



## JOINT INDEPENDENT AUDIT COMMITTEE



### **Annual Assurance Report 2018 from the Joint Independent Audit Committee to the PCC for Thames Valley and the Chief Constable of Thames Valley Police**

#### **Introduction**

This Annual Assurance Report 2018 explains how the Committee has complied with each of its specific responsibilities, referred to in Appendix 1, during the last twelve months covering the period December 2017 to December 2018.

The Committee's last annual report, presented to the PCC and Chief Constable at the Joint Independent Audit Committee meeting held on 13<sup>th</sup> December 2017, provided an assurance opinion that the risk management and internal control environment in Thames Valley Police (TVP) and the Office of the Police and Crime Commissioner (OPCC) was operating efficiently and effectively. However, we did state that we would continue our scrutiny on force change management, the delivery of financial performance and operational effectiveness. We will explore these issues in more detail later in this report.

#### **Financial management**

We received and reviewed the separate Statement of Accounts for 2017/18 for the PCC & Group and the Chief Constable at our meeting on 13<sup>th</sup> July 2018, together with the external auditors 'Audit results report for the year ended 31<sup>st</sup> March 2018'.

We note with approval that the external auditor, Ernst & Young, issued an unqualified audit opinion and an unqualified value for money conclusion for both the PCC and Chief Constable. It was also pleasing to hear from the external auditor that TVP were one of their first clients nationally, including local policing bodies, to have their 2017/18 accounts formally closed and signed-off, and that this, they considered, was due to excellent project planning within and between the OPCC and Force Finance Departments and their effective working relationship with external audit staff. We received the Annual Audit Letter on 21<sup>st</sup> September.

In December 2017 we received a draft copy of the Annual Treasury Management Strategy Statement for 2017/18 which we reviewed and scrutinised robustly, before it was formally approved by the PCC in January 2018. We considered and noted the annual treasury report for 2017/18. This report explained how officers had complied with the annual treasury strategy statement. We were reminded that regular progress reports during the year were presented to the PCC and Chief Constable rather than the Committee.

Having considered all the information available to us we are satisfied that both the PCC's Chief Finance Officer and the Force Director of Finance have the necessary capability and capacity to ensure the proper administration of the PCC's and Force's financial affairs. Indeed, the experience and skills of the two individuals concerned, and the teams they lead, have been of real benefit to the PCC and the Force and we commend their efforts and achievements

### **Internal control and governance**

In September we received an annual report from the Director of Information, as the Senior Information Risk Owner (SIRO), which provided a summary across HC and TVP for the information assurance and information governance during 2017/18 to provide assurance that information risks were being managed effectively and highlighted some of the key decisions that had been escalated to the SIRO during the year.

We have also attended appropriate meetings of the ICT 2020 Vision Board and the Force Transformation Board to see, for ourselves, the action being taken to ensure that the agreed 5 year ICT strategy, and other key projects and programmes are being managed effectively. We remain an observer on the joint Hampshire/TVP Bilateral Governance Board.

In July we received an update report on the new Enterprise Resource Planning (ERP) programme which provided information on the technical progress with development and implementation across the three forces (Surrey, Sussex and TVP), the tri-force programme governance arrangements and recent programme audit findings.

In March we received an initial draft of the 2017/18 Annual Governance Statement (AGS) for consideration. Although no significant governance issues had been identified the covering report explained the key issues that had been considered by the Governance Advisory Group before reaching this conclusion. We challenged a number of these areas and asked for further information to be provided in the subsequent report in July. Notwithstanding these reporting issues we were happy to endorse the accuracy of the AGS for inclusion in the annual Statement of Accounts.

We received an updated AGS for consideration and endorsement at our meeting in July. It was pleasing to note that following a review of the effectiveness of the present governance arrangements there were no significant governance issues that required immediate attention nor were there any potential issues that may have an adverse impact on the internal control environment during 2018/19.

In March we considered and scrutinised the updated Framework for Corporate Governance for 2018/19 which included the Statement of Corporate Governance, the Joint Code of Corporate Governance for the PCC and Chief Constable, and the Scheme of Corporate Governance which included Financial and Contract Regulations. Following a major re-write during 2016, only minor amendments were required this year to ensure that it remained relevant and fit for purpose.

In her Annual Audit Letter, published in August 2017, the external auditor stated ‘We are required to consider the completeness of disclosures in the PCC’s and CC’s annual governance statement, to identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.’

Based on the information provided to the Committee during the last twelve months we can provide assurance that, to the best of our knowledge, the corporate governance framework within Thames Valley is operating efficiently and effectively.

