

Annual Assurance Report 2015 from the Joint Independent Audit Committee to the PCC for Thames Valley and the Chief Constable of Thames Valley Police

Introduction

This is the Committee's third Annual Assurance Report and explains how the Committee has complied with each of its specific responsibilities, referred to in Appendix 1, during the last twelve months.

Our second annual report, presented to the PCC and Chief Constable at the Joint Independent Audit Committee meeting held on 16th December 2014 and formally approved by them at the Policy, Planning and Performance meeting held on 20th January 2015, provided an assurance opinion that the risk management and internal control environment in Thames Valley Police (TVP) and the Office of the Police and Crime Commissioner (OPCC) was operating efficiently and effectively. However, whilst we were satisfied that our previous concerns over the PCC's oversight of Force complaints, integrity and ethics issues had been alleviated considerably as a result of the changes introduced by the PCC and Chief Constable during 2014 we wanted to monitor the outcomes of these new governance arrangements so as to be in a better position to issue an informed assurance assessment concerning their adequacy and effectiveness in this Annual Assurance Report. We will express our opinion on that matter later in this report.

Financial management

We received and reviewed the separate Statement of Accounts for 2014/15 for the PCC & Group and the Chief Constable at our special meeting on 19th August 2015, together with the external auditors 'Audit results report for the year ended 31st March 2015'.

We note with approval that the external auditor, Ernst & Young, issued an unqualified audit opinion and an unqualified value for money conclusion for both the PCC and Chief Constable. It was also pleasing to hear from the external auditor that TVP were the first local policing body in 2014/15 to have their accounts formally closed and signed-off and this was due to excellent project planning within and between the OPCC and Force Finance Departments and their effective working relationship with external audit staff.

We received the Annual Audit Letter on 15th September 2015 together with the full audit closure certificate which had been held up due to delays in being able to submit the Whole of Government Accounts work. We understand that this delay was due to problems at the Government end (i.e. DCLG) rather than TVP staff or Ernst & Young.

We received and noted the annual treasury report for 2014/15 in June 2015. This report explained how officers had complied with the annual treasury strategy statement, as considered by the Committee last December (2014) and approved by the PCC in January 2015. We were reminded that regular progress reports during the year are presented to the PCC and Chief Constable rather than the Committee.

Having considered all the information available to us we are satisfied that both the PCC's Chief Finance Officer and the Force Director of Finance have the necessary capability and capacity to ensure the proper administration of the PCC's and Force's financial affairs. Indeed, the experience and skills of the two individuals concerned, and the teams they lead, have been of real benefit to the PCC and the Force and we commend their efforts.

Internal control and governance

In June 2015 we considered and scrutinised the updated Framework for Corporate Governance which included the Statement of Corporate Governance, the Joint Code of Corporate Governance for the PCC and Chief Constable, and the Scheme of Corporate Governance which included Financial and Contract Regulations. The two main changes related to new processes for monitoring annual capital expenditure and who should physically sign contracts following the award of contracts.

In June 2015 we received a report from officers on the 'Review of the effectiveness of internal audit' and were pleased to note that the review team had concluded that the system of internal audit in Thames Valley was operating effectively and that the Annual Report and Opinion from the Chief Internal Auditor could be relied upon to support the Annual Governance Statement (AGS) for 2014/15.

We reviewed and considered the draft AGS for 2014/15 at our meeting on 24th June 2015. Whilst welcoming the fact that officers had not identified any significant governance issues that required immediate attention, and that there were only three potential issues that may have an adverse impact on the internal control environment during 2015/16, we asked officers to correct the factual accuracy of several comments made in the draft AGS before it was presented to the PCC and Chief Constable for formal approval.

We received a report in March 2015 which outlined progress against the three potential issues in the 2013/14 AGS action plan and a further update in September 2015 which provided an update on the three potential issues in the 2014/15 AGS action plan.

In her Annual Audit Letter, published on 15th September 2015, the external auditor stated '*We are required to consider the completeness of disclosures in the Authority's AGS, identify any inconsistencies with the other information of which we are aware from our work, and consider whether they comply with CIPFA/SOLACE guidance. We completed this work and did not identify any issues to report.*'

Based on the information provided to the Committee during the last twelve months we can provide assurance that, to the best of our knowledge, the corporate governance framework within Thames Valley is operating efficiently and effectively.

