



Joint Independent Audit Committee

**ANNUAL REPORT
2016/17**

Chairman's Foreword

I present to you this fourth annual report of the South Yorkshire Police and Crime Commissioner (PCC) and Chief Constable's Joint Independent Audit Committee which gives an overview of the role and function of the committee and how it supports the effective discharge of business. This report covers our work during the period from 1 April 2016 to 31 March 2017.

Audit Committees are an essential element of good governance providing independent and effective assurance about the adequacy of governance, risk management and control frameworks, and overseeing the financial management and annual governance processes. They oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. Our Committee helps to raise the profile of the benefits and need for effective governance arrangements and contributes to enhancing public trust and confidence.

The Committee currently has five members, including the Chair. The Committee had been running with four members since September 2015 however, following the resignation of Anthea Morris at the end of September 2016 a recruitment process was undertaken and two new members joined the Committee in March 2017. I would like to thank Anthea for her contribution to the Committee and welcome our new members.

In May 2016, the PCC's Chief Executive asked the Office of the Police and Crime Commissioner's (OPCC) Head of Governance to work with others to review and strengthen the PCC's 'holding to account' arrangements. JIAC members played an active part in this review.

Following the review, it was agreed that JIAC should continue to focus its work programme on ensuring that good governance is embedded throughout the organisation's day-to-day activities, and maintain proper oversight of the application of the 'local code of governance' throughout the year.

Melvyn Lunn

**Chair of the Joint Independent Audit Committee of the
South Yorkshire Police and Crime Commissioner and Chief Constable**

Members of the Committee

The Joint Independent Audit Committee (JIAC) currently has 5 members:

Melvyn Lunn (Chair)

A Chartered Accountant with over 40 years experience in both the public and private sector covering external audit, internal audit, and commercial management spending 18 years as a Finance Director in clothing manufacture and retailing.

Now retired from his own accountancy practice but has a portfolio of non-executive appointments; Management Board Member/Trustee of Sheffield Mutual Friendly Society, Trustee of South Yorkshire Community Foundation, Board Member/Trustee of Barnsley Community Build, Chair of Priory Campus, Board Member/Trustee of Doncaster West Development Trust and Treasurer/Trustee of Silverwood Scout Camp.

Melvyn was formerly Audit Committee Chair of NHS Barnsley and NHS South Yorkshire and Bassetlaw, Chair of the Berneslai Homes Audit Committee and a co-opted independent member of the Barnsley MBC Audit Committee.

Phil Parkin (Vice-Chair)

A CIPFA and CIMA accountant who worked for the Audit Commission for 27 years up to November 2011. Managed external audits at both local authorities and the NHS in and around South Yorkshire. Role as an external auditor included the audit of financial accounts, value for money and corporate governance.

Phil spent two years on a secondment, during which he researched and wrote a guide to regularity audit in the NHS (***Finger on the Financial Pulse***). Also spent time working in Poland helping the Polish Government to develop audit procedures for its local authorities.

Ian Falconer

Over 30 years of audit and accountancy experience, helping organisations in most parts of the UK's not for profit sector. For almost 20 years acted as external audit or internal audit partner to many local authorities, universities, colleges, government departments, health bodies, social landlords and grant funded bodies (latterly with Grant Thornton UK LLP). Also worked with a number of regulatory bodies, advising on professional standards for governance and audit. As a result he has practical experience of most aspects of governance, risk management and control.

Sandi Carman (Appointed March 2017)

Over 20 years' experience working in NHS acute, community, and commissioning organisations. Sandi's career started in Occupational Therapy in Sheffield and she has since gained a wealth of experience in operational and leadership roles across the region.

Sandi holds a Master's degree in Health Care Practice, IoD Diploma in Company Direction and has achieved the NHS Leadership Academy Award in Executive Healthcare Leadership. She is employed as Assistant Chief Executive for Sheffield Teaching Hospitals NHS Foundation Trust. Sandi is a

Director of Legacy Park Limited and a Non-Executive Director for South Yorkshire Housing Association.

Julie Gill (Appointed March 2017)

Seasoned executive with over 25 years strategic and operational management experience gained in a demanding and highly regulated financial services company in Sheffield as a board member, Company Secretary and senior executive. This enables her to bring a wealth of experience in governance; risk management and financial monitoring to complement the existing Joint Independent Audit Committee members.

Her other interests include working as a School Governor for Bradfield School and being a Director/Trustee for the Cathedral Archer Project in Sheffield.