### **Complaints, integrity and ethics**

#### *Force Oversight arrangements*

We continue to attend, as observers, the bi-monthly meetings of the Complaints, Integrity and Ethics Panel to ensure that the Chief Constable’s arrangements for, and the PCC’s oversight of, the proper handling of complaints made against the Force and consideration of other integrity and ethics issues are operating effectively in practice. We note that there appears to have been a broadening of the Panel’s considerations, away from its key remit, as laid down in the terms of reference. We understand why this has occurred and after careful consideration we can continue to endorse its activity, so long as it does **not** detract from the full and proper consideration of the complaint process

### **Corporate risk management**

We have reviewed regular quarterly updates from both the Force and the Office of the PCC (OPCC) in terms of their strategic risk management systems and processes.

This is an area of business we take very seriously, and question and challenge officers on a regular basis to ensure that we are sighted on all significant corporate risks and are satisfied that these risks are being dealt with in a timely, effective and appropriate manner.

The TVP Strategic risk register was presented in the confidential part of our papers in September 2018. The committee commented on these, in particular on the CMP risk register and observed that ERP risks were managed at the project and collaboration level and not recorded at the strategic risk level. We noted this approach and will continue our scrutiny of the risks associated.

We have kept the staffing position of the force under review given the vital importance of an effective complement of officers and civilian staff for force effectiveness. We thank the Chief Constable for his openness about the issues of retention and of integrating new recruits, and his clear explanations of the force’s approach to these challenges. We look forward to hearing about people issues in more detail from the Director of People, Steven Chase, at a future meeting.

Based on the information provided to the Committee during the last twelve months it appears that the organisational risks in both the OPCC and Force are being managed effectively and that there is appropriate capability for their respective published goals and objectives to be achieved efficiently and effectively.

## **Business continuity management**

As with risk management we have considered quarterly updates from the Force on business continuity. We have made various recommendations to officers in order to improve the appropriateness and usefulness of these reports and are pleased that these have been acted upon.

We are content that business continuity is treated as a serious issue by senior officers within the Force and that regular and practical exercises are undertaken in order to test business continuity planning and to provide learning opportunities for key staff.

We are satisfied that the business continuity management processes are operating efficiently and effectively in identifying issues and capturing organisational learning and there are no significant issues that we need to draw to your attention.

To strengthen the Committee's oversight in this area, the JIAC also attends the bi-annual strategic business continuity meeting chaired by the DCC.

## **Internal audit**

We received and endorsed the Internal Audit Strategy and Annual Plan 2018/19 at our meeting on 16<sup>th</sup> March 2018. We noted that the annual plan included all relevant financial systems, as well as other business critical functional areas and activities. We were pleased to note the wide range of audit activity, looking at high risk functions and operations across the organisation.

Although the costed audit plan does not include a specific allocation of days for use by the Committee, there is an extant agreement with the CC and PCC that the Committee may, at its discretion, draw on up to 10 audit days for its own specific use. We did not need to use this facility during 2018.

In December 2017 we were informed on the outcome of the Joint Internal Audit Team's Public Sector Internal Audit Standards (PSIAS) external assessment, as undertaken by CIPFA. This showed that *'the service generally conforms to all the requirements of the PSIAS and Local Government Application Note'* which is the best outcome that the Team could have achieved. We were very pleased with this result. The report contained two recommendations and three suggestions, all of which have subsequently been addressed.

In July 2018 we received the annual report from the Chief Internal Auditor. We were pleased to note that all of the planned audits for 2017/18 were completed, subject to any in year changes to the originally approved plan. Of the 21 completed audits, 3 (15%) had received substantial assurance, 13 (65%) had received reasonable assurance and 5 (20%) had received limited assurance. It was pleasing to note the results of the additional sources of assurance that had been provided by independent internal functions or external bodies. Of the 15 sources identified (14 sources used in 2016/17), 6 (40%) were deemed to provide substantial assurance, 7 (46%) were deemed to provided reasonable, 1 (7%) was deemed

to provided limited assurance and 1 (7%) was deemed to have minimal assurance. The one area that received limited assurance was the ERP Programme (Position Statement) review completed by Sussex PCC and Sussex Police's Internal Audit Team. We received a briefing from officers on the ERP Programme at our July meeting. The area that received minimal assurance was the HMICFRS inspection on the Force's Crime Data Integrity. We challenged robustly, with internal auditors and appropriate officers, the reasons for the reported shortcomings in the assurance levels for some reports and the completion of the associated action plans. Based on the reviews completed during the year, the opinion on the organisation's system of internal control was that key controls in place are adequate and effective, such that an assessment of reasonable assurance could be placed on the operation of the organisation's functions. The opinion demonstrates a good awareness and application of effective internal controls necessary to facilitate the achievement of objectives and outcomes. There was, in general, an effective system of risk management, control and governance to address the risk that objectives are not fully achieved.

