



Joint Audit Committee
Annual Report for the year ending 31st March 2019 (2018/19)

About Gwent

[Members – is the 'About Gwent' section worth having or remove and possibly include a 'Chair's Foreword']

The Gwent Policing area serves the five Local Authority areas of Blaenau Gwent, Caerphilly, Newport, Monmouthshire and Torfaen and covers an area of 600 square miles. The area is mixed, rural and urban and the road network carries large volumes of traffic through the M4 link to the East, which incorporates the Second Severn Crossing.

Since 1st April 2015, Gwent Police have operated an East/West model covering the five Local Authority areas. The 'East' area covers Monmouthshire and Newport whilst the 'West' area covers Blaenau Gwent, Caerphilly and Torfaen.

The Police and Crime Commissioner (the Commissioner) for the area is Jeff Cuthbert B.Sc., MCIPD.

The Chief Constable for the area is Julian Williams

1. Background

A Joint Audit Committee (JAC) operates in Gwent in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Financial Management Code of Practice for the Police Service of England and Wales, section 11.1.3.

2. Role of the Joint Audit Committee

The purpose of the JAC is to provide independent advice and assurance to the Commissioner and the Chief Constable on matters relating to the internal control environment of the Office of the Police and Crime Commissioner (OPCC) and the Force according to good governance principles. The JAC:

- ❖ considers the internal and external audit reports of both the Commissioner and Chief Constable;
- ❖ provides assurance to the Commissioner and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment;
- ❖ provides scrutiny of the Commissioner's and Force's financial planning and performance; and
- ❖ oversees the financial reporting process adopted from CIPFA Audit Committees' Practical Guidance for Local Authorities and Police.

The [Operating Principles and Terms of Reference \(ToR\)](#) establish the core functions of the JAC and are reviewed annually. **[Update link once new ToR has been agreed]**

4. Membership and Meetings

The JAC comprises five members who are independent of the OPCC and Force. Members are appointed via an externally advertised recruitment process and are selected to ensure the right balance of experience and expertise is provided. At the start of the 2018/19 financial year, the JAC Members were Mr Jonathan Sheppard (Chair), Ms Dawn Turner (Vice-Chair), Mr Andrew Blackmore, Mr Roger Leadbeter and Dr Janet Wademan.

As well as the independent members, the following officers from the OPCC, Force and the Audit functions are also in attendance:

- ❖ Commissioner or Deputy Commissioner, OPCC
- ❖ Chief Executive, OPCC
- ❖ Chief Finance Officer, OPCC
- ❖ Head of Assurance and Compliance, OPCC
- ❖ Chief Constable, Force
- ❖ Assistant Chief Officer - Resources, Force
- ❖ Chief Superintendent, Head of Strategy, Performance and Change, Force
- ❖ Internal Audit (TIAA)
- ❖ External Audit (Wales Audit Office (WAO))

Members of the JAC meet privately with the auditors prior to the start of every meeting.

The JAC is supported by the Governance Officer of the OPCC.

The ToR state that five formal meetings should be scheduled each year, with additional formal meetings scheduled if required.

Members' attendance at meetings during 2018/19

Member	Number of Meetings Held	Number of Meetings Attended	% of Meetings Attended
A Blackmore	5		
R Leadbeter	5		
J Sheppard	5		
D Turner	5	(Unable to attend Dec 18 meeting due to work commitment)	
J Wademan	5		

[Update attendance table post March 19. Consider adding lead member areas into report].

Transparency

Agendas and minutes from the JAC meetings are made available to the public on the OPCC website. Copies of the draft JAC minutes are also provided to the Commissioner and the Chief Constable for discussion at the relevant Strategy and Performance Board meetings.

5. Overview of Core Work Undertaken During 2018/19

❖ **Terms of Reference** [add in any key changes made to the ToR eg ethics reporting post March 2019]

The ToR set out the core functions that the JAC must undertake. Compliance with the ToR for 2018/19 [was reported to the June 2019] JAC meeting together with the draft JAC annual report. The purpose of this compliance paper was to provide the Commissioner and the Chief Constable with assurance that the JAC has successfully met its functions during the year.

Work has been undertaken during 2018/19 to further understand the JAC's role in relation to Value for Money (VfM). A comparison of the wording used in relation to VfM was undertaken across JACs in England and Wales with detailed discussions taking place at the meeting on 13th September 2018 and at the VfM deep dive that took place in December 2018. [Further update needed after ToR discussion in March on what the role of JAC is and how this is to be monitored appropriately].