Anthea Morris (Resigned September 2016)

Finance Director of Better2Know a nationwide health care company and the Lay member for Governance for NHS Doncaster CCG. Before this, she worked in Tanzania for six months as a Strategic Management advisor to Nyangao Hospital and has also been the Finance Director of Cels a company focussed on Healthcare and Biomedical translational research in the North East and Financial Controller for Citizens Advice.

Anthea is a Chartered Accountant, Chartered Member of the CIPD, and has Masters Degrees in Management and Commercial Law.

Meetings and attendance

The JIAC was established in 2013. During 2016/17 up to and including the meeting held on 23rd March 2017 the Committee has met 5 times.

Attendance has been very good demonstrating a commitment to the role and the function of independent challenge and assurance.

The table below shows the attendance of the members of the Committee during the year.

Audit Committee Member	Possible Meetings	Meetings Attended
Melvyn Lunn (Chairman)	5	5
Phil Parkin (Vice-Chairman)	5	4
Anthea Morris (Resigned September 2016)	3	3
Ian Falconer	5	5
Julie Gill	1	1
Sandi Carman	1	1

Total Possible Attendances	20
Total Actual Attendances	19
Percentage Attendance	95%

The Work of the Joint Independent Audit Committee during 2016/17

The JIAC's terms of reference cover the following areas (more detailed information is available at Appendix A):

- Internal Control Framework
- Corporate Risk Management
- Governance Framework
- Financial Reporting/Accounts
- Other Sources of Assurance, including any issues referred to it by the Statutory Officers of the OPCC and SYP, reports of HMIC, external review agencies and internal inspections and reports of the Regional Collaboration Board and any other regional boards.

At the end of 2015/16 the JIAC acknowledged that the PCC and South Yorkshire Police were currently going through a challenging time and that a different approach was required to assure the PCC, CC and the public that adequate governance arrangements are in place. Members agreed that it would continue to ensure that during 2016/17 the right things were being considered and that additional focus would be placed on what would add value to the work of the PCC and the Force.

Set out below are the JIAC's main areas of focus for 2016/17.

Corporate Risk Management

During 2015/16 members expressed concern that the Force was not developing and aligning its risk management approach in the same way as the OPCC.

The JIAC has continued to consider strategic risk registers for the OPCC and Force and encouraged the OPCC and Force to increase consistency between the two registers where it was appropriate to do so. Members welcomed the confirmation by the Force that it would align the format of its register with the PCC's register.

The JIAC has been able to provide assurance during 2016/17 that the PCC and Force were generally managing key risks effectively, and is of the opinion that more mature conversations around risk management are now taking place within both organisations. The JIAC will maintain its focus in this area going forward.

Annual Governance Statement

In 2015/16 the JIAC suggested a number of improvements in relation to streamlining and more closely aligning the OPCC and Force Annual Governance Statements. Members were initially disappointed that their suggestions had not been incorporated into the 2016/17 AGS. However, the Committee appreciated that improvements were subsequently made to both documents and agreed these should be submitted to the PCC and Chief Constable for approval.

Internal Audit

The JIAC has received regular progress reports during 2016/17 regarding Internal Audit activity. Such reports have provided detailed information regarding the planning of and achievement of recommendations by management and the performance of the Internal Audit function itself.

During 2016/17 members expressed concern that insufficient internal audit days may have been delivered.

Members were also disappointed with the continuing revisions and the slow progress being made against the longstanding recommendations and were unable to provide assurance that sufficient progress was being made against the overdue actions in the Internal Audit progress report and requested further justifications. This is still an area of concern and something the JIAC will continue to monitor during 2017/18.

In July 2016, the Committee received the Internal Audit Annual Report which contained the Internal Audit Team's completed assignments throughout 2015/16, recommendations made, and the Head of Internal Audit's assurance opinion based on the work undertaken during the year. Following discussion with the Head of Internal Audit, where he gave members a full explanation of the rationale behind his decision, members felt they were unable to support his overall Adequate assurance opinion, noting that statistically, over 50% of the Force's internal audit reviews resulted in a limited opinion. Instead the Committee preferred to highlight that while financial controls were sound at the year end and management had recognised the need to improve overall controls going forward, and had the capacity to do so, the overall control environment had not operated in all regards as intended throughout the whole of the 2015/16 financial year.

Regional Governance

In 2005, the four chief constables and the former four police authorities (those previously charged with governance of policing) in Humberside, North Yorkshire, South Yorkshire and West Yorkshire, came together with a view to progressing collaboration. These arrangements are governed through the Regional Collaboration Board. In addition, a Strategic Partnership between Humberside Police and South Yorkshire Police is also now in place.

Through 2016/17 the JIAC has continued to request further information on the existing regional governance arrangements including regional audit work. The Committee has been unable to provide assurance that the regional arrangements are efficient and effective and have sound governance arrangements in place. This will continue to be a focus during 2017/18.

