further member to replace a retiring Committee member.
Monitor the implementation of the finance review (throughout 2017-18)	The JIAC has maintained an interest in the recruitment to key finance posts during the year which has been successfully completed. There are aspects of the work of the finance teams which continue to stretch the capacity of the team and JIAC will continue to monitor this.
Review the revised government frameworks for the PCC and CC (expected by September 2017) and monitor the implementation of the governance documents (during 2017-18)	The revised Governance Framework, covering the OPCC and Force, were completed early in 2018 and implemented with effect from 1 April 2018.

<p>Press for the production of appropriate documents which underpin the governance framework and financial control arrangements (including the estates strategy, capital programme, treasury management strategy, medium term financial plan and reserves policy) (by September 2017)</p>	<p>This was a major area of concern for the JIAC in June 2017. Considerable progress on each of these areas have been made by the end of 2017-18:</p> <ul style="list-style-type: none"> • An Estates strategy has been produced to guide the evolution of the property portfolio in the coming years • A capital programme has been developed which accurately reflects the estates programme, IT strategy and equipment requirements • A treasury management strategy for 2018-19 has been produced which now reflects affordable capital expenditure and meaningful borrowing levels • A medium term plan has been prepared which takes account of the capital programme and emerging pressures / identifying savings over the next 3 years • A reserves strategy accompanied the 2018/19 budget, precept and medium term financial plan which was supported by the Police and Crime Panel in February 2018. <p>The JIAC has supported moves by the OPCC to simplify the multitude of reserves previously held.</p>
<p>Continue the JIAC involvement in the Change Board and the Force Assurance Board (ongoing)</p>	<p>Members of JIAC are actively involved in both the Force Assurance Board and the Change Governance Board. This is providing a helpful insight into the topics which the organisations are working on and their associated risks</p>
<p>Ensure that JIAC members' disclosure of interests is complete and up to date (September 2017)</p>	<p>Complete</p>

<p>Consider improvements in the provision of information about JIAC particularly on the OPCC website and including: terms of reference; disclosed interests: minutes and annual report (October 2017) [*IA] and the possibility of some form of document repository for JIAC members.</p>	<p>The PCC website (under the section Governance/Public meetings) shows the JIAC terms of reference, minutes and annual reports. Disclosed interests are not shown (but could be).</p> <p>A documentary repository has been discussed but it has not been easy to define the content or work out an effective approach to ensure that appropriate documents are captured. An alternative to secure the same outcome may be the consideration of separate officer briefings outside of the formal public meetings.</p>
<p>Review JIAC governance arrangements [*IA]:</p> <ul style="list-style-type: none"> • Terms of reference possibly incorporating items excluded • Regular meetings with PCC and CC • Presenting the Annual report to the PCC Board • Inviting PCC and CC to attend the JIAC meetings at least on an annual basis • Keeping the JIAC agenda under review and develop the annual work plan • Providing greater clarity about matters on which the JIAC wishes further assurance • Consider repeating a skills audit for JIAC • Consider, as appropriate, involving other officers or independent experts to present to the Committee 	<ul style="list-style-type: none"> • The terms of reference are reviewed annually. The main areas that are 'excluded' and which might fall within the Committee's remit are: ethics (which is overseen separately) and the oversight of associated bodies (e.g. OPCC controlled companies). • A meeting has been held with the CC and one is scheduled with the PCC • The 2016-17 report was presented to the Police and Crime Panel and the intention is to repeat this in 2018. In addition the annual report for 2017-18 will be forwarded to the PCC and CC. • Efforts have been made to reduce the number of items on the agenda and improve the forward planning of agendas. • Whilst efforts have been made to ensure that JIAC focuses on its assurance responsibilities, this needs to be developed further. • An assessment of skills will form part of the recruitment for new JIAC members to ensure a wide range of skills are available to the Committee • Other officers have been encouraged to present to the JIAC (e.g. on the Governance Framework and HR polices) but there has not been a need to draw in independent experts.

<p>To monitor the capacity risk in respect of increasing workloads regarding the implementation and monitoring of the SDM, the upgrade and migration to the Fusion operating system, implementation of the estates strategy and the potential inclusion of the Fire Service within the OPCC remit.</p>	<p>This has been discussed at a number of JIAC meetings. Capacity remains a concern given the increasing demands on the service and some specific developments relating to the control framework such as the Multi-Force Shared Service.</p>
<p>Continue to seek input / insight from other audit committees in the region with a view to driving best practice (2017/18)</p>	<p>Members of JIAC attended a regional seminar organised by the Internal Auditor which provided both a valuable update on recent developments and a chance to network with the members of other audit committees across the region.</p> <p>The Chair attended:</p> <ul style="list-style-type: none"> • the Leicestershire Audit Committee to understand how another committee operates and is supported. • A national training event run by the Chartered institute of Public Finance and Accountancy, specifically aimed at police audit committees.

The Joint Independent Audit Committee's – Draft Aims and Objectives 2018-19

Aims and Objectives
Recruit a fifth member for the JIAC to provide a wider range of skills and experience and ensure that there is an appropriate induction programme (Autumn 2018) [*IA]
Understand the IT strategy and governance in the two organisations (OPCC and Force)
Continue to monitor the arrangements with the Multi-Force Shared Service and implementation of the change programme
Understand the governance arrangements for the Fire and Rescue Service when under the control of the OPCC and the governance of the change programme to achieve the transfer
Develop a better understanding of counter fraud activity
Understand the approach to budgeting including the outcome based budgeting approach which is being implemented
Review the Force Management statement to understand the assurance it provides and the relationship with other plans such as the Police and Crime plan
Consider how the committee can update itself and gain renewed assurance about the performance management arrangements which exist.
Consider the development of officer briefings outside of the formal JIAC meetings so that the meetings focus on the key issues