



# **Joint Independent Audit Committee**

**ANNUAL REPORT  
2015/16**

## **Chairman's Foreword**

I present to you this third annual report of the South Yorkshire Police and Crime Commissioner 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 2015 to 31 March 2016.

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 four members, including the Chair. Following the resignation of one member of the Committee at the end of 2014 a recruitment process was undertaken and a new member joined the Committee in June 2015. A further member resigned during the year. I would like to thank Tina McGuiness for her contribution to the Committee.

South Yorkshire Police is going through significant changes to transform services and meet the current, and future, budgetary constraints. In response, South Yorkshire Police has entered into a Strategic Partnership with Humberside Police which means that business is often done with four legal entities: two PCCs and two Chief Constables through a Joint Collaboration Board.

I met with the Chair of Humberside Joint Independent Audit Committee, who unfortunately resigned in December 2015, to have initial discussions on how each Audit Committee can be involved in the process to monitor and seek assurance that any subsequent changes have no adverse impact on internal control and governance arrangements and that risks, and their mitigation, are clearly identified within the risk management framework. I intend to continue these discussions with the new Chair.

For the year of this report the Committee has confirmed, through briefings, reports on audit findings and discussion with senior officers, that appropriate governance, risk management and strong financial controls were embedded in daily business. Where areas for improvement have been identified, processes and action plans are in place to ensure that the necessary action is taken. The action plans are being monitored by the committee to ensure timely implementation.

**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 4 members:

### **Melvyn Lunn (Chair)**

A Chartered Accountant with 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; Chair of the Board of Berneslai Homes, Board Member of the National Federation of ALMOs, Board Member / Audit Committee Chair of Derwent Housing Association, 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, 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.

### **Anthea Morris**

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.

### **Ian Falconer (Appointed June 2015)**

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.

**Martina McGuinness (Resigned September 2015)**

A Senior Lecturer in Risk Management and Strategy at Sheffield University Management School. Previously, worked as a commercial insurance broker and a liability investigator.

Martina’s research focuses upon three broad, but overlapping areas, risk governance; strategy and resilience; and corruption. She believes applied research has an important role in helping to develop novel approaches and innovative solutions to seemingly intractable problems. At the present time, she is working on a number of UK research projects which examine the impact of climate change risks (flood and drought) on organisations and society and she is a NERC Policy Placement Fellow with the Environment Agency. She has also served on the Steering Group for Sheffield Business Emergency Resilience Group. She is on the editorial board of *Emergency Management Review* and is a member of the Emergency Planning Society and the Academy of Management.

**Meetings and attendance**

The JIAC was established in 2013. During 2015/16 up to and including the meeting held on 22<sup>nd</sup> March 2016 the Committee has met 6 times (including one workshop).

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.

<b>Audit Committee Member</b>	<b>Possible Meetings</b>	<b>Meetings Attended</b>
Melvyn Lunn (Chairman)	6	6
Phil Parkin (Vice-Chairman)	6	5
Anthea Morris	6	6
Ian Falconer	6	6
Martina McGuinness	3	2

Total Possible Attendances	27
Total Actual Attendances	25
Percentage Attendance	93%

## **The Work of the Joint Independent Audit Committee during 2015/16**

The JIAC's terms of reference cover a number of areas. The Committee's work and outcomes in each of its key areas of responsibility are summarised in the following sub-sections.

### **Internal Control Environment**

- To satisfy itself as to the effectiveness of the internal control framework in operation within the OPCC and SYP and advising the PCC and Chief Constable as appropriate.
- To oversee the production and consideration of the Annual Governance Statement for publication with the annual accounts, together with associated action plans for addressing areas of improvement and advising the PCC and Chief Constable as appropriate.

The JIAC has considered, commented on and monitored the progress in establishing and embedding the necessary governance and control arrangements. This has included the consideration and endorsement in September 2015 of the Annual Governance Statement for 2014/15 and the subsequent monitoring of the actions identified.

### **Corporate Risk Management**

- Approving the OPCC and SYP corporate risk management strategy and framework and ensuring that an appropriate framework is in place for assessing and managing key risks to the OPCC and SYP.
- Considering the financial risks to which the OPCC and SYP are exposed and ensuring there are measures in place to reduce or eliminate them or to insure against them.
- Providing assurance to the PCC and Chief Constable of SYP as appropriate on the effectiveness of the risk management framework in operation.

The JIAC has continued to consider strategic risk registers for the OPCC and Force and make suggestions regarding their content and form. The OPCC has continued to develop its approach to risk management during 2015/16 including presenting a more detailed report on two specific risks where members had requested further information and the JIAC is pleased with the progress made. However, the JIAC has concerns that the Force is not adopting a similar approach. Members will continue to encourage the OPCC and Force to increase consistency between the two registers where it is appropriate to do so. The Strategic Partnership is undertaking a review of the regulatory and governance arrangements in place for both forces and OPCCs, including risk management. However, this should not prevent the Force from reviewing its approach to risk management in the interim. The JIAC will maintain its focus in this area going forward.

