



**ANNUAL REPORT OF THE JOINT AUDIT
COMMITTEE FOR THE POLICE AND CRIME
COMMISSIONER AND CHIEF CONSTABLE FOR
HERTFORDSHIRE
2015 / 2016**

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| Report Author | Joint Audit Committee |
| Report Date | November 2016 |

1 INTRODUCTION

Our Joint Audit Committee is a body advising both the Police and Crime Commissioner for Hertfordshire and the Chief Constable of Hertfordshire Constabulary. We provide an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

Our purpose is to provide independent scrutiny and assurance on the adequacy of the corporate governance and risk management frameworks and the associated control environments. We advise according to good governance principles and proper practices and oversee the financial reporting processes.

Our Terms of Reference require that we issue an annual report to the Commissioner and Chief Constable which refers to work done and recommendations made. This report discharges that requirement for the year 2015/16.

2 TERMS OF REFERENCE

The Terms of Reference for the Joint Audit Committee up to June 2016 are reproduced in Annex A to this report. The Joint Audit Committee considered revised Terms of Reference at its June meeting because the committee was reconstituted then after the initial period of office and because work had commenced with Bedfordshire and Cambridgeshire Joint Audit Committees because of the extent of collaborated police services with those forces. The revised Terms of Reference from June 2016 onwards are reproduced at Annex B.

3 MEETINGS, MEMBERSHIP AND ATTENDANCE

The Committee has met on four occasions, in November 2015, March, June and September 2016. In addition, there was a meeting of the Bedfordshire, Cambridgeshire and Hertfordshire Joint Audit Committees, hosted by Cambridgeshire in March 2016. In addition, there was a joint training session with the Hertfordshire Police and Crime Panel in October 2015 where the committee and panel received presentations on the constabulary, finance of the constabulary, the Bedfordshire, Cambridgeshire and Hertfordshire collaboration programme and the roles of the PCC, panel and joint audit committee. These meetings have also been supported by the attendance of key personnel from the Commissioner's office, the Constabulary and the external and internal auditors. The committee publishes the papers and conclusions of the committee on the website of the Police and Crime Commissioner (PCC) under the Transparency heading, in the decisions and meetings section. Following a request from the committee, a link has been provided from that of the Constabulary under the 'your right to information' section, so that the joint role of the committee is evident.

4 SCOPE OF MATERIAL CONSIDERED AND RECOMMENDATIONS MADE

The agenda items for each meeting are based on standing items appropriate to the time of year within the financial reporting cycle and additional items raised in accordance with business developments and requests for information. This section summarises the material considered and the recommendations made at each meeting. At each meeting the committee receives an update from the constabulary and PCC and considers the risk registers of each organisation.

4.126th November 2015

The Committee received and reviewed the report from the Internal Auditors which set out the progress against the internal audit plan.

The Chief Constable outlined to the committee the recent meeting with government with regard to funding and the much better than anticipated settlement for the police nationally. The committee was also advised that the Athena project, on which a number of collaboration work streams is dependent has been moved back to late 2016. The committee questioned the extent of the impact this will have on achievement of savings, both by way of savings from new ways of working and also costs in having to support legacy ICT systems. Details were provided and recorded in the minutes of the meeting. In particular, the committee queried why this potential was not recorded in the risk register considered at recent meetings.

As a result the risks from this project have been added and detailed in the risk register.

Other matters discussed related to the achievement of the target work profile by internal audit. The committee gained assurance that the programme of work was being fully supported within the organisations. The committee was advised that the number of reviews completed was only 33% rather than the intended 40%.

The Treasury Management mid-year update was considered and the committee noted that the PCC had complied with the prudential and treasury management indicators in the treasury management strategy.

Finally the committee considered its annual report and the effectiveness of the committee in discharging its role. Members had a discussion outside the committee to inform this work and to ensure continuous improvement in effectiveness.

Copies of the papers and the minutes for this committee meeting can be found here: <http://www.hertscommissioner.org/audit-committee-26nov2015>

4.224th March 2016

The committee received an update on force performance and HMIC reports over the year as well as the programme for the forthcoming year. In addition the committee was advised that there were no fraud issues that needed to be brought to its attention. The committee discussed the amount of integrity work taking place in the constabulary, of which the Chair is a part.

The committee noted that crime data is reported differently in the 3 collaborating forces and suggested it would be helpful as joint working progressed by the audit committees that standard reporting would assist.

The committee also received an update on the financial position of the OPCC and constabulary and that there had been a much smaller underspend than in recent years. The committee requested future indication of the financial gap and plans to bridge the gap so that the committee could monitor whether the planned savings and other measures are achieved or not.

As a result the detailed savings planned and achieved has been added to the risk register reported to the committee each quarter.

The committee was advised that the budget had been approved since the last meeting and the PCC had decided to reduce the precept by 0.55% for 2016/17 and that this measure had been approved by the Police and Crime Panel at its meeting in January.

The internal audit strategy was discussed. The committee considered that it would be helpful to have clear indications when and why audit work is deferred or delayed and who had requested and agreed to the deferral. The internal auditor agreed to take this forward.

