



Joint Audit Committee  
July 2021

**Joint Audit Committee Annual Report 2020/21**

This is the 2020/21 Annual Report for the Joint Audit Committee, which was established by the Police and Crime Commissioner and Chief Constable of South Wales Police in 2013 in order to provide independent assurance on financial and governance issues that affect both these Corporations Sole.

The Audit Committee is governed by a Terms of Reference, which underwent its annual review in June 2020. A number of wording changes were made to further clarify the roles and responsibilities of the Committee, ensuring robust corporate governance is maintained.

This report provides an overview of the Audit Committee's work for the financial year 2020/21, in which we observed business as usual activities for much of the year despite the unprecedented impact of Covid 19 and the government lockdown, with the continuation of emergency operational measures and focus. As a committee we continued to be adaptable and resilient in the way we operated, as did both Corporations Sole. As a consequence, our meetings during 2020/21 were held virtually with all meetings being quorate.

During the year, Chief Constable Matt Jukes QPM took up a new position as Assistant Commissioner at the Metropolitan Police and the Committee would like to formally thank him for his leadership while heading up the force and wish him every success in his new role. CC Jukes was replaced by Deputy Chief Constable Jeremy Vaughan, now CC Vaughan, who was in turn replaced by DCC Rachel Bacon, whom we now welcome to the Committee.

We have also seen some membership changes within the committee during the last financial year. At the end of the year, we said goodbye to Jeff Edwards MBE JP as Chair of the Joint Audit Committee and to Gethin Lewis and Gareth Evans, two other long-standing members who all stood down after contributing eight years of service to the Committee. Sadly, another member, Alyson Charnock, passed away during the year. The Committee would like to formally thank all of them for their support and contributions over the past years. We look forward to welcoming the four new members who have recently been appointed as well as a new Chair, yet to be announced. New members have been appointed with due consideration given to filling the gaps identified by the skills analysis undertaken against the CIPFA best practice framework in 2020.

The Committee meets formally four times a year and alternate meetings are used for in depth analysis of issues or presentations on emerging areas of business development. Through this work we have provided challenge, sought assurance and raised recommendations in areas we considered it appropriate. In formulating its opinion, the Committee relies on the work of Internal Audit, Audit Wales, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) reports and input from the Senior Management Teams of both Corporations Sole. The Committee is serviced by the Secretariat of the Police and Crime Commissioner and assisted by the Corporate Services Department of the Chief Constable.

The 2020/21 financial year continued to be impacted by the Covid-19 pandemic. The Committee has been kept updated on the work of the force during the pandemic and also its impact on the force itself. This has been a particularly challenging time for the force and new ways of working have been adopted. Lessons that have been learnt have been captured to ensure best practice can continue into the future.

## **Internal Audit**

Both Corporations Sole are responsible for the system of governance and control and must set in place policies and procedures to ensure that the internal controls are robust and functioning correctly, to effectively address and mitigate risks to the delivery of objectives across both Corporations Sole. Internal Audit acts as an assurance function, providing an independent and objective opinion on the control environment by evaluating its effectiveness in mitigating risks and achieving objectives. Internal Audit has an important role, as set out in the Public Sector Internal Audit Standards (PSIAS), to provide professional, independent and objective assurance, advice and insight. The internal audit service is one the key elements of good governance. The Committee Terms of Reference include consideration of the arrangements relating to internal audit including:

- To consider the Head of Internal Audit's annual opinion and a regular summary of the progress of internal audit activity against the audit plan and the level of assurance it can give over the Commissioner's and Chief Constable's corporate governance arrangements
- To consider summaries of internal audit reports and such detailed reports as the committee may request, including issues raised or recommendations made by the internal audit service, management responses and progress reports on implementation of agreed internal audit recommendations

Internal Audit services are provided by TIAA who also provide this service to the other Welsh police forces, which enables collaborative audits across the Welsh forces to share best practice or emerging issues to be considered. The committee receives a progress report from TIAA at each meeting, which includes opinions, critical findings and progress against the audit plan, together with wider performance measures and audit recommendation tracking information. The committee also meets privately with TIAA prior to every formal meeting and an excellent working relationship means we are able to approach them with any questions both inside and outside of committee meetings.

TIAA have also adapted their ways of working to accommodate lockdown restrictions and at the time of writing had completed most of the 20/21 annual audit plan. Our opinion is largely based on the assurance provided by them during the course of the year. During 2020/21, 24 audits were conducted by TIAA (the same number as 2019/20). Of these audits, 18 were given substantial assurance, 6 reasonable assurance and no reports received limited assurance. Also, there were no priority 1 recommendations, with 20 priority 2 and 18 priority 3 recommendations raised. The Committee will monitor the implementation of these going forward. We will also receive direct reports on progress through the TIAA follow up audits.

The Committee continues to be impressed by the turnaround in reports, the detailed analysis and the clarity of the recommendations in the reports received as well as the continued follow up of overdue recommendations. As at February 2021 there were only 11 outstanding recommendations and the committee acknowledges that some of these are due to other force priorities taking precedence during the pandemic.

Full details of the reports can be seen in the working papers of the Committee.

The Internal Audit Annual Report from TIAA for 2020/21 provided the following opinion: *“TIAA is satisfied that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of The Police and Crime Commissioner's and Chief Constable's risk management, control and governance processes. In my opinion, The Police and Come Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manager the achievement of their objectives for the areas reviewed during the year”*.

## **External Audit**

Audit Wales (AW) undertakes the statutory audits of the Corporations Sole, together with performance audit work and other ad hoc investigations. They also consider the opinions of Internal Auditors and Regulators in forming their opinion.