## **Regulatory Framework**

- Maintain an overview of the governance framework in respect of contract standing orders and procedures, financial regulations and procedures and codes of conduct and behaviour.
- To review any issue referred to it by the Statutory Officers of the PCC and Chief Constable and make recommendations as appropriate.
- To approve and monitor the policies of the OPCC and Chief Constable regarding anti-fraud and anti-corruption.
- To scrutinise, and make recommendation to the PCC and Chief Constable on the respective treasury management strategies and policies, and to monitor the implementation of policies and practices.

Work continued during 2015/16 to harmonise Humberside and South Yorkshire Police financial governance. The Joint Financial Regulations include financial management, financial planning, risk management and business continuity, an introduction to systems and processes, external funding and a summary of financial limits under delegations and consent.

Since the commencement of collaborative working between Humberside and South Yorkshire Police there has been a common information systems strategy for the forces. A key part of this has been to ensure both forces and Commissioners operate on a common Enterprise Resource Planning system (ERP). The ERP system includes financial and HR modules. In relation to the financial modules, both forces and Commissioners now operate on a common finance system with shared processes and a common coding system. Treasury management and bank reconciliation is also now undertaken in a consistent way by Humberside PCC for South Yorkshire PCC. The Committee was re-assured that progress was being made in harmonising financial governance.

## **Internal Audit**

- Advising the PCC and Chief Constable of SYP on the appropriate arrangements for internal audit and approving the Internal Audit Strategy.
- Approving (but not directing) the internal audit annual programme of work (including the Regional Audit Team).
- Overseeing and giving assurance to the PCC and Chief Constable of SYP on the provision of an adequate (including resources) and effective internal audit service.
- Receive and consider internal audit reports (including those of the Regional Audit Team) and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.
- Receive and consider progress reports on the internal audit work plan.
- Considering the Head of Internal Audit Annual Report and annual opinion on the internal control environment for the OPCC and SYP; ensuring appropriate action is taken to address any areas for improvement.
- Reviewing and monitoring the effectiveness of the OPCC and SYP on fraud, irregularity and corruption.

- To commission work from/through the Head of Internal Audit.

The JIAC has received regular progress reports during 2015/16 regarding Internal Audit activity. Such reports have provided detailed information regarding the planning of and achievement of the audit plan, the outcomes from completed audit work, the implementation of recommendations by management and the performance of the Internal Audit function itself.

The Committee has considered and approved the Internal Audit Strategy, Charter and annual plan and monitored the Function's conformance with the Public Sector Internal Audit Standards. The annual review confirmed that it continued to be effective.

The Head of Internal Audit has also presented his annual report to the JIAC to assist in the consideration of the draft and final Annual Governance Statements. This included the following opinions :-

#### Police and Crime Commissioner

Based on the systems reviewed and reported on by Internal Audit during the year I have given an Adequate assurance opinion.

- All 3 completed pieces of work received a positive opinion, i.e. adequate.
- 27% of recommendations made were Significant.
- No Fundamental recommendations were made.

Whilst this is a positive assurance opinion, it is based on limited specific coverage. The OPCC has had particular resource and workload difficulties which have hampered the ability to complete planned work.

#### Force (CC)

Based on the systems and areas reviewed and reported on by Internal Audit during the year, and the prevailing context of the Force during the year, I have given an Adequate assurance opinion.

- Of the 15 completed pieces of work 7 (47%) received a positive opinion, i.e. adequate and 8 (53%) received a negative opinion, i.e. limited.
- 69% of recommendations made were either Fundamental or Significant.
- Almost two-thirds of recommendations related to the adequacy of controls.

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 the overall Adequate assurance opinion given, preferring instead 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.

The Committee will continue to monitor the results of internal audit work, and adherence to the annual internal audit plan, together with management responses and will report any concerns to the PAB on a timely basis.

### **External Audit**

- Approving on behalf of the PCC and the Chief Constable of SYP the external audit programme of work and associated fees.
- Reviewing the external auditor's Annual Governance Report and any other reports; reporting on these to the PCC and Chief Constable of SYP as appropriate and including progress on the implementation of agreed recommendations.
- Reviewing External Auditor's Annual Audit Letter and making recommendations where appropriate to the PCC and Chief Constable of SYP.

The JIAC has received regular progress reports from KPMG as the PCC's and CC's external auditor. The Committee has also approved the external audit fee and plan for the 2016/17 audit of accounts and received KPMG's Annual Governance Report and Annual Audit Letter. KPMG issued unqualified opinions on the PCC's and the Chief Constable's financial statements on 30 September 2015, confirming that the financial statements give a true and fair view of the financial position of both the PCC and the Chief Constable and of their expenditure and income for the year.

### **Financial Reporting/Accounts**

- Reviewing the Annual Statement of Accounts and make recommendations, or bring to the attention of the PCC or Chief Constable, any concerns or issues focussing on the suitability of, and any changes in accounting policies and major areas of judgement, e.g. provisions.
- To receive and agree the 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.

A key role for the JIAC has been to consider and comment on the draft and final financial statements covering the PCC and CC.