The committee also considered the annual governance statement and suggested that the delay to Athena and the impact should be included as this is such a fundamental piece of work on which so much is dependent. The committee also received the external auditor's audit plan. The committee was advised by the auditor that Hertfordshire stands very well in its most similar force group and nationally and that there was not a range of audit risks to bring to the committee's attention. There was no risk identified to the value for money conclusion the external auditor has to report.

The Treasury Management Strategy was reviewed having been recently approved by the PCC. The committee was generally supportive of the strategy but queried the level of cash held and a credit rating and period of investment reported. As a result this was reviewed by the financial officers.

The review explained the reason for the apparent anomaly in credit rating and investment period was to allow use of counter-parties who do not pay for a rating. The potential to pay off long term borrowing and/or increase investments with the high cash balances was considered as a result of the observations of the committee.

The full papers and minutes for this meeting can be seen here:
<http://www.hertscommissioner.org/audit-committee-24mar2016>

4.329th June 2016

The newly constituted committee met and discussed its terms of reference. Revised terms of reference were approved.

The review resulted in fraud, corruption and complaints being added to the terms of reference of the committee.

As part of the update from the constabulary the committee was advised that a one page savings report would be provided to future meetings.

The internal audit progress report and annual report were discussed. The Annual Governance Statement and risks arising from Athena were particularly debated. *The internal auditor agreed to amend the annual report to reflect the committee's suggestion.*

The draft statements of accounts were considered and the committee was advised that the final accounts would be provided to the next meeting and if approved by the committee would be signed by the Chief Constable and PCC.

Draft Annual Governance Statements were reviewed and commented on.

Members had requested some training be provided to inform members of the key issues facing the constabulary and PCC. This was agreed to be included with training for the Police and Crime Panel due in September.

The papers and minutes from this meeting can be found here:
<http://www.hertscommissioner.org/audit-committee-25jun2015>

4.429th September 2016

Stuart Nagler who had chaired the joint audit committee since its inception in 2013 stood down from the committee on his appointment to a scrutiny role with the PCC. The committee thanked him for his work for them.

The external audit results report and the Statements of Accounts were reviewed and noted. The Committee recommended that the Police and Crime Commissioner approve the Group/PCC statement of accounts and the Chief Constable approve the Chief Constable's statement of accounts and that both corporations sole approve their respective letters of representation. The statements of accounts were duly signed at the conclusion of the meeting by the PCC and Temporary Chief Constable.

The committee requested briefing sessions on risk management and Athena. *It was agreed these would be provided after scheduled meetings and where appropriate members of Bedfordshire and Cambridgeshire joint audit committees would be invited.*

Full papers and minutes of this meeting can be found here:
<http://www.hertscommissioner.org/audit-committee-29sep2016>

5 REVIEW OF EFFECTIVENESS

The committee was re-appointed during this year and so training is to be provided. The Chair has changed and so work will be undertaken to identify how work will be undertaken. Unlike the previous committee, staggered retirement has been built in to ensure a degree of consistency of membership.

6. FUTURE WORK OF THE COMMITTEE

The committee has introduced a question time to the agenda for each committee and this is intended to allow members not only to ask questions but also to propose issues for inclusion on future agendas. The Terms of Reference were reviewed appropriately when the new committee met for the first time and this will happen annually in future. The committee has introduced an annual review of its terms of reference to ensure they are being met and reflect current best practice. In addition there is provision for members of the committee to raise issues for inclusion at the next meeting. The internal and external auditors have made themselves available for any briefings or questions from members.

Future Work Plan

A basic future work plan consisting of regularly recurring items and planned items will help with the work of the committee.

2017

Standing Items for each meeting:

PCC and constabulary updates
Internal Audit progress report
PCC and Constabulary Risk Registers

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| March | Internal Audit Plan for the year ahead External Audit Plan for the year ahead External Audit Value for Money Report Treasury Management Strategy 2017/18 Members meet with internal auditors without management being present. Joint meeting with Bedfordshire and Cambridgeshire Committees |
| June | Audit Fee letters 2017/18 Draft Statements of Accounts Annual Governance Statements Review of Accounting Policies, Judgements and Estimates Fraud Corruption and Complaints update |
| September | External Audit Reports Statements of Accounts Treasury Management report |

Members meet with external auditors without management.

November

External Audit Annual Audit Letter
Annual Report and assessment of effectiveness
Fraud, Corruption and Complaints update.

ANNEX A

TERMS OF REFERENCE (to June 2016)

Membership and attendance

The Committee comprises a Chair and four Members, requiring attendance of three to be quorate. Invitations to attend will normally be extended to the Chief Finance Officer (or deputy), Internal Auditor, External Auditor and Chief Executive to the Police and Crime Commissioner for Hertfordshire. Other attendees will be by invitation according to agenda items and a policy will be developed on items to be considered in private or with a specific attendance.

In the event of the Chair being unavailable, the members will elect one of those present to chair the meeting.

The PCC and Chief Constable are invited to attend each meeting.

Frequency

Meetings will be held not less than three times a year. Any of the above named invited attendees may request a meeting if they consider one is necessary.