In March and September 2018 we received updates from the Chief Internal Auditor on progress with delivery of the annual internal audit plan, including a summary of key issues arising from recently completed audits. We continue to receive final audit reports which give us early sight of any key issues arising from completed audits that require management action. This is particularly useful for those few audits where limited or minimal assurance is given.

We have received and debated regular update reports each quarter on progress of agreed actions in internal audit reports. Although the number of overdue actions increased earlier this year we are pleased to note the recent downward trend and would hope that this continues next year, which would demonstrate that management continues to take the implementation of actions arising from internal audit reports very seriously. We shall, however, continue to monitor this situation rigorously in coming years.

We are satisfied that the system of internal audit in Thames Valley is operating efficiently and effectively and there are no specific issues or areas of concern that we would wish to highlight to the PCC and/or Chief Constable.

### **External audit**

In March 2018 the external auditor, Ernst & Young [EY], presented its joint audit plan for the PCC and Chief Constable for the financial year ending 31<sup>st</sup> March 2018. This explained the context for the audit, as well as outlining the auditor's process and strategy. EY highlighted the various risks to the financial statements. We were pleased to note that the audit fee for 2017/18 was held at the same cash level as in 2016/17.

At the meeting on 13<sup>th</sup> July the External Auditor presented her Audit Results Report which summarised her audit conclusion in relation to the Group (i.e. PCC and Chief Constable) financial position and results of operations for 2017/18. This audit was designed to express an opinion on the 2017/18 financial statements for the PCC and Chief Constable, reach a conclusion on the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and

regulatory requirements. We were pleased to note that EY had not identified any significant errors or misstatements in the accounts and were able to issue an unqualified audit opinion. It was pleasing to note that the PCC (and TVP) had put in place proper arrangements to secure VFM in its use of resources. As in previous years we were informed that EY could not issue the final audit completion certificate due to delays at the Department for Communities and Local Government (DCLG) end in being able to submit the Whole of Government Accounts (WGA) work.

In September the External Auditor issued her Annual Audit Letter for the year ending 31<sup>st</sup> March 2018 to the PCC and Chief Constable which confirmed that she had issued an unqualified audit opinion in respect of the financial statements, an unqualified value for money conclusion and the audit completion certificate.

In terms of the financial statements and the year-end audit we are very pleased with the final outcome. We welcomed the efforts made by officers to close the accounts earlier again this year and were pleased to hear that TVP were one of the first local policing bodies nationally to have their 2017/18 accounts formally signed-off by external audit. This is an excellent achievement. We would also like to express our gratitude to the external auditors for their key role in the effective closedown and early audit sign-off process.

### **Health & Safety**

We received the 2017/18 annual report on Health & safety Management in July which helped to document the progress being made in the continuous improvement of TVP policies and procedures for the effective management of health and safety. We asked a number of challenging questions and these were answered at the meeting. We look forward to next year's report to incorporate changes suggested at the meeting.

We were pleased to note that TVP continues to be one of the best performing forces nationally for RIDDOR incidents (which are reportable to the Health & Safety Executive) but were concerned that the number of assaults against police officers and staff continues to rise year on year.

A follow-up report in December highlighted the continuous improvements that had been made by the Force during the previous 12 months.

We also received the separate Wellbeing Annual Report 2017/18 in July. This report explained the national journey for wellbeing and Force leadership is creating the correct environment in TVP. A number of metrics and examples were provided to evidence that the various wellbeing initiatives and activity are starting to make a positive impact in TVP.

### **Equality & Diversity**

In July we received the 2017/18 equality, diversity and inclusion annual report which showcased the achievements from the past 12 months and planned activities for 2017/18. The report covered the following areas: strategic governance, providing a service to diverse communities, BAME representation, recruitment and attraction, retention and attraction,

retention and progression, development for women, development and recruitment engagement, other equality and diversity activity, and future plans and activities.

### **Environmental Management**

In July we received the Annual Report on Environmental Management for 2017/18 which explained the range of environmental sustainability work the force had undertaken and gave an overview of relevant performance, focussing on the functional estate. It also provided an outline of the future work programme as part of its quest for continuous improvement.

### **Inspection and review**

Her Majesty's Inspectorate of Constabulary, Fire and Rescue Service (HMICFRS) independently assesses police forces and policing across activity from neighbourhood teams to serious crime and the fight against crime – in the public interest. HMICFRS decides on the depth, frequency and areas to inspect based on their judgements about what is in the public interest.

