



# Joint Independent Audit Committee

ANNUAL REPORT  
2014/15

## **Chairman's Foreword**

I present to you this second 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 the period from 1 April 2014 to 31 March 2015.

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 oversees the financial management and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. The Committee helps to raise the profile of the benefits and need for effective governance arrangements and, ultimately, is a key element in enhancing public trust and confidence in policing services in South Yorkshire.

There are five members of the Committee, including the Chair, but one member resigned during the year. I would like to thank Tony Clayton for his contribution to the Committee. His appointed successor will take his position soon.

South Yorkshire Police is going through significant changes to transform services and meet the current, and future, budgetary constraints. To respond to this, the four corporations sole in Humberside and South Yorkshire have set up a Joint Collaboration Board to identify and implement an effective and mutually beneficial whole organisational approach to the delivery of a policing service whilst reducing financial costs to all stakeholders. I have already met with the Chair of Humberside Joint Independent Audit Committee 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.

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 own accountancy practice but has a portfolio of non-executive appointments; Chair of the Board of Berneslai Homes, a Management Board Member/Trustee of Sheffield Mutual Friendly Society, a Trustee of South Yorkshire Community Foundation, Board Member/Trustee of Barnsley Community Build and 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 Patient and Public Engagement for [NHS Doncaster CCG](#). Before this, 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.

### **Martina McGuinness**

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.

### **Tony Clayton (Resigned December 2014)**

I was drawn to the position by my belief that the role of our Police is central to society. They add greatly to our quality of life and well being and are one of the key societal differentiators which make Britain a great place to live. I feel our Police are worth robust monitoring, challenge and defence, to ensure we continue to live in a free and fair society.

My public sector governance qualification for the role is largely derived from my time as a Non-Executive Director, Sheffield Health and Social Care NHS Foundation Trust where I have served for 4 years as Chair of the Finance and Investment Committee, and a member of the Quality Assurance Committee, and Audit and Assurance Committee.

I held several domestic and international senior roles for several international blue chip international. I hold two Masters Degrees, one in Business Administration and another in Marketing, which serve to underpin my 40 years practical commercial experience.

### **Meetings and attendance**

The JIAC was established in 2013. During 2014/15 up to and including the meeting held on 24<sup>th</sup> March 2015 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.

<b>Audit Committee Member</b>	<b>Possible Meetings</b>	<b>Meetings Attended</b>
Melvyn Lunn (Chairman)	5	5
Phil Parkin (Vice-Chairman)	5	5
Anthea Morris	5	5
Tony Clayton	4	3
Martina McGuinness	5	4

Total Possible Attendances	24
Total Actual Attendances	22
Percentage Attendance	92%

### **The Work of the Joint Independent Audit Committee during 2014/15**

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 of the Annual Governance Statement for 2013/14 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 approving measures 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. Members have encouraged the OPCC and Force to increase consistency between the two registers where it was appropriate to do so. The JIAC is pleased with the progress made and will maintain its focus in this area for the next 12 months.

### **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, whistleblowing and the complaints process.
- 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.

The JIAC had previously considered and commented on the development of the necessary control and governance framework reflecting the changed constitutional arrangements in police.

Following the Home Secretary's approval of the Commissioner's Second Stage Transfer Scheme proposal, there was a need to revise the current Corporate Governance Framework in order to recognise both the different relationship created by each corporation sole employing staff, and the new Commissioner consents and Commissioner and Chief Constable delegations required.

The Committee received and endorsed the new governance and assurance arrangements, including the revised Corporate Governance Framework.

### **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 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 new Public Sector Internal Audit Standards. The annual review of the effectiveness of the Internal Audit function was also considered.

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

### **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 2014/15 audit of accounts and received KPMG's Annual Governance Report and Annual Audit Letter.

### **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.

### **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.

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.

The JIAC received a report on the discussions taking place in relation to regional collaboration.

A Strategic Partnership between Humberside Police and South Yorkshire Police has now been agreed. The Committee will maintain its focus in this area for 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 2014/15 and planned for 2015/16. The JIAC is keen to monitor



the PCC's response to the various inspections and receive assurances that the actions identified are implemented.

## **Complaints**

- Maintain an overview of Force complaints.
- Maintain an overview of complaints against the OPCC and its staff and act as the appeals body when required.

In January 2015 the PCC established an Independent Ethics Panel. It has been agreed that in relation to complaints and civil claims; the JIAC would focus upon the financial implications and civil claims, and the Independent Ethics Panel (IEP) would focus upon trends in complaints.

## **Other Reports**

The JIAC received regular updates on the establishment of the Ethics Panel and the Ethical Framework.

The Committee has also received a presentation on Insurance Claims and Risk Management Activities. The claims against the Force were linked to insurance policies in relation to public liability, employers liability and motor third party.

## **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 in July 2014 the Committee undertook a review of its overall performance and that of individual members.

The overall assessment was that the Committee had performed well in its first year 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.

A review of the Committee's performance for 2014/15 will take place shortly.

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

The JIAC will continue to have many important issues to consider and contribute to over the next 12 months, as detailed within the annual workplan which is kept up to date and presented to every meeting.

The Committee is also keen to embed itself within the revised governance structure the PCC has recently put in place and maximise the assurances available from other areas of the service.

For 2015/16 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.
- Look to equip Members to fulfil their responsibilities by providing or facilitating training on all aspects of the Committee's remit.
- 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.