

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

## **Annual Report for the financial year ended 31 March 2021**

### **Introduction**

The purpose of the Joint Audit Committee (“JAC”) is to provide the Police and Crime Commissioner and the Chief Constable with independent assurance on matters of governance. The Committee is entirely independent of the PCC, the CC and their respective executive teams.

The JAC is pleased to report that it has been assured during the significant demands and pressures of the 2020-21 financial year that the PCC and CC have reasonable internal controls in place, and have taken steps to strengthen these controls where risk reviews and audits have highlighted areas for improvement. Of particular note in 2020-21 has been the management of risks around Covid-19 and EU Exit alongside a demanding operating environment in the policing of Kent and Medway.

The JAC works to comprehensive Terms of Reference which was revised during the year, and is attached [as Appendix A](#). Our work covers the management of risk, the operation of internal controls, matters of financial reporting and non-financial performance. The Committee seeks assurance from external and internal auditors, whose work it oversees, alongside other sources of assurance (e.g. HM Inspectorate of Constabulary & Fire and Rescue Services-“HMICFRS”)

### **Membership and meetings**

Members of the JAC are recruited openly and appointed for a period of 4 years, renewable once. The Committee welcomed two new members, Angus Campbell and Karen Holland who have brought new skills and insight to its work.

During 2020-21 the JAC met ‘virtually’ on 6 occasions on the dates set out in [Appendix B](#). Meetings were usually through MS Teams and routinely attended by Internal and External Audit; the Chief Financial Officers of the PCC and the Force, and mostly by the Force Deputy Chief Officer. Other senior management from the PCC’s office and the Force attended as necessary. Following each meeting, the Committee Chair wrote to the PCC and the CC to identify matters of concern.

The JAC also held meetings in private with Internal Audit and External Audit.

In addition, members individually attended online (as observers) a number of the Force’s performance review and other meetings in order to seek assurance on risk and governance issues. The number and frequency of the meetings observed moved from monthly to quarterly to reflect the JAC’s confidence in their effectiveness and appropriate focus.

The CC met online with the JAC members in December to present Kent’s policing vision and strategy, and answer questions.

It is disappointing to report that the PCC has again chosen not to attend Committee meetings during the year. As we reported in 2019-20, feedback from audit committees elsewhere indicated that JAC effectiveness is enhanced if both the PCC and CC play an active role in its work. We will seek more proactive engagement with the PCC in the future.

## **Performance against main objectives**

### **Governance**

The JAC has taken an active role in examining the governance framework and the production of the annual governance statement. At the beginning of the financial year the Committee raised many points intended to enhance the disclosures proposed in the 2019-20 Statement of Accounts and we were disappointed that these were not carried through into the published financial statements. The JAC has therefore identified the governance issues that it would expect to see addressed in the 2020-21 Statement of Accounts, informed by the Force's Management Statement. A member of the JAC has a lead responsibility, on behalf of the Committee, to progress the developments that it seeks with the OPCC's office.

During the year the JAC has been particularly keen to consider how the control environment has changed due to COVID-19 and the risks arising from those changes. An internal audit review of Governance reported in December and the Committee was pleased to note substantial assurance from this work.

The JAC noted that the new national complaints process introduced in 2020 had led to a substantial increase in the number of complaints (up by 21%) and related correspondence (up by 24%). This is largely due to the new definition that any expression of dissatisfaction constitutes a complaint. In December the Committee requested more detail on complaints data and its use in risk reporting, but this has so far not been provided by the Force.

The Committee has not undertaken work on professional ethics during 2020-21. Our work on anti-fraud, whistleblowing and anti-corruption policies remains incomplete as we await responses from management to address those points we raised in our initial review in December.

### **Risk Management**

Strategic risk registers for both the Force and the OPCC were reviewed at each JAC meeting.

The JAC noted that while many Force risks are of a regional or national nature, the Committee had no obvious mechanism for escalating often high priority matters. This remains a concern.

The JAC regularly reviewed the completeness, effectiveness and timeliness of planned risk mitigations and controls. Improvements have again been made to the format of the Force register following JAC recommendations. The JAC contributed to the Force's risk star chamber where all risk owners are challenged on risk assessment, mitigations and controls.

