

Joint Audit Committee (“JAC”) for Kent Police & Crime Commissioner (“PCC”) and Chief Constable of Kent (“CC”)

Annual Report for the financial year ended 31 March 2020

Introduction

The JAC works to comprehensive Terms of Reference to provide independent assurance to the PCC and CC on the adequacy and effectiveness of the internal control environment and the risk management framework.

Membership and meetings

The JAC compromised four members for the majority of 2019/20, during which there were two unsuccessful recruitment programmes. Following the retirement of a member immediately following the December 2019 meeting, a further recruitment exercise successfully identified two additional members who are currently undergoing vetting. When appointed the JAC will then be up to full establishment. The new members will bring new thinking and a new perspective to the JAC’s assurance role, and help spread a busy Committee work load.

During 2019/20 the JAC met on 5 separate occasions (see details set out in Appendix A) Meetings were routinely attended by Internal and External Audit; the Chief Financial Officers of the PCC and the Force, and the Deputy Chief Officer. Other senior management from the OPCC and the Force attended as necessary. The JAC also met privately with Internal Audit and External Audit. In addition, members individually attended (as observers) some of the Force’s performance review and other meetings in order to seek assurance on risk and governance issues.

The CC met the JAC once during the year to present Kent’s policing vision and strategy. It is disappointing that neither the PCC, nor the Chief Executive of the OPCC attend JAC meetings or proactively engage personally with the JAC. Feedback from audit committees elsewhere in the country indicated that JAC effectiveness is enhanced if both the PCC and CC play an active role in its work. The JAC is reviewing mechanisms to bring matters of concern to the personal attention of the PCC and CC.

Review of effectiveness

The JAC held its annual review meeting in May 2019 and overall feedback from all regular attendees was very positive about the JAC’s work. The review highlighted that the role of the JAC was well understood and defined; meetings were well run, and the Committee discharged its role effectively. Issues identified for follow up in the JAC’s 2018/19 report have been actioned.

The JAC continue to adopt the audit committee best practice and practical guidance/position statements put forward by CIPFA, and members attended regular CIPFA and Local Government Association briefings and training and networking events.

The JAC continue to find the RSM “Emergency Service Sector” update and “Police risk register analysis” very useful. Members are also informed of regulatory and financial reporting requirements through briefing notes from EY.

Policing Environment

To carry out its work effectively, the JAC need to understand the Force’s key policing challenges and associated risks. In 2019/20 Kent faced increased demand and crime became increasingly complex. Further cost pressures, funding constraints and the need to

generate further cost savings, led to innovative ways of working, use of data analytics and significant investment in IT infrastructure to underpin business transformation. The outcome was a challenging operating environment where effective internal controls and risk management were vital, thereby emphasizing the need for an effective JAC.

In meeting its TOR, what impact has the JAC had on the improvement of governance, risk, and internal control?

Governance

The JAC played a challenging and constructive role in examining the local governance framework and the production of the annual governance statement, albeit being involved somewhat late in the process. The JAC received good assurance from the work carried out by the Force Strategic Change and Resources Board and the Force Performance Committee. Both developed well during the year, were well chaired, focused on the key issues and identified clear action plans going forward. The JAC believe, however, that the Force could take more advantage of the individual and collective skills and experience of the JAC in enhancing its governance framework. The JAC note that its work is not referenced in the CC's reports on inspections, audits and reviews to the quarterly PCC's Performance and Delivery Board meetings.

The JAC received regular updates on HMICFRS inspections and challenged the Force on the implementation of recommendations.

Risk Management

Strategic risk registers for both the Force and the OPCC were reviewed at each JAC meeting, and officers were regularly challenged on the effectiveness and timeliness of planned mitigations. Improvements were made to reporting formats following JAC recommendations. The JAC contributed to the annual risk star chamber where all risk owners were challenged on risk assessment, mitigations and controls. The Committee found the force management statement extremely helpful in assessing risk and facilitating a direct link to the strategic risk registers. The Committee identified a number of areas where deep-dives were required to broaden its understanding and help fulfil its assurance role, including cyber- crime and the IT Technical Refresh Programme.

Internal Control-Financial Reporting

Kent's financial resilience continues to be strong. The JAC received financial reports at four of its meetings and sought explanations for significant variances to budget for both revenue and capital. Strategies for capital investment, use of reserves and treasury management were reviewed and JAC recommendations for improvements adopted. The JAC played an effective role in a detailed review of the 2018/19 accounts and approved the management responses to EY audit findings and recommendations. Kent has a good record in achieving value for money ("vfm") as confirmed by HMICFRS reports and EY year-end audit work. The Committee await the results of the Force's corporate finance review of the October 2019 vfm profiles. The HMICFRS 2018/9 "Peel Assessment" report complemented Kent on its understanding of changing demand and how it links this to its future financial planning.