Duties

The duties of the Committee can be categorised as follows:

Corporate Governance, Internal Control and Financial Reporting

1. Support the Police and Crime Commissioner, Chief Constable and statutory officers in ensuring that effective governance is in place and functioning efficiently and effectively. Test the overall governance framework and provide independent assurance, including in relation to the adoption of good practice and statutory compliance. Identify any areas of weakness and make recommendations for improvement to the Commissioner and Chief Constable as appropriate.
2. Monitor the effective development and operation of the internal control environment and risk management processes and make recommendations for improvement to the Commissioner and Chief Constable, as appropriate.
3. Review any issue referred to it by the statutory officers of the Police and Crime Commissioner and Chief Constable in relation to corporate governance, risk management or assurance and make recommendations, as appropriate.
4. Review and endorse the Commissioner's and the Chief Constable's Governance Statements and Statements of Accounts, including the Commissioner's group accounts. Bring to the attention of the Commissioner and Chief Constable any omissions or any amendments proposed for consideration.
5. Receive and scrutinise performance reports on treasury management and provide effective scrutiny and independent assurance of the treasury management strategy and policies.

Internal and external audit

6. Undertake an annual review of the Commissioner's and the Chief Constable's system of internal audit.
7. Review and endorse the strategy and plans of internal and external audit, bringing to the attention of the Commissioner and Chief Constable any significant issues which the committee considers merit inclusion.
8. Review progress in delivering the work and reports of internal and external audit and provide an opinion to the Commissioner and Chief Constable on the quality and strength of investigations and findings
9. Review matters arising from the work of internal and external audit, including the external auditor's Annual Governance Report and Audit letters and advise the Commissioner and Chief Constable on the adequacy of response plans.
10. Monitor management action in response to the work of internal and external audit and bring to the attention of the Commissioner and Chief Constable where further or more timely action is considered appropriate.

General

11. Maintain effective working relationships with the Commissioner, Chief Constable, their offices, Section 151 officers and both internal and external auditors.

Administration

12. Administrative support to the Committee will be provided by the office of the Police and Crime Commissioner for Hertfordshire.
13. The Committee will issue an annual report to the Commissioner and Chief Constable which refers to work done and recommendations made.

ANNEX B

TERMS OF REFERENCE (from June 2016)

TERMS OF REFERENCE

Membership and attendance

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In the event of the Chair being unavailable, the members will elect one of those present to chair the meeting.

The PCC and Chief Constable are invited to attend each meeting.

The Committee or individual members may also meet for specific functions relating to the role and there may be informal meetings at the request of the Committee with the Chief Constable or PCC or Chief Financial Officers.

Frequency

Meetings will be held not less than three times a year. Any of the above named invited attendees may request a meeting if they consider one is necessary.

Duties

The duties of the Committee can be categorised as follows:

Corporate Governance, Internal Control and Financial Reporting

1. Support the Police and Crime Commissioner, Chief Constable and statutory officers in ensuring that effective governance is in place and functioning efficiently and effectively. Test the overall governance framework and provide independent assurance, including in relation to the adoption of good practice and statutory compliance. Identify any areas of weakness and make recommendations for improvement to the Commissioner and Chief Constable as appropriate.
2. Monitor the effective development and operation of the internal control environment and risk management processes and make recommendations for improvement to the Commissioner and Chief Constable, as appropriate.
3. Review any issue referred to it by the statutory officers of the Police and Crime Commissioner and Chief Constable in relation to corporate governance, risk management or assurance and make recommendations, as appropriate.
4. Review and endorse the Commissioner's and the Chief Constable's Governance Statements and Statements of Accounts, including the

Commissioner's group accounts. Bring to the attention of the Commissioner and Chief Constable any omissions or any amendments proposed for consideration.

5. Receive and scrutinise performance reports on treasury management and provide effective scrutiny and independent assurance of the treasury management strategy and policies.
6. Oversee ethical component of the operation of both corporations sole.
7. Oversee the strategy to counter fraud.
8. Challenge strategic assumptions around financial planning

Internal and external audit

9. Undertake an annual review of the Commissioner's and the Chief Constable's system of internal audit.
10. Review and endorse the strategy and plans of internal and external audit, bringing to the attention of the Commissioner and Chief Constable any significant issues which the committee considers merit inclusion.
11. Review progress in delivering the work and reports of internal and external audit and provide an opinion to the Commissioner and Chief Constable on the quality and strength of investigations and findings
12. Review matters arising from the work of internal and external audit, including the external auditor's Annual Governance Report and Audit letters and advise the Commissioner and Chief Constable on the adequacy of response plans.
13. Monitor management action in response to the work of internal and external audit and bring to the attention of the Commissioner and Chief Constable where further or more timely action is considered appropriate.

General

14. Maintain effective working relationships with the Commissioner, Chief Constable, their offices, Section 151 officers and both internal and external auditors.
15. Where services are collaborated with other forces and/or PCCs undertake work with their audit committees if that will improve effectiveness.

Administration

16. Administrative support to the Committee will be provided by the office of the Police and Crime Commissioner for Hertfordshire.
17. The Committee will issue an annual report to the Commissioner and Chief Constable which refers to work done and recommendations made.