The JAC raised concerns in December about the underscoring of certain risks on the OPCC strategic risk register (including the impact of vacant posts and secondments on performance, and the resulting pressure on the CFO)

The JAC welcomes the planned revision of the OPCC Strategic Risk Register in 2021-22.

Two "deep dives" on strategic risks have taken place in 2020-21. The Committee has previously identified deep dives as being of value, by broadening understanding and thereby helping fulfil the JAC's assurance role.

The JAC received regular reports on the work of the HMICFRS. These include tracking the Force's implementation of HMICFRS recommendations in previous reports. Local inspection activity by the HMICFRS was curtailed in 2020-21 although a number of national reports

were completed. The JAC has sought assurances on actions taken to address identified areas of concern.

## **Financial Reporting**

The JAC reviewed the 2019-20 draft unaudited Statement of Accounts at its May 2020 meeting and raised points intended to promote greater transparency and disclosure. The draft unaudited accounts were published shortly after the meeting and the Committee was disappointed to find that its proposals on financial reporting had, for the most part, not been addressed. The Committee felt that the narrative was an incomplete picture of the previous year's work.

The Committee reviewed and made recommendations on the annual Treasury Management strategy and has monitored performance during the year. A JAC member will assume a lead role for the JAC in this important area. The Capital Strategy and Reserves Strategy were also noted. No further reviews of financial policies have been undertaken this year.

The JAC Terms of Reference include the review of monthly financial reporting for both revenue and capital. At its December 2020 meeting, the Committee raised some serious concerns about internal audit findings (RSM report 6.20.21) which showed that some basic financial controls were not being rigorously applied. In addition, the Internal Auditors could find no evidence that financial management reports for March, May and July 2020 had been delivered and reported to the Chief Officers' Management Board. The risk was that key individuals may not have the necessary information for decision making and future planning. These issues were subsequently addressed by the Force. In the last quarter, the JAC was made aware of staff changes in the force finance function and of revisions to the Medium Term Financial Plan.

## **Internal Audit**

Internal Audit is provided by RSM UK. The original internal audit plan for 2020-21 was reconsidered due to the Force's resource issues as a result of the Covid-19 pandemic, and the impact of working from home. The plan was noted by the JAC at its July meeting. Although the programme did not commence until 1<sup>st</sup> July the plan was largely completed by year end.

Fourteen internal audit reports were received during the year, all of which found either substantial or reasonable assurance. A further four reports had been issued in draft form. Action on the implementation of agreed audit recommendations was reported regularly to the JAC by the Force. The JAC welcomed increased focus by the Force in the last quarter on implementing outstanding audit recommendations.

Internal Audit services were competitively tendered during the year, along with those for PCCs and forces in the Eastern Region. Two members of the Committee were involved in the evaluation.

The JAC looks forward to maintaining its relationship with RSM UK following their reappointment. The 2021-22 internal audit strategy and proposed programme of work will be reviewed and approved by the JAC at its May meeting. The 2021-22 audit programme is not expected to commence until 1<sup>st</sup> July.

## **External Audit**

External Audit is provided by Ernst & Young LLP (EY) through the Public Sector Audit Appointments arrangements.

The JAC reviewed and commented on the draft, pre-audit, financial statements for 2019-20 at its meeting in May 2020. The Committee was pleased to get assurance in December 2020 when EY certified unqualified opinions on the financial statements. The opinions were 10 days after the statutory deadline which reflected additional work on the assessment of going concern issues in light of Covid-19, and, in connection with the Police Pension Fund, consideration and challenge of the assumptions used for the McCloud Remedy Consultation and the impact those assumptions had on the police pension liability.

In addition, EY concluded that there were proper arrangements to secure value for money in the use of resources.

### **Review of effectiveness**

The JAC last reviewed its effectiveness in May 2019, although informal one on one discussions took place between the Chair and the two long standing members during the year. A formal review is planned during 2021-22.

### **Policing Environment**

To carry out its work effectively, the JAC seeks to ensure an understanding of the Force's key policing challenges and associated risks. Members of the JAC observe from time to time the work carried out by the Force Strategic Change and Resources Board, the Force Digital Transformation Oversight Board and the Force Performance Committee. These meetings provide useful insights into key policing matters.