❖ **Joint Annual Governance Statement and Statement of Accounts**

The 2017/18 Joint Annual Governance Statement was presented to the JAC in draft format at their March 2018 and June 2018 meetings for consideration and comment. The Statement of Accounts (containing the final version of the Joint Annual Governance Statement) were presented at the July 2018 meeting. The JAC subsequently provided their recommendation to the Commissioner and Chief Constable that the Joint Annual Governance Statement should be included within their respective Statement of Accounts documents.

❖ **Review of the Manual of Corporate Governance**

The Manual of Corporate Governance is reviewed by the OPCC and Force annually. Changes identified as part of this review are presented to the JAC at its March meeting in order for a review of the proposed changes to take place and for approval to be recommended to the Commissioner and Chief Constable prior to their authorisation of the document. The JAC subsequently provided their recommendation to the Commissioner and Chief Constable to approve the suggested amendments to the Manual of Corporate Governance in **March 2019**.

Any subsequent changes made during the financial year are presented to the JAC prior to final approval by the Commissioner and Chief Constable.

❖ **Internal Audit**

There is a duty upon both the Commissioner and the Chief Constable to maintain an effective internal audit function. The audit work for the year is founded on a risk based approach and focuses on significant financial and operational risks.

Since September 2016, all IT related audits have been undertaken by Torfaen County Borough Council (TCBC); the Internal Auditors (TIAA) continue to undertake all other audits on behalf of the OPCC and Force.

The annual TIAA Internal Audit Plan is agreed by the Chief Finance Officers of the OPCC and the Assistant Chief Officer, Resources of the Force, whereas the annual Internal Audit Plan for the Shared Resources Services (SRS) (provided by TCBC) is agreed at the SRS Board meeting which is attended by the Assistant Chief Officer, Resources on behalf of the OPCC and Force. Both Annual Audit Plans are presented to the JAC for approval. Reports on the adequacy of controls in the systems audited are also presented to the JAC.

The JAC were satisfied that TIAA's proposed annual Audit Plan for 2018/19 was appropriate for, and aligned to, Gwent's risk profile.

However, the JAC were less comfortable with TCBC's proposed 2018/19 Annual Audit Plan for the SRS and required further assurances as to the extent to which it met Gwent's requirements. Concern was also raised in relation to the number of audits that had not been completed from the 2017/18 Audit Plan alongside the overall assurance rating being 'major improvement required'.

As a result the Chief Operating Officer of the SRS attended the June 2018 meeting and provided us with an in-depth update as to the work ongoing within the SRS to ensure that the 2018/19 audit plan, along with those audits outstanding from the 2017/18 audit plan, were resourced adequately. Changes had also been made to the way the **SRS allowed partners control over the audits undertaken, with certain audits** becoming 'fixed' to ensure they were completed; this would give

reassurance to the audit committees of all partner organisations. We were also satisfied that the relevant focus was being placed on the area of audit and the SRS Finance and Governance Board attended by all partners. An updated Audit Plan for 2018/19 was presented to the JAC in September 2018.

After reviewing the revised Audit Plan for 2018/19 we agreed that although changes had started to be made, further work needed to be undertaken and requested our significant concerns were recorded in relation to the importance placed on the completion of audits and the fact that there was no indication of the severity of the risk the SRS was exposed within the audit plan.

At the request of the JAC, the Commissioner contacted the audit committees of the other partner organisations of the SRS to determine if they shared the same concerns in relation to the recent audit outcomes as us. The letter written by the Commissioner was discussed by the Section 151 Officers at the Finance and Governance Board who noted our concerns but felt that the issues raised were not appropriate to raise with their individual audit committees. We accepted that each organisation had a different risk threshold but were concerned that audit outcomes, particularly in relation to the 'Limited' service continuity audit, were not given the same importance by our partners within the SRS. Some assurance was received that the SRS were taking the matter seriously and had provided a comprehensive update to the Finance and Governance Board of the plans they were putting in place to resolve the issues identified, particularly in relation to service continuity.

Disaster Recovery

Work has been on-going for a number of years in relation to developing a disaster recovery site in conjunction with South Wales Police. The physical infrastructure project has been completed, work was now being undertaken to create access for the information from the servers held in Gwent to be replicated at the disaster recovery site. Creating this information access had been problematic, and the JAC lead for IT, Dr Wademan, has supported the Assistant Chief Officer, Resources, in ensuring there has been a high level of scrutiny in this area. We were satisfied that disaster recovery remained on the joint strategic risk register and were reassured by the regular updates provided by the Assistant Chief Officer, Resources at meetings.