Complaints, integrity and ethics

Force Oversight arrangements

We have been provided with details of how complaints against the Force are managed by the Professional Standards Department (PSD) and, if recorded, are investigated and

resolved locally or by PSD investigators, depending on the severity of the case, with a right of appeal in every case. We have also been advised that the Head of PSD and the DCC meet monthly to review serious investigations. The Head of PSD meets with the Deputy PCC on a regular (quarterly) and informal basis to provide information on current critical cases.

We have been informed that the 'Integrity Sub-Group' reviews and make decisions on critical issues surrounding integrity which impact on the Force. It is chaired by the Head of PSD and reports into the Force Security Board, which is chaired by the DCC. As with complaints, there is a degree of independent external oversight from the Independent Police Complaints Commission (IPCC) around integrity issues as all corruption allegations (conduct or complaints) must be referred to them at the intelligence gathering stage. They liaise directly with the investigators to ensure that their concerns are met and may, on occasion, take the lead on the investigation.

PCC oversight arrangements

Police and crime commissioners are responsible for holding to account the chief constable of their force for how policing services are delivered in their force area. Accordingly, the PCC should ensure that the Chief Constable has appropriate processes in place for dealing with complaints, conduct matters and death and serious injury (DSI) matters.

In last year's Annual Governance Statement we stated that we satisfied that our previous concerns over the PCC's oversight of complaints against the Force and other integrity and ethics issues have been largely alleviated as a result of the changes detailed, but would carefully monitor the outcomes and efficacy of these new governance arrangements.

We now attend the Complaints, Integrity & Ethics Panel on a regular basis as observers and are satisfied that the new oversight arrangements are operating effectively in practice.

Corporate risk management

We have reviewed regular quarterly updates from both the Force and the Office of the PCC (OPCC) in terms of their strategic risk management systems and processes, supplemented by the annual report on Force Risk Management in June 2015.

This is an area of business we take very seriously, and question and challenge officers on a regular basis to ensure that we are sighted on all significant corporate risks and are satisfied that these risks are being dealt with in a timely, effective and appropriate manner.

As a result of concerns we raised in March 2015 we received a specific report in June 2015 explaining the steps the Force was taking in respect of the migration from the Windows XP operating system to Windows 8.1. Although we received an excellent oral update from the Acting Director of Information we were disappointed that the detailed information received on the day had not been presented in the written report. We let officers know that we expected improvements in the quality of future written reports.

Based on the information provided to the Committee during the last twelve months it appears that the organisational risks in both the OPCC and Force are being managed effectively and that there is appropriate capability for their respective published goals and objectives to be achieved efficiently and effectively. We will retain our close interest in, and scrutiny of, the transformation of the ICT systems and infrastructure which are recognised as being business critical, costly and in need of ongoing improvement.

Business continuity management

As with risk management we have considered quarterly updates from the Force on business continuity, supplemented by the annual report in June 2015. We have made various recommendations to officers in order to improve the appropriateness and usefulness of these reports and are pleased that these have been acted upon.

We are content that business continuity is treated as a serious issue by senior officers within the Force and that regular and practical exercises are undertaken in order to test business continuity planning and to provide learning opportunities for key staff.

We are satisfied that the business continuity management processes are operating efficiently and effectively in identifying issues and capturing organisational learning and there are no significant issues that we need to draw to your attention.

To strengthen further the committee's oversight in this area, the JIAC also attends the bi-annual strategic business continuity meeting chaired by the DCC.

Internal audit

We received and endorsed the Internal Audit Strategy and Annual Plan 2015/16 at our meeting on 13th March 2015. We noted that the annual plan included all relevant financial systems, as well other business critical functional areas and activities. In reviewing the Plan we asked officers to consider whether adequate audit coverage had been included for ICT systems, particularly given the number of business continuity failures in this key area, and the fact that a new 5 year ICT strategy was being developed. Having raised our concerns, officers reviewed the ICT coverage within the plan and reallocated the resources to provide assurance on the Shared Infrastructure Platform programme, as well as other business areas within ICT. We are therefore satisfied with the ICT coverage for 2015/16.