Regular budget monitoring reports have also been considered by the Committee for the OPCC and Force and members were assured that the budget was being monitored appropriately.

### **Information Governance**

- Reviewing the policies and procedures covering the OPCC and Chief Constable's arrangements for securing effective information governance standards and assurance (information management, information security, records management, FOI/DPA legal compliance).
- Act as the review body for Freedom of Information Appeals.

The JIAC has received regular update reports in relation to Information Governance within the Force and OPCC.

Compliance with the Specified Information Order has also been reported to the Committee along with a summary of the Freedom of Information requests received.

### **Regional Governance**

- To seek/agree/receive sources of assurance from the relevant Regional Joint PCC body (as determined), the Regional Scrutiny Panel and Regional Audit Team.
- To receive and consider reports from external scrutiny/review bodies, i.e. external audit regarding the effectiveness of regional working.
- To receive minutes of aforementioned meetings.

A Strategic Partnership between Humberside Police and South Yorkshire Police is now in place. The JIAC received a comprehensive update on the work of the Strategic Partnership. However, the Committee has expressed concerns around the lack of regular information relating to the Partnership and a clear plan, with milestones, showing when individual pieces of work will be completed and savings achieved.

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. Members also expressed concern around the lack of regional audit information particularly in relation to issues where South Yorkshire and/or Humberside were lead force.

The Chief Executive proposed that the complete review of the effectiveness of the Joint Corporate Governance Framework, including regional structures, systems and process be closed. The majority of this work had been completed as part of the Strategic Partnership work with Humberside. However, the Regional Collaboration Board had determined that no further action should be taken in relation to proposals from the Chief Executives for a wider review of the governance arrangements. Following discussion the Committee agreed that this action should remain open as no assurance could yet be provided in relation to the effectiveness of the governance arrangements for regional collaboration. The Committee have an expectation that effective governance arrangements will be put in place so consider this is a risk that should appear on both risk registers. The Committee is mindful that the risk could be tolerated for, say, 6 to 12 months when the paused situation on the Strategic Partnership work with Humberside will either have moved on or stagnated.

Regional governance will be a main focus of the Committee over the next 12 months.

## **Inspection and Review**

- Consider HMIC, external review agencies and any internal inspection reports that provide assurance on the internal control environment and/or may highlight governance issues for the OPCC and/or SYP.

The JIAC has received details of the work of HMIC and the inspections that have been undertaken in 2015/16 and planned for 2016/17. The JIAC is keen to monitor the PCC's response to the various inspections and receive assurances that the actions identified are implemented.

## **Other Reports**

The Committee has also received a report on Insurance and Civil Claims. The report set out the volume and values of insurance claims from 2009/10 to the present date

and included information relating to civil claims not covered by Insurance. The Committee concluded arrangements remained adequate.

## **Audit Committee Effectiveness, Outcomes and Added Value**

The main focus of the Committee is on adding value through its activity. By concentrating on outcomes we can identify the benefits of our work. Our key overarching achievements this year are:

- Helping to raise the profile of corporate governance generally across the service.
- Supporting the Statutory Officers in the fulfilment of their roles.
- Raising the level of management awareness and general compliance with internal control and governance matters.
- Supporting the work and role of the External Auditors in receiving their reports and ensuring that the recommendations made are implemented.
- Supporting the Internal Audit function in ensuring that management respond appropriately to reports and recommendations and that the environment is in place to secure and effective and value-adding internal audit function.
- Enquiring and challenging the PCC's and CC's control, risk and governance procedures to satisfy itself that arrangements are in place and effective to enable the Committee to meet its responsibilities in providing advice and assurance to the PCC and CC.
- Increasing public confidence in the objectivity and fairness of financial and other reporting.

## **Performance of the Joint Independent Audit Committee**

In accordance with good practice the Committee is currently undertaking a review of its overall performance and that of individual members.

Early indications are that the Committee continues to perform well with a clear demonstration that its members have the necessary skills, expertise and commitment to ensure the Committee is as effective as possible and contributes to the delivery of the Police and Crime Plan.

### **Terms of Reference**

In line with good governance the Committee commenced its work on updating its Terms of Reference which now incorporate the function, how this is to be discharged and what action / output is required.

### **Plans for the next 12 months**

The JIAC recognises that the PCC and South Yorkshire Police are currently going through a challenging time and that a different approach is required to assure the PCC, CC and the public that adequate governance arrangements are in place. It will ensure that the right things are being considered and focus on what will be of value to the PCC and the force.

For 2016/17 the Committee will:

- Seek assurance from senior officers that effective actions are in place to address the high profile issues currently facing the PCC and South Yorkshire Police.
- 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.
- Play a critical role in the preparation of the Annual Governance Statement and in so doing ensure all governance arrangements are reviewed.
- Continue to assist and support officers to promote the work of the Committee and the roles of audit and risk management.
- 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 the Strategic Partnership and the Regional Collaboration Board.
- Building better and more integrated assurance.
- Assist the PCC and the new CC in monitoring plans resulting from reviews and HMIC reports.

The JIAC look forward to working with the PCC and the CC in 2016/17.