Internal Audit-RSM

The JAC approved the annual programme of work, reviewed progress and individual report recommendations and assurance ratings. A challenging and constructive working relationship has been established with RSM, with the latter being receptive to suggested changes in reporting. The JAC have encouraged RSM to further develop their assurance framework model based on the three levels of defence which facilitated the prioritisation of audit projects. Management may find this a useful tool in developing their governance

framework. It is disappointing that there are often long delays between RSM completion of a draft report and management sign-off.

RSM concluded that based on their 2018/19 work Kent had an adequate and effective framework for risk management, governance and internal control, but that further enhancements should be made to ensure it remains adequate and effective.

External Audit-EY

The JAC reviewed the 2018/19 year end timetable, audit strategy (including materiality and key risks) and the post audit annual letter. A late change in audit partner caused some slight hiccups in a very tight and accelerated year-end close timetable. The Committee was pleased to note an unqualified audit opinion.

Areas for OPCC and Force action in 2020/21 arising from the JAC 2019/20 work programme

The JAC welcomed the additional time to scrutinise the 2019/20 draft annual governance statement and have tabled a number of recommendations to improve content and structure and meet CIPFA guidance.

Reduce the amount of time taken by management to finalise Internal Audit draft reports

Ensure that RSM work is only deemed “advisory” where advice rather than assurance is required.

Speed up the implementation of internal audit recommendations and improve the data integrity of the Audit Recommendations tracker. Recommendations made in RSM advisory audit reviews should be included in the tracker

Build on the progress made to improve JAC committee support especially the provision of papers electronically. Aim to reduce the amount of paperwork tabled for JAC consideration without compromising the quality of information provided.

Examine how the Force could be more proactive in accessing JAC expertise

Areas for JAC particular focus and follow up in 2020/21

The Force's approach to cyber- crime, cyber security and fraud

Capital Investment -particularly IT-both spend and outcomes

Treasury Management strategy and performance-especially cash flow forecasting and borrowing

Force recruitment and retention strategy and performance review

Follow up on a) those internal audits that received an Internal Audit partial assurance rating in 2019/20, and b) the status of the transactional finance functions undertaken at the shared Business Services Centre

The result of the Athena review on perceived and actual benefits realised which is promised by mid- 2020

Progress made by the 7 Force Procurement Project

Future Impact of the Coronavirus Pandemic

In March 2020 the UK Government significantly ramped up its response to the Coronavirus pandemic. Unprecedented times called for unprecedented action. No one can predict just how long the current situation will last or how long the UK will take to recover. The Government's response is evolving rapidly, with emergency powers legislation, lock-downs and new directives. The role of the police has, and will, continue to change and will come under close scrutiny. Kent will therefore be initiating and implementing new strategies and new ways of working to ensure and prioritise existing responsibilities, cope with new responsibilities as directed by the Government, whilst at the same time planning for possible significant reductions in manpower. Working from home will bring additional complexity and put stress on systems of internal control. A reliable IT infra-structure and an effective communications strategy will be vital, and staff welfare important.

HMICFRS inspection work has been suspended and the work of Internal Audit and External Audit may be compromised. Financial reporting requirements may well be relaxed. Challenging circumstances demand sound internal controls and the governance framework will need to be maintained and possibly enhanced.

The JAC will need to be kept fully apprised of actual and potential changes in Force policing strategy. The JAC's role in reviewing and challenging changes in governance arrangements, risk management and internal controls is never so important and it is essential that it can perform its role effectively and add value at such a challenging time.

Transparency

Copies of the JAC TOR, meeting agendas and minutes may be found on the PCC's web site.

Conclusion

The JAC has delivered on its terms of reference and concurs with the RSM opinion that Kent has an adequate and effective framework for risk management, governance and internal control, but that further enhancements should be made to ensure it remains adequate and effective.

Malcolm Grubb

Chair, JAC

20th April 2020

JAC Attendance 2019/20

Name	23/05/19	11/07/19	13/09/19	06/12/19	17/03/20
Malcolm Grubb	√	√	√	√	√
Vivienne Dews	√	√	√	√	√
Judith Eden	√	√	√	√	
David Horne	√	√		√	√

Notes:

1. The JAC meeting scheduled for 17th March was cancelled due to the Force needing to respond urgently to the Government's lock- down directives on the Coronavirus pandemic. The three independent members subsequently held a virtual meeting to discuss each agenda item and relevant supporting papers. Their comments and information requests were summarised and forwarded to the PCC's Chief Financial Officer. No reply has yet been received.
2. Judith Eden retired from the Committee immediately following the 6th December meeting, having extended her four year term of office which had been due to end in September 2019.