Whilst the Committee has no direct control over the work of Audit Wales it does have a strong working relationship and holds private sessions in respect of emerging issues, receiving their annual Management Letter and observations at committee meetings attended.

The Committee welcomed the Auditor General for Wales' letter dated 30 April 2020 in which he signalled an intention to deploy Audit Wales resources, to help Public Sector bodies in Wales quickly assess risks and opportunities arising out of the Covid-19 Pandemic by *“providing real-time capture and sharing of learning and experience across our audited bodies. This will involve (AW) staff in gathering novel and other practice as it emerges and analysing it rapidly to draw out relevant points of learning.”*

The Committee has considered the Audit of Financial Statements Report in respect of 2019/20 and subsequent Annual Audit Letter and Management Letter released on 3 February and 3 March 2021 respectively and was pleased to note Audit Wales issued *“an unqualified audit opinion on the financial statements for both the PCC and CC confirming that they present a true and fair view of each body's financial position and transactions”* and confirmed *“that the PCC and CC have appropriate arrangements in place to secure economy, efficiency and effectiveness in their use of resources.”*

The Committee has considered the 2021 Audit Plan and will seek assurance that any recommendations arising are reviewed and acted upon in a timely manner. The fee for the work of Audit Wales in 2019/20 was £100,985, the same as in 2018/19.

### **HMICFRS - PEEL Assessments/ Inspections.**

The Committee has been provided with summaries of the reports from HMICFRS and continues to be assured by the positive comments that South Wales Police have received, including the Early Action Together programme in Wales being *“innovative practice”* and the Force's management of protests being *“something the force should be proud of”*.

Where areas of improvement have been identified the Committee will be looking at these areas in depth to gain the necessary assurances. HMICFRS has an open invitation to attend any meeting in the future.

### **Management Presentations**

Since the last JAC annual report, which was presented in September 2020, the Committee has received a number of presentations from management, including:

- 100 Things 100 Days update
- Mental Health Triage Evaluation Report
- Corporate Services
- People & Organisational Development
- The Medium Term Financial Strategy 2021-25
- Deletion of PNC and PND data records
- All Wales Collaboration Approach
- Evidential Property Stores update

These presentations have allowed the Committee to better understand the risks faced in these areas and where necessary, to challenge the controls in operation and the actions being taken. It has also frequently allowed us to recognise the hard work, dedication and commitment of both officers and staff in the discharge of their duties, often in extremely difficult circumstances.

## **Issues and Uncertainty Management**

The registers of uncertainties and issues is presented at each formal meeting and discussed in detail, allowing the Committee to ask probing questions and challenge the actions being taken in order to gain assurance over these areas.

The Committee are reassured by the assurance given by the internal auditors that efficient arrangements are in place for the identification, management and reporting of uncertainties.

## **Training and Development**

Unfortunately, The Annual CIPFA Welsh Joint Audit Committee Development Conference was cancelled due to the Covid-19 Pandemic. However, a virtual online training event was provided by CIPFA via Teams in June 2020.

## **Financial Report and Statement of Accounts 2019/20**

The Committee has considered the Financial Report and Statement of Accounts for the year ended 31st March 2020 prepared by the Treasurer for the Police and Crime Commissioner and Chief Financial Officer to the Chief Constable. This was received by the Committee on 25 November 2020 and signed off, acknowledging the impact of the Pandemic on timescales for production, and the following observations by Audit Wales were also noted:

*“The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.”*

*“Whilst the statutory deadline for completing your accounts remained unchanged, the CFO published a statement, in accordance with legislation and in discussion with Audit Wales, setting out that the draft accounts had not been prepared by 31 May 2020 due to the impact of COVID-19. We received the draft accounts on 30 June 2020. Whilst we planned to complete our audit by 31 August 2020, the challenges of auditing remotely coupled with unforeseen issues associated with the pension fund extended the audit window past this date.”*

The committee is assured there are comprehensive arrangements in place for the monitoring and control of budgets within South Wales Police incorporating the production and reporting of detailed financial and management accounting information to key stakeholders.

The year-end position was a balanced budget with ongoing discussions being held with the Home Office in respect of Covid-19 related expenditure.

The Committee also noted two “significant issues” highlighted by Audit Wales, namely the impact of the McCloud/Sargeant ruling and accounting for time off in lieu, together with two “Emphasis of Matter” references to uncertainty with property valuations.

The Committee has had sight of the Reserves Strategy which has been approved.

## **Joint Annual Governance Statement 2020/2021**

The Committee has considered the Joint Annual Statement of the Police and Crime Commissioner and Chief Constable of South Wales. The Committee welcomes the continued improvements.

## **Police and Crime Commissioner and Chief Constable**

The Committee has access to both the Police and Crime Commissioner and the Chief Constable and meets with them on an annual basis.

### **The Committee's Opinion**

The Committee has received reports, recommendations and observations from TIAA, Audit Wales, HMICFRS, and presentations from officers of both Corporations Sole to formulate an independent opinion and provide independent assurance to the Police and Crime Commissioner and Chief Constable in respect of the financial and governance controls within the Corporations Sole.

**Having received these reports, the Joint Audit Committee is satisfied that there are no major issues of concern that affect the financial standing of the Corporations Sole. It is satisfied that there is a robust governance framework in place, supported by adequate risk management and controls.**

Looking forward to 2021/22, the operational challenges facing both Corporations Sole will undoubtedly remain significant. In the context of the pandemic, financial challenges are inevitable, coupled with an increasing and evolving demand for resources. The importance of an effective committee therefore remains critical.

### **Thanks**

The Audit Committee would like to express its thanks to all those who have engaged with the Committee during the year and the openness and transparency that has been shown to members in the discharge of their duties.

*July 2021.*