Atlas Court

Members were initially unable to provide assurance to the PCC or the Chief Constable on the management of the risks and issues associated with Atlas Court. However, following additional information the JIAC was assured that

the Force was aware of the issues and had detailed plans in place to address them. The JIAC will continue to focus on this area during 2017/18.

Performance of the Joint Independent Audit Committee

There have been a number of changes to the membership to the JIAC during 2016/17 as a result of which the Committee will be reviewing its overall performance and that of individual members during 2017/18.

Terms of Reference

During 2016/17 the Office of the Police and Crime Commissioner (OPCC) has reviewed the PCC's Holding to Account Arrangements. Following consultation with members, the JIAC terms of reference were updated as part of this review.

Plans for the next 12 months

For 2017/18 the Committee will:

- Continue to focus on a positive, constructive approach to support the development, implementation and improvement of the governance, control and risk arrangements across the service.
- Develop Members' existing skills to help them to fulfil their responsibilities by providing or facilitating training based on annual performance reviews.
- Support the continued production of high quality and compliant statutory accounts and general good practice in financial management.
- Help to further increase awareness within the service of its governance arrangements and responsibilities.
- Continue to support the continued development and alignment of risk management.
- Play a critical role in the governance arrangements of any collaboration arrangements
- Building better and more integrated assurance.

The JIAC looks forward to working with the PCC and the CC in 2017/18.

JOINT INDEPENDENT AUDIT COMMITTEE

TERMS OF REFERENCE

Purpose of the Audit Committee

The Audit Committee is responsible for enhancing public trust and confidence in the governance of the Office of the Police and Crime Commissioner (OPCC) and South Yorkshire Police (SYP). It also assists the PCC in discharging statutory responsibilities in holding the Force to account. This is achieved by:

- Advising the PCC and Chief Constable of SYP (CC) according to good governance principles.
- Providing independent assurance on the adequacy and effectiveness of the OPCC and SYP internal control environment and risk management framework.
- Overseeing the effectiveness of the framework in place for ensuring compliance with statutory governance requirements and securing value for money.
- Independently scrutinising financial and non-financial performance to the extent that it affects the OPCC's and SYP's exposure to risk and weakens the internal control environment.
- Overseeing the financial reporting process including the Annual Governance Statement.

Meetings

The frequency and timing of meetings will ensure that the Committee is able to fulfil its responsibilities relating to the functions specified below.

The Committee will, under normal circumstances, meet at least four times per year scheduled during the financial year to coincide with its key responsibilities and functions.

The quorum for the Committee will be three members.

Responsibilities of the Audit Committee

The Audit Committee has the authority to investigate any activity within its terms of reference and the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

The Audit Committee is a non executive function of the organisations.

Function	How discharged	Lead Officer(s)	Frequency	JIAC Action / Output
Internal Control Framework				
<p>To assure the PCC and CC that the internal control framework in operation within the OPCC and SYP remains adequate and effective, and to advise on improvements as appropriate. To include discrete assurances on (but not be limited to):</p> <ul style="list-style-type: none"> the internal financial control environment insurance arrangements treasury management value for money arrangements process for complaints against the OPCC and SYP and their staffs audit follow up arrangements. 	Via Internal Audit annual programme of reviews and other commissioned work	HoIA	Annual (March)	Advise PCC/CC on Annual IA Plan (& update advise as necessary during year in response to changing risk profile)
			Each meeting	Receive summary reports from HIA on completed reviews & HIA's Annual Report, and advise PCC/CC on assurance provided (commenting on any recommendations to strengthen ICF)
	Via External Audit Annual Audit Letter (incl. VFM opinion)	KPMG	Annual	Advise PCC/CC on appropriateness of proposed EA Plan
			Annual	Receive EA External Audit Letter and advise PCC/CC on assurances provided
Corporate Risk Management				
<p>To assure the PCC and CC that the OPCC and SYP corporate risk management strategy and framework for assessing and managing key risks to the OPCC and SYP remains adequate and effective, and advise on improvements to the framework as appropriate.</p> <p>To the extent that the Committee itself becomes aware of emerging potential risks, or possible changes to the</p>	Via IAS's annual review of risk management arrangements	HoIA	Annual	Advise PCC/CC to include review of RM arrangements in Annual IA Plan
	Via consideration of PCC and Force risk registers, together with Committee's own	OPCC Chief Executive / DCC/Force	Every meeting	Review risk registers having particular regard to changes since last meeting. Consider