JAC Attendance during Internal Audit Procurement Process

[Update Dr Wademan attended on behalf of JAC].

Audits Completed - TIAA

There were 19 internal audits completed by TIAA in 2018/19 with the following assurance assessments:

<u>Assurance Rating</u>	<u>Audit Title</u>
Substantial Assurance - 1	Fixed Assets
Reasonable Assurance - 15	Contract Management – Visit 1
	General Data Protection Regulation Compliance – Visit 1
	Vetting
	Payroll
	Debtors
	General Ledger
	Estate Management - Governance
	Business Continuity
	Expenses and Additional Payments
	General Data Protection Regulation Compliance – Part 2
	Budgetary Control
	Pensions
	Finance and Resource System Implementation
Limited Assurance - 3	Fleet Management – Single System (Joint Audit with South Wales and Dyfed Powys)
	Local Policing – Property and Cash
	Creditors
No Assurance – 0	

The following audits were also completed:

Requested Audit ¹	Data Breach Freedom of Information Request
Follow Up Audits	Follow Up Quarter 2

¹ TIAA was asked to review the circumstances surrounding the Data Breach Freedom of Information request, the identified security weakness in the Connect Gwent website and the decision not to report the identified weakness to the Information Commissioner. This review was undertaken in May 2018 and was additional to the planned audit work for 2018/19. 7 priority 2 recommendations were found, all of which have now been completed.

Audits Completed - Torfaen County Borough Council

[Update once annual report has been received]

There were 5 internal audits completed by TCBC on the IT services provided to the OPCC and Force in 2018/19 with the following assurance assessments:

<u>Assurance Rating</u>	<u>Audit Title</u>
Full - 0	
Substantial – 0	
Moderate - 2	
Limited - 1	
Nil – 0	

Two follow up audits were also completed during 2018/19:

- Email – Satisfactory assurance

The following audits from the 2017/18 Audit Plan are still in progress:

- Cybersecurity

It had not been possible to start the following audits:

- ISO:27001

❖ **Self-Assessment**

The self-assessment exercise which reviewed the JAC's performance during 2018/19 was undertaken during March 2019. This allowed the results to be analysed and any key outcomes included in the priorities for coming year.

Following Members' review of the self-assessment exercise, an action plan was drafted to support the JAC's continuous improvement. This is reviewed by the JAC on a quarterly basis.

[Update this section – add in self-assessment comparison paper and mention discussion at the March meeting]

❖ **Annual Performance Reviews**

All members have participated in an annual performance review process. Feedback has been positive with all members finding the process useful.

6. **Meeting Our Priorities**

Each year the JAC set out in its Annual Report the priorities they are going to focus upon for the coming year. This section evidences how the JAC has met those priorities set out in 2017/18 annual report.

❖ **Training and Development**

Members have participated in a number of different training events in order to ensure the knowledge and skills they have can be applied to the policing service and can also provide relevant advice and assurance to both the Commissioner and Chief Constable. Internally the OPCC and Force run sessions where a topic identified by members is explained and discussed in detail; these sessions, known as 'Deep Dives', take place as an addendum to the formal meeting structure.

Deep Dives

- Regional Organised Crime Unit (TARIAN) and Welsh Extremism and Counter Terrorism Unit (WECTU), 7th June 2018;
- General Data Protection Regulation Update (OPCC and Force) , 13th September 2018;
- Value for Money Profiles, 13th December 2018; and
- Early Action Together (All Wales Approach to Adverse Childhood Experiences (ACEs)), 4th March 2019.

All Wales JAC Training Day, 19th February 2019

[Update post March 19 meeting]

An All-Wales JAC training day was hosted by the Dyfed Powys OPCC and Force and held at the Shared Resource Centre in Llandrindod Wells. *The day was facilitated by CIPFA at which updates on strategic, governance and audit issues were provided as well as on the incoming Force Management Statements and the funding of third sector organisations by the Commissioner. There was also an opportunity to consider and finalise the action sheet that was developed at the previous training day held in Gwent in 2017.*

An updated action sheet was developed from the 2018 training and has been circulated to all JAC members in Wales. Members agreed that these annual development sessions were useful and wished to see them continue in the future.