Although the costed audit plan does not include a specific allocation of days for use by the Committee, there is an extant agreement with the CC and PCC that the Committee may, at its discretion, draw on up to 10 audit days for its own specific use.

In June 2015 we received the annual report from the Chief Internal Auditor. We were pleased to note that of the 24 audits planned for 2014/15, 20 had been completed, 3 were deferred until 2015/16 following initial scoping work, and one audit (new expenses system) did not result in a formal audit report being issued. Of the 20 completed audits, 1 had received full assurance, 18 had received majority assurance and 4 had received limited assurance. [Note: This adds up to 23 assurances, 3 more than the number of completed audits. This is because two

audits resulted in two opinions - one each for TVP and Hampshire - and one audit (SEPSNA) was split into two parts and therefore resulted in two opinions]. We probed with internal auditors and appropriate officers the reasons for the reported shortcomings in the assurance levels for some reports and the completion of the associated action plans. Based on the reviews completed during the year, the opinion on the organisation's system of internal control was that key controls in place are adequate and effective, such that an assessment of majority assurance could be placed on the operation of the organisation's functions. The opinion demonstrates a good awareness and application of effective internal controls necessary to facilitate the achievement of objectives and outcomes. There was, in general, an effective system of risk management, control and governance to address the risk that objectives are not fully achieved.

In March 2015 and September 2015 we received updates from the Chief Internal Auditor on progress with delivery of the annual internal audit plan, including a summary of key issues arising from recently completed audits. We continue to receive final audit reports which give us early sight of any key issues arising from completed audits that require management action. This is particularly useful for those few audits where limited or no assurance is given.

We have received and debated regular update reports each quarter on progress of agreed actions in internal audit reports. We are reassured that management continues to take the implementation of actions arising from internal audit reports very seriously, as evidenced by the fact that the number of overdue actions remains relatively low. We shall, however, continue to monitor this situation rigorously in coming years.

We are satisfied that the system of internal audit in Thames Valley is operating efficiently and effectively and there are no specific issues or areas of concern that we would wish to highlight to the PCC and/or Chief Constable.

External audit

In March 2015 the external auditor, Ernst & Young, presented its joint audit plan for the PCC and Chief Constable for the financial year ending 31st March 2015. This explained the context for the audit, as well as outlining the auditor's process and strategy. Ernst & Young highlighted the various risks to the financial statements. We were pleased to note that the audit fee was 2.5 per cent lower than in 2013/14.

In June 2015 the external auditor provided an update on a number of audit matters they were currently working on. It was agreed that a provisional date be set aside in August to receive and approve the annual financial statements, should they be ready in time.

In August 2015 the External Auditor presented her Audit Results Report which summarised her audit conclusion in relation to the Group (i.e. PCC and Chief Constable) financial position and results of operations for 2014/15. This audit was designed to express an opinion on the 2014/15 financial statements for the PCC and Chief Constable, reach a conclusion on the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. The external auditor was able to issue an unqualified audit opinion and value

for money opinion but could not issue the final audit completion certificate due to delays at the DCLG end in being able to submit the Whole of Government Accounts (WGA) work.

On 15th September the External Auditor issued her Annual Audit Letter for the year ending 31st March 2015 to the PCC and Chief Constable which confirmed that she had issued an unqualified audit opinion in respect of the financial statements, an unqualified value for money conclusion and the audit completion certificate.

Although there were a few initial errors in the accounts which were corrected by officers we are very pleased with the final outcome. We welcomed the efforts made by officers to close the accounts early this year and were pleased to hear that TVP was the first local policing body to have its 2014/15 accounts formally signed-off by external audit. This is an excellent achievement and one we hope can be continued and built upon as we move towards the statutory earlier closedown (31st May) and audit sign-off (31st July) for the 2017/18 accounts. We would also like to express our gratitude to the external auditors for their key role in the effective closedown and early audit sign-off process.

Health & safety and environment

We need to be satisfied that an adequate and effective policy and practice framework is in place to discharge legal duties in relation to health and safety and has regard to the safety, health and welfare of police officers and police staff, people in the care and custody of Thames Valley Police (TVP) and all members of the public on police premises or property and/or affected by the activities of the police. The only information which we have been provided with to help inform this judgement is the annual report on Health & Safety and Environmental Management which was presented to us on 24th June 2015.