We understand that the Chief Constable and his management team considers each report in detail, irrespective of whether it relates directly to Thames Valley Police and, where appropriate, agrees an appropriate action plan. We also understand that the PCC is required to consider and publish a response to each HMICFRS report relevant to Thames Valley Police. The Committee has asked to be provided with copies of the HMICFRS reports and responses of the PCC.

As far as we know HMICFRS has not issued any report during the last twelve months that has specifically referred to assurance on the internal control environment and/or highlighted governance issues for the PCC and Chief Constable to consider.

### **General**

We are pleased to report that the arrangements agreed four years ago, as set out below, are working effectively:

- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within our specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are up to date with the policing landscape and audit requirements
- Attend as an observer the regular Force Performance meetings

Some members attended the CIPFA conference for Police Audit Committee members or a similar conference hosted by Grant Thornton, discussing challenges faced by audit committees and proposed legislative changes that will impact on the work of audit committees.

Over the year we had meetings with the Chief Constable, PCC and senior staff for relevant organisational and functional updates between formal JIAC meetings.

These briefings and invitations to attend internal Force meetings, coupled with the sharing of appropriate CCMT reports of interest, continue to raise our awareness and knowledge of legislative, policy or operational initiatives that are relevant to the Committee's remit, such as organisational structural changes, service delivery initiatives, and financial and service planning issues. In turn, this is improving our collective understanding of how the Force and OPCC governance arrangements and control environments are operating in practice.

### **CIPFA publication: Audit Committees, Practical guidance for Local Authorities and Police**

In May 2018 CIPFA published their new guidance notes for audit committees. This document contained model terms of reference and a self-assessment for audit committees to complete. This self-assessment review was undertaken during June by the Committee Chairman (Dr Louis Lee), Chief Finance Officer (Ian Thompson) and Chief Internal Auditor (Neil Shovell).

### **JIAC operating principles**

As a result of the self-assessment process referred to above the following additions are proposed to the Committee's current Operating Principles in order to more closely align with the Model Terms of Reference as published by CIPFA

#### Internal control and governance environment

- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources
- To consider the governance and assurance arrangements for significant partnerships or collaborations

#### Internal Audit

- Annually review the internal audit charter and resource
- To consider the Head of Internal Audit's statement on the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) and the results of the Quality Assurance & Improvement Programme (QAIP) that support the statement

A tracked change version of the JIAC Operating Principles is attached at Appendix 1.

## **Conclusions**

The purpose of the Joint Independent Audit Committee is to provide independent assurance to the PCC and Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames Valley Police and the Office of the PCC.

Constructive challenges over the past twelve months on a wide range of topics have given us greater access to information and meetings; the positive relationship with the PCC and the Chief Constable and their senior staff has enabled us to contribute to improved audit, risk management and internal controls. We note that Chief Constable Francis Habgood will retire during 2019 and we hope his successor will continue this support of the Committee's work.

The year ahead (2019) will be a very testing/demanding one when a number of leading edge digital policing developments will be brought into service. No doubt we will continue to seek answers on costs and business benefits. We will continue our scrutiny on force change management, the delivery of force financial performance and operational effectiveness.

We will remain alert to the extent to which TVP and the OPCC are exposed to risks, from whatever source that might weaken the control environment or otherwise adversely affect overall performance. The coming months will be extremely challenging.

Based on the information that we have seen collectively or know about individually we can assure the PCC and Chief Constable that the risk management and internal control environment in Thames Valley is operating efficiently and effectively.

We hope that this report with the assurances it contains will enhance public trust and confidence in the governance of TVP and the OPCC.

## **Joint Independent Audit Committee**

Members:

Dr Louis Lee (Chairman)  
Mr Richard Jones  
Mrs Alison Phillips OBE  
Dr Gordon Woods  
Mr Michael Day

7 December 2018

## Joint Independent Audit Committee - Operating Principles

### Statement of Purpose

- Our Joint Independent Audit Committee is a key component of the PCC and Chief Constable's arrangements for corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- The purpose of the Committee is to provide independent assurance to the PCC and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames Valley Police and the Office of the PCC. It will consider the internal and external audit reports of both the PCC and Chief Constable and advise both parties according to good governance principles. It has oversight of general governance matters and provides comment on any new or amended PCC policies and strategies with regard to financial risk and probity.
- These operating principles will summarise the core functions of the Committee in relation to the Office of the PCC and the Force and describe the protocols in place to enable it to operate independently, robustly and effectively.

The Committee will report directly to the PCC and the Chief Constable.