❖ **Finance Department Restructure**

The JAC continue to be updated in relation to changes within the Finance department and acknowledged that the post implementation review of the new structure identified the need for additional resource within the department which had now been agreed. We have been assured by both the Assistant Chief Officer,

Resources and the Chief Finance Officer that the interim structure provided more stability and resilience within the department but highlighted that the high turnover of staff posed a risk to the organisation and recommended that the situation was monitored closely.

The JAC is satisfied that progress is being made within the department and that the OPCC and Force will continue to meet their legal commitments.

❖ **Creditors and Debtors**

As a result of issues with the implementation of the new finance system the 'Fully Integrated Resource Management System' (FIRMS), as well as the changes made within the Finance department and the subsequent departure of key staff, the focus placed on managing debts and paying suppliers was overlooked. Members have received regular updates in relation to progress in both areas and are satisfied that sufficient remediation activity is underway. We were pleased that the finance team were working with PriceWaterhouseCoopers to develop financial procedures to after the implementation of the new system.

December 2018 saw the JAC presented with an audit report on the debtors position; we were pleased to note that the assurance rating had increased from 'Limited' in 2017 to 'Reasonable' in 2018. Despite progress made on the creditors position, we were disappointed to receive an audit with a 'Limited' assurance rating in this area. We acknowledge that further work needed to be undertaken in relation to the recovery of duplicate payments made as a result of the implementation of the new FIRMS system and that the 'No Purchase Order No Pay' policy needed to be implemented as soon as possible.

[Update post March meeting after discussions on the detailed audit report as may not reflect conversations that take place]

❖ **Early Closure of the Accounts**

The JAC were pleased that the OPCC and Force were able to meet the deadline of 31st July 2018 for approval of the 2017/18 accounts.

A number of issues were experienced during the production of the accounts which had resulted in an increase in the fee charged by the WAO for 2018/19 due to the extra resource required for completion of the accounts by the required date.

The finance team had produced a lessons learnt action plan which was being monitored by the JAC and were implementing the changes required to ensure that the same issues would not arise during the production of the 2018/19 accounts.

❖ **Production of Joint Annual Governance Statement**

The first Joint Annual Governance Statement for the OPCC and Force was produced for the financial year 2017/18. This had been suggested by the JAC due

to the two corporations' sole sharing much of the same governance framework. It was agreed that the production of one document was less repetitive and allowed for better scrutiny of both organisations.

❖ **Prioritisation of Risk**

In order to evidence the JAC's commitment to risk management, the September 2018 meeting saw the strategic risk register discussed at the beginning of the agenda, ensuring adequate time was spent understanding and reviewing the area and ensuring the remaining agenda reflected those areas of concern. Due to its success, it has been agreed that the strategic risk register will be the first item for discussion on the agenda every September.

❖ **Internal Audit**

TIAA are satisfied, that for the areas reviewed during 2018/19, that the Commissioner and Chief Constable *have reasonable and effective risk management, control and governance processes in place. They also found evidence to support the achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed.* [Update once annual audit report has been received]

In relation to IT audits, the SRS received an overall assurance rating of '*Major Improvement Required*' from TCBC. *There were a number of issues identified within the SRS, including availability of resources for audits, which were being discussed with the lead officer from each of the partner organisations, which had contributed to the assurance rating. The JAC had been provided with an update on these issues by the Chief Operating Officer of the SRS and were satisfied plans were being developed in order to improve the audit rating for 2018/19.* [Update once annual audit report has been received]

The JAC will continue to maintain a good working relationship with Internal Audit and will assist the Commissioner and the Chief Constable *in ensuring a reduction in the rescheduling of TCBC audits continues* and that a positive result in both areas of internal audit is achieved for 2019/20.

❖ **Public Sector Internal Audit Standards**

The TCBC Public Sector Internal Audit Standards (PSIAS) report was shared with JAC and provided reassurance that they were compliant with the requirements of the PSIAS.

❖ **Raising the Profile of the Joint Audit Committee with External Partners**

In order to raise the profile of the JAC externally, 2 members of the Police and Crime Panel attended the December 2018 meeting as observers, in order to assist with their understanding of the role JAC undertake in relation to supporting both

the OPCC and Force. Feedback from the Police and Crime Panel members was positive.

7. Priorities for 2019/20

[what priority areas do members suggest for 2019/10?]