We note with approval that, in response to the request we made in previous years, the 2014/15 annual report addressed Health and Safety management for TVP employees and the impact on the health and safety of other people, in particular members of the public, who may be affected by police activities.

We were also pleased to note that the Health & Safety and Environment manual had been reviewed and updated and that the annual report had been produced in the format recommended by the Health & Safety Executive (i.e. 'plan, do, check'). In terms of outcomes we welcomed the reduction in employee total safety incidents, accidents, near misses and work related incidents and the number of non-employee total incidents, accidents, assaults and near misses all of which showed annual reductions. The number of 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations' (RIDDOR) reportable injuries were also down.

For the first time the Annual Report compared TVP Health & Safety performance with other forces in England & Wales. By and large the performance was better than average, which is good, but still leaves room for improvement.

Finally, it was pleasing to note that the reporting of accidents continues to be seen by officers and staff as a positive, as well as the management work to support investigation and

take action to prevent reoccurrences. These positive outcomes are a clear recognition that the Health and Safety preventative measures put in place by the Force are operating effectively in practice.

Equality & diversity

In March 2015 we received and considered the Equality and Diversity Annual Report for 2013/14 together with the TVP Single Equality Scheme 2011-15, a monitoring report in respect of the Single Equality Scheme Delivery Plan 2014/15 and the Force Diversity Monitoring Report 2013/14.

Whilst the Chief Constable retains overall responsibility for equality and diversity, responsibility for external facing equality and diversity issues rests with the Assistant Chief Constable for Neighbourhood Policing and Partnerships and responsibility for internal facing equality and diversity issues with the Director of People.

The above reports provided interesting information on how TVP provides a policing service to diverse communities e.g. by improving TVP's response to mental health; appropriate and effective use of stop and search; improving the service to people with disabilities; developing a cadet programme to increase engagement with young people; and building trust and confidence in policing amongst Gypsy, Roma traveller communities. In addition, the reports also provided information on the efforts being made by the People Directorate to change the composition of the TVP workforce to more accurately reflect the communities that it serves through various recruitment, retention and progression initiatives.

We have been advised that after the Committee received the various reports in March 2015 the Force has reviewed the way in which it considers and monitors equality and diversity issues. Those processes, together with an update on actions in the Force's Single Equality Scheme Action Plan and Attraction and Progression Strategy were noted by the PCC at the Level 1 Policy, Planning & Performance meeting on 30 July 2015. However these papers have yet to be reviewed by the Audit Committee and therefore we are, as yet, unable to offer an assurance opinion in respect of the revised processes.

Inspection and review

Her Majesty's Inspectorate of Constabulary (HMIC) independently assesses police forces and policing across activity from neighbourhood teams to serious crime and the fight against crime – in the public interest. HMIC decides on the depth, frequency and areas to inspect based on their judgements about what is in the public interest.

We understand that the Chief Constable and his management team considers each report in detail, irrespective of whether it relates directly to Thames Valley Police and, where appropriate, agrees an appropriate action plan. We also understand that the PCC is required to consider and publish a response to each HMIC report relevant to Thames Valley Police. The Committee has asked to be copied the reports and responses of the PCC

As far as we know HMIC has not issued any report during the last twelve months that has specifically referred to assurance on the internal control environment and/or highlighted governance issues for the PCC and Chief Constable to consider.

General

We are pleased to report that the new arrangements agreed at this time last year, as set out below, are working effectively:

- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within our specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are up to date with the policing landscape and audit requirements

These briefings and invitations to attend internal Force meetings, coupled with the sharing of appropriate CCMT reports of interest, are raising our awareness and knowledge of legislative, policy or operational initiatives that are relevant to the Committee's remit, such as organisational structural changes, service delivery initiatives, and financial and service planning issues. In turn, this is improving our collective understanding of how the Force and OPCC governance arrangements and control environments are operating in practice.

Finally, as a result of a recommendation we made to the PCC and Chief Constable a few months ago that the Committee would be better served by having 5 members rather than 3, we are pleased to note that the recruitment process is going well and that our Chairman was a member of the Interview Panel on 14th December 2015. We firmly believe that the 2 new members will increase our collective skills, knowledge, experience and