Function	How discharged	Lead Officer(s)	Frequency	JIAC Action / Output
assessment of current risks, to advise the PCC and CC on matters to be re-considered.	horizon scanning & review of external reports (e.g. HMIC)	Director of Finance		whether changes reflect Committee's own view of changing risk profile, and advise PCC/CC accordingly on continued effectiveness of risk management process and whether any changes required to Annual IA Plan &/or other assurances need to be commissioned.
Governance Framework				
<p>To assure the PCC and CC that the process for producing the Annual Governance Statement (AGS) for publication with the annual accounts (together with associated improvement action plans) is adequate and effective, such that the content of the draft AGS is accurate and soundly based, and advise on improvements to the process and/or amendments to the draft AGS as appropriate.</p> <p>To assure the PCC and CC that the policies and procedures of the OPCC and SYP have been reviewed each year and align to relevant professional standards and statutory requirements, and advise on the appropriateness and completeness of any proposed updates.</p> <p><i>NB</i> the policies and procedures to be updated annually include (but are not limited to):</p> <ul style="list-style-type: none"> • financial regulations and procedures, including contract standing orders and procedures • codes of conduct and behaviour, including anti-fraud and anti-corruption and whistleblowing arrangements • insurance arrangements • treasury management • the process for dealing with external complaints 	Via PCC's and CC's annual governance review process supported by appropriate IA reviews	OPCC Chief Executive and Solicitor DCC / Director of Finance	Annual	<p>Review the arrangements in place for the annual review of the effectiveness and compliance with the PCC's and CC's governance arrangements.</p> <p>Consider if those review arrangements have been effective and advise the PCC and CC as to any improvements in process or in the proposed outcome of the annual review.</p> <p>Consider the draft AGS and be satisfied that it has been prepared using the results of the annual review process and that it reflects the Committee's understanding of the control, risk and governance matters affecting</p>

Function	How discharged	Lead Officer(s)	Frequency	JIAC Action / Output
<ul style="list-style-type: none"> information governance (information management, information security, records management, FOI/DPA legal compliance). 				the PCC and CC.
Financial Reporting/Accounts				
<p>To review the draft Annual Statement of Accounts and to advise the PCC and CC on the continued suitability of accounting policies and major areas of judgement, e.g. provisions, and advise on changes and/ or improvements as appropriate.</p> <p>To advise the PCC and CC on their response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on any significant adjustments and material weaknesses in internal control reported by the external auditor.</p>	<p>Via briefing on preparation and content of the annual accounts.</p> <p>Via formal presentation of draft and final accounts</p>	OPCC CFO & Force DoF	Annual	<p>Consider the draft and final accounts to understand and gain assurances about the compliance with accounting standards and practices, the appropriateness of areas of judgement and estimate and their suitability as a public document.</p> <p>Obtain assurances that all matters raised by the External Auditor have been taken into account and reflected where appropriate into the final accounts.</p>
Other sources of assurance				
<p>To assure the PCC and CC that the implications for the internal control framework, risk management arrangements and governance framework of any issues referred to it by the Statutory Officers of the OPCC and SYP have been considered and to advise on improvements as appropriate.</p> <p>To assure the PCC and CC that the implications for the internal control framework, risk management arrangements and governance framework of any issues arising from the reports of HMIC, external review agencies and internal inspections have been considered and to advise on improvements as appropriate.</p>	<p>Via periodic reports from Officers or as commissioned by the Committee.</p> <p>Via regular update and specific reports regarding the outcome of HMIC (and other review agencies).</p>	<p>OPCC Chief Executive & Solicitor / CFO / DoF</p> <p>OPCC Chief Executive & Solicitor / DCC</p>	<p>As required</p> <p>Each meeting</p>	<p>Receive and consider the reports and advise the PCC and CC regarding the assurance obtained.</p> <p>Consider the implications contained in the reports and seek assurances regarding the actions taken and improvements made in the relevant aspect of the control, risk or governance</p>