### Committee Composition and Structure

The Committee will consist of five members who are independent of the PCC and Thames Valley Police. They will be appointed by the Chief Constable and the PCC (or their representatives).

The Chairman will be elected by the Committee on an annual basis.

The Committee will hold four formal meetings a year – in public - although there may be a requirement to hold additional meetings at short notice.

The PCC and Chief Constable will attend or be appropriately represented at formal meetings. Committee meetings will be held at key strategic times of the year to coincide with the budget process and publication of financial management reports and accounts:

1. **March** – to consider the Internal Auditor's Internal Audit Plan and the External Audit Plan
2. **July** – to consider the End of Year Reports, the Annual Governance Statement, Annual Statement of Accounts and to receive the Audit Results report
3. **September** – to consider mid-year progress reports;
4. **December** – to receive the Annual External Audit Letter and agree the Annual Assurance Report of the Committee.

The agenda, reports and minutes of all Committee meetings will be published on the PCC and Force websites. However, members of the press and public shall be excluded from a meeting whenever it is likely that confidential information will be disclosed. Confidential information is defined as:

- a) Information furnished to the Committee by a Government department upon terms (however expressed) which forbid the disclosure of the information to the public; and
- b) Information the disclosure of which to the public is prohibited by or under any enactment or by the order of a Court.

## **Methods of Working**

The Committee will:

- Advise the PCC and Chief Constable on good governance principles
- Adopt appropriate risk management arrangements
- Provide robust and constructive challenge
- Take account of relevant corporate social responsibility factors when challenging and advising the PCC and Chief Constable (such as value for money, diversity, equality and health and safety)
- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within its specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are kept up to date with the policing landscape and audit requirements
- Provide an annual assurance report to the PCC and Chief Constable

## **Specific responsibilities**

The Committee has the following specific responsibilities:

### Financial Management and Reporting

- Provide assurance to the PCC and Chief Constable regarding the adequacy of the arrangements, capacity and capability available to their respective chief finance officers to ensure the proper administration of the Commissioner's and Force's financial affairs.
- Review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or the Chief Constable.
- Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements, and to give advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

### Internal Control and Governance Environment

- Consider and endorse the local Code of Corporate Governance
- Consider and endorse the Annual Governance Statement (AGS)
- Monitor implementation and delivery of the AGS Action Plan
- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Consider and comment upon the adequacy and effectiveness of the assurance framework, and the specific governance and accountability policies, systems and controls in place, such as the Corporate Governance Framework; anti-fraud and corruption; whistle-blowing, declarations of interest and gifts and hospitality.
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources
- To consider the governance and assurance arrangements for significant partnerships or collaborations

### Corporate Risk Management

- Consider and comment upon the strategic risk management processes; and
- Receive and consider assurances that organisational risks are being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

### Business Continuity Management

- Consider and comment upon business continuity management processes, and
- Receive and consider assurances that business continuity is being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

### Internal Audit

- Annually review the internal audit charter and resource
- Receive and consider the adequacy and effectiveness of the arrangements for the provision of the internal audit service
- Consider and comment on the Internal Audit Strategy and Plan
- Receive and review internal audit reports and monitor progress of implementing agreed actions
- To consider the Head of Internal Audit's statement on the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) and the results of the Quality Assurance & Improvement Programme (QAIP) that support the statement
- Consider and comment upon the annual report of the Head of Internal Audit
- Obtain assurance that an annual review of the effectiveness of the internal audit function takes place

### External Audit

- Receive and review reports from the external auditors, including the annual audit letter and audit opinion
- Review the effectiveness of external audit
- Consider and comment upon any proposals affecting the provision of the external audit service
- Consider the level of fees charged, and
- To undertake the future role of the Independent Audit Panel, as set out in the Local Audit and Accountability Act 2014, including considering and recommending appropriate arrangements for any future appointment of External Auditors

### Health & Safety

- Satisfy itself on behalf of the PCC and the Chief Constable that an adequate and effective policy and practice framework is in place to discharge legal duties in relation to health and safety. In particular, having regard to the safety, health and welfare of police officers and police staff, people in the care and custody of Thames Valley Police and all members of the public on police premises or property

### Equality and Diversity

- Satisfy itself on behalf of the PCC and Chief Constable that an adequate policy and practice framework is in place to discharge statutory requirements in relation to equalities and diversity

### Inspection and Review

- To consider any HMIC report that provides assurance on the internal control environment and/or highlights governance issues for the PCC and/or Chief Constable

### Accountability Arrangements

- On a timely basis report to the PCC and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
- Report to the PCC and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements and internal and external audit functions.
- On an annual basis to review its performance against its operating principles and report the results of this review to the PCC and the Chief Constable.