2020-21 has brought significant challenges, not just from policing at a time of pandemic, but in seeking to increase officer numbers, prepare for exit from the EU, provide support for victims and witnesses and address high harm issues, as well as more visible neighbourhood policing, including rural and roads policing, fighting cybercrime and providing greater public protection. This demonstrates a challenging operating environment where good governance, effective internal controls and risk management remain vital.

### **Follow up on actions identified in the 2019-20 JAC Annual Report, for specific JAC focus in 2020-21**

Seven areas were identified for inclusion in the JAC programme of work for 2020-21. It is pleasing to report that no issues of concern remained outstanding following the JAC's work.

#### **Areas for JAC focus in 2021-22**

The JAC has significant responsibilities in the work of the OPCC and CC. The Committee will continue to have a key role in seeking good governance, ensuring effective management of risks and appropriate standards of financial reporting. Specific areas of focus for 2021-22 will include:

- Deep Dives into key areas of risk
- Committee Effectiveness
- Force financial savings planning
- Governance in the delivery of major programmes especially Project Zenith

- Changes in the accountabilities and responsibilities of the PCC arising from measures brought forward by the Home Office following parts one and two of the Government's Police and Crime Commissioner Review
- Seek the more active engagement of the PCC following the May 2021 election
- The impact of continued working from home may have on the control environment, and the ability of internal audit always to complete its work in as much depth as possible in the office.

### **Transparency**

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

### **Looking Ahead**

Three members of the JAC have terms of appointment that have completed, or are due to complete in the coming months. The Committee is anxious to ensure a successful recruitment exercise for new members. We consider it important to have proper succession planning and timely recruitment plans that encourage diversity.

### **Conclusion**

The JAC will continue to have a key role in ensuring effective management of the risks that arise from the work of Kent Police and the OPCC. The Committee will continue to seek assurance that key areas of risk continue to receive the focus they need and that there is an adequate and effective framework for sound governance and internal control. The Committee will continue to adopt best practice found in guidance issued by, for example, CIPFA, HM Treasury and the National Audit Office, amongst others.

Malcolm Grubb,

Chair JAC

9<sup>th</sup> April 2021

## Appendix A

### **Joint Audit Committee: Kent Police and Crime Commissioner and Chief Constable (“Committee”)**

#### **Terms of reference**

##### **Overview**

The purpose of the Joint Audit Committee is to provide the Police and Crime Commissioner and the Chief Constable with independent assurance on matters of governance. This covers the management of risk, the operation of internal controls, matters of financial reporting and non-financial performance. The Committee seeks assurance from external and internal auditors, whose work it oversees. The Committee is entirely independent of the executive

The Committee is responsible for:-

1. Providing independent assurance on the adequacy and effectiveness of the Police and Crime Commissioner (“PCC’s”) and Kent Police’s internal control environment and risk management framework;
2. Independently scrutinising financial and non-financial performance to the extent that it affects the PCC’s and Kent Police’s exposure to risks and weakens the internal control environment;
3. Overseeing the financial reporting process and the work of external audit
4. Overseeing the work of internal audit
5. Advising the PCC and Chief Constable (“CC”) on issues relating to governance and the adequacy of the annual governance statement;
6. Reviewing any issue referred to the Committee by the PCC or CC or their statutory officers and make recommendations as appropriate
7. Reviewing the effectiveness of policies for whistleblowing and for countering fraud and corruption

##### **Membership and Meetings**

1. The Committee can be made up of a maximum of five external members who are independent of the PCC and CC
2. The Committee requires three members to be quorate; the Committee will meet at least five times a year and the Chairman may convene additional meetings as required
3. The Committee is responsible for agreeing an annual programme of work and reviewing its own effectiveness on an annual basis
4. The Committee will comply with CIPFA codes and guidelines for audit committees
5. The Committee and its members will act in line with the Nolan seven principles of public life.