Function	How discharged	Lead Officer(s)	Frequency	JIAC Action / Output
To assure the PCC and CC that the implications for the internal control framework, risk management arrangements and governance framework of any issues arising from the reports of the Regional Collaboration Board and any other regional boards have been considered and to advise on improvements as appropriate.	Via update and specific reports regarding matters arising from collaboration / regional activities.	OPCC Chief Executive & Solicitor / DCC	Each meeting	framework.
Maintaining appropriate sources of assurance				
To advise the PCC and CC on the appointment, reappointment, dismissal and remuneration of the internal auditors, external auditors and any other assurance providers the Committee considers are required to deliver assurances on the OPCC and SYP internal control framework, risk management arrangements and governance framework, and to establish that all such assurance providers adhere to relevant professional standards.	Via specific involvement in the processes necessary in the appointment, reappointment, dismissal and remuneration of the internal auditors, external auditors and any other assurance providers.	OPCC Chief Executive & Solicitor / Force DoF	As required	Provide advice and challenge to ensure rigour in the relevant process.
<u>Internal Audit</u> To consider and advise the PCC and CC on the Internal Audit Strategy and annual programme of work for the Internal Audit Service (IAS), including the Regional Audit Team.	Via relevant reports from the HoIA	HoIA	Annual and each meeting	Receive the IA Annual Strategy, Plan of Work and Quarterly progress reports and consider the effectiveness of the IA function, the basis of annual planning and the delivery of the plan throughout the year and advise the PCC / CC regarding deficiencies in the IA function.
To advise the PCC and CC on variations to the annual	Via quarterly progress reports	HoIA	Each	Consider the progress report

Function	How discharged	Lead Officer(s)	Frequency	JIAC Action / Output
<p>programme of work to be considered in response to emerging or changing strategic risks.</p> <p>To receive all reports commissioned from the IAS (assignment reports, progress reports and the Head of Internal Audit Annual Report and annual opinions on the internal control framework, risk management arrangements and governance framework of the OPCC and SYP) and management's responses to those reports, and to monitor the implementation of agreed actions.</p>	<p>Via Quarterly progress reports and specific assignment reports as requested and the HoIA Annual report</p>	<p>HoIA</p>	<p>meeting</p> <p>Each meeting / annual</p>	<p>and the delivery of the plan and advise the PCC / CC of the assurances received regarding progress and any issues emerging.</p> <p>Consider the progress report and the findings and recommendations made and advise the PCC / CC as to the assurances obtained regarding the performance of IA work and the management action taken or planned to address issues raised.</p>
<p>To oversee and give assurance to the PCC and CC on the provision of an adequate and effective IAS (including resources).</p> <p><u>External Audit</u></p>	<p>Via periodic and annual reports of the effectiveness of the IA function</p>	<p>HoIA</p>	<p>Annual</p> <p>Periodic and annual</p>	<p>Consider the HoIA Annual Report and the assurances received regarding the adequacy and effectiveness of the control, risk and governance framework and review the appropriateness of any issues included in the AGS.</p> <p>Consider reports on the effectiveness of the IA function and advise the PCC / CC on the assurances provided.</p>
<p>To consider and advise the PCC and CC on the annual</p>	<p>Via External Audit annual</p>	<p>KPMG</p>	<p>Annual</p>	<p>Consider the proposed plan</p>

Function	How discharged	Lead Officer(s)	Frequency	JIAC Action / Output
<p>programme of work for the external auditor.</p> <p>To receive the external auditor's Annual Governance (ISA260) Report, Annual Audit Letter and any other reports; and management's responses to those reports, and to monitor the implementation of agreed actions.</p> <p>To oversee and give assurance to the PCC and CC on the provision of an adequate and effective external audit service (including resources).</p>	<p>plan.</p> <p>Via annual and progress reports</p> <p>Via progress reports and general observation</p>	<p>KPMG</p>	<p>Each meeting and annual</p> <p>Each meeting</p>	<p>and advise the PCC / CC regarding the assurances provided.</p> <p>Consider reports and advise the PCC / CC as to the assurances provided regarding the management response and actions.</p> <p>Consider the performance and adequacy of the External Audit and advise the PCC / CC as to any concerns and the action necessary.</p>
Operating Arrangements				
<p>An annual review of the performance of the Audit Committee will be undertaken against best practice standards and Terms of Reference.</p>	<p>Via annual programme of individual and collective self-assessment against recommended best practice.</p>	<p>Governance Manager / Chair of JIAC</p>	<p>Annual</p>	<p>Undertake individual self-assessments and participate in annual performance review making a commitment to undertake any necessary training and development to ensure continuous improvement.</p> <p>Advise the PCC / CC regarding any recommendations for changes to the Committee.</p>

Terms of Office

Each member may serve a maximum of two terms of three years.

In order to avoid a situation of recruiting a whole new membership at the end of a term of office, the initial appointments have been made in the following schedule:

Member	Initial Term	End of 1st Term	End of 2nd Term
Melvyn Lunn	3 years	30/09/16	30/09/19
Philip Parkin	2 years	30/09/15	30/09/18
Ian Falconer	2 years	15/06/17	15/06/20
Julie Gill	3 years	23/03/20	
Sandi Carman	3 years	23/03/20	

Terms are deemed to have commenced on 1st October 2013 for the purposes of the annual review.

Members will undertake an annual performance review in May/June each year which will form the basis of determining a second three-year term.