❖ Training and Development

In order to continue to develop and build on the skills of the JAC, 'Deep Dive' sessions are being considered in the following areas:

- *Wales Extremism & Counter Terrorism Unit (WECTU)/Tarian Regional Organised Crime Unit (ROCU) – June 2018;*
- *General Data Protection Regulation (GDPR) – September 2018;*
- *Annual Review of the Value for Money Profiles - December 2019; and*
- *To Be Confirmed – March 2019*

[Update once agreed at March meeting]

The areas above cover a variety of business areas and will help to further support the understanding of the wider work of the OPCC and the Force.

❖ Early Closure of the Accounts 2018/19

The early closure of the accounts becomes statute for the 2018/19 financial year. Due to the issues experienced in the production and closure of the accounts for 2017/18, the JAC will continue to monitor the action plan created from the 2017/18 process in order to ensure the process runs smoothly for the 2018/19 accounts.

❖ Internal Audit

TIAA are satisfied, that for the areas reviewed during 2018/19, that the Commissioner and Chief Constable have reasonable and effective risk management, control and governance processes in place. [Update once annual audit report has been received]. They also found evidence to support the achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed.

In relation to IT audits, the SRS received an overall assurance rating of 'Major Improvement Required' from TCBC. [Update once annual audit report has been received]. There were a number of issues identified within the SRS, including availability of resources for audits, which were being discussed with the lead officer from each of the partner organisations, which had contributed to the assurance rating. The JAC had been provided with an update on these issues by the Chief Operating Officer of the SRS and were satisfied plans were being developed in order to improve the audit rating for 2018/19.

The JAC will continue to maintain a good working relationship with Internal Audit and will assist the Commissioner and the Chief Constable in ensuring a reduction

in the rescheduling of TCBC audits continues and that a positive result in both areas of internal audit is achieved for 2018/19.

❖ **Shared Resource Service – Audit Plans**

The JAC will continue to closely monitor completion of the TCBC internal audit plan to ensure all outstanding audits are finalised from both the 2017/18 and 2018/19 plans and that adequate resource is agreed by the OPCC and Force to support the SRS in delivery of the Gwent Police elements of the 2019/20 audit plan.

The length of time allocated by the SRS to complete audit recommendations has, on occasion, seemed excessive. We will continue to monitor the completion of all SRS audit recommendations via the quarterly Outstanding Audit Recommendations report – any concerns will be raised with the Assistant Chief Officer, Resources for feedback to be provided to the SRS.

❖ **Shared Resource Service - Disaster Recovery**

The JAC lead member for IT, Dr Wademan, will continue to support the Assistant Chief Officer, Resources in scrutinising the progression of work in this area.

❖ **Shared Resource Service - Service Continuity Management**

Due to the concerns the JAC have in relation to this area of work, focus will be placed on ensuring the required action from the OPCC and Force to support the SRS to improve in this area is provided. Outstanding actions will continue to be monitored closely until completion.

We will also be closely following developments in relation to SRS partners responses to the request for resources to support service continuity work which is due to be included in the SRS budget bid for 2019/20. There is a risk to the OPCC and Force that this work may not be completed if partners do not agree to the increase in resource for this area of work to progress.

❖ **Creditors**

As the most recent audit in this area still raised cause for concern and only provided a 'Limited' assurance rating, the JAC will continue to monitor progress closely, particularly in respect of the recovery of duplicate payments and the implementation of the 'No Purchase Order No Pay' policy.

❖ **Review of the CIPFA 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)**

The OPCC has recently purchased the following guidance from CIPFA, 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition). An initial review of the guidance has been undertaken and has identified the need for further discussion to take place between officers due to the potential implications related to the suggested reporting requirements to the JAC. Decisions

need to take place to determine which of the suggested areas are appropriate for reporting to the JAC and how they would fit into the current reporting structure, taking care to not overload the already significant agendas. A further report highlighting officers' suggestion on how to progress with the suggestions in the guidance will be provided during the 2019/20 financial year for the detailed consideration of members.

8. Conclusion

The JAC has complied with its ToR during 2018/19 and has received appropriate, regular and timely information from the OPCC and the Force. The JAC remain satisfied that the Commissioner and the Chief Constable can be assured that their control, risk and governance position for 2018/19 was appropriate. [Update post March 19 meeting]

The Commissioner and the Chief Constable are asked to note this report as a summary of the work and findings of the JAC for the financial year 2018/19.

9. Acknowledgements

We are grateful to all who have attended and contributed to the work of the JAC including officers from the WAO and TIAA.