##### **Accountability and Reporting**

6. The Committee will report formally in writing to the PCC and CC and their statutory officers via approved meeting notes after each meeting
7. The Committee will provide the PCC and CC and their statutory officers with an annual report (timed to support publication of the annual accounts)

and annual governance statement) which summarises its work and conclusions and assesses its own performance

### **Corporate Governance**

8. The Committee will satisfy itself as to the effectiveness of the internal control frameworks in operation within the OPCC and the Force and advise the PCC and CC as appropriate.
9. The Committee will advise the PCC and CC on whether the controls in place are compliant with the relevant legal and statutory frameworks.
10. Receive and comment upon the PCC's Police and Crime Plan "Safer in Kent: The Community Safety and Criminal Justice Plan "to seek assurance on the PCC's management of any identified risks.
11. Consider the draft annual governance statement and the draft annual accounts, before publication and comment and advise management as appropriate.

### **Corporate Risk Management**

12. Consider the PCC's and the CC's corporate risk management framework and strategic risk registers and review procedures, to provide assurance to the PCC and CC that an appropriate action is being taken in the management of key risks.
13. Review the governance framework and provide an independent assessment of governance and risk management.
14. Consider the risks, especially the financial risks, to which the PCC and CC are exposed; to ensure measures exist to reduce or eliminate them or to insure against them, and advise on these; and to provide an independent assessment of governance and risk management.
15. Seek assurance as to the effectiveness of the PCC's and CC's business continuity arrangements
16. Consider the effectiveness of the PCC's and Kent Police approach to Ethics, including the relevant policies.
17. Consider any commissioning and partnership arrangements and review assurances and assessments on the effectiveness of these arrangements, including the arrangements in place for the allocation and monitoring of grants made.
18. Review the reports of other inspection agencies (for example HMICFRS) and to seek assurances on actions taken to address identified areas of concern.

### **Financial Reporting**

19. Consider the PCC's and CC's annual statement of accounts and the group statement of accounts and make recommendations, or bring to the attention of the PCC or CC, any concerns or issues.
20. Consider whether appropriate accounting policies have been followed.
21. Consider steps taken by the PCC and CC to achieve good value for money and to benchmark the costs of service provision.
22. Ensure the effectiveness of the governance framework in respect of contract procedures, financial regulations, reserves strategy, capital strategy and treasury management
23. Review monthly financial reporting for both revenue and capital and progress of the medium term financial plan and advise management as appropriate.

## **Internal Audit**

24. Ensure compliance internal auditing standards
25. Advise the PCC and CC on the appropriate arrangements for internal audit.
26. Advise on the internal audit strategy; the internal audit annual plan of work and approve the internal audit charter
27. Give assurance to the PCC and CC on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.
28. Consider the internal audit annual report and annual opinion on the internal control environments for the OPCC and Force; and ensure appropriate action is taken to address any identified areas for improvement.
29. Review progress of implementation of agreed internal audit recommendations

## **External Audit**

30. Advise the PCC and CC on the appointment of external auditors.
31. Review and comment as appropriate on the proposed external audit year end plan, timetable and proposed fee structures.
32. Review the external auditor's year- end audit results report and findings; report on these to the PCC and CC as appropriate and review progress on the implementation of any agreed recommendations.
33. Review the external auditor's annual audit letter and make recommendations as appropriate to the PCC and CC.

## **Understanding the Kent policing strategy and performance review procedures**

34. Scrutinise the annual force management statement which provides a considered view of the current and future policing challenges and identifies key risks and any capacity gaps
35. Observe those internal corporate meetings which are key to the Force governance framework, and assess their effectiveness and efficiency
36. Undertake deep dives into particular risks where further assurance is required.



## Appendix B

### JAC Attendance 2020/21

Name	29/05/20 <sup>1</sup>	10/07/20	09/09/20	13/11/20	11/12/20	23/03/21
Malcolm Grubb	√	√	√	√	√	√
Angus Campbell		√	√	√	√	√
Vivienne Dews	√	√	√	√	√	√
Karen Holland		√	√	√	√	√
David Horne	√	√	√	√	√	√

#### Notes:

1. The 29<sup>th</sup> May 2020 Committee was held as a “Meet Me” conference call. Angus Campbell and Karen Holland were observers pending their formal appointment. Subsequent committee meetings were held through Microsoft Teams.
2. Members of the public or media are welcome to observe the Committee’s meetings by notifying the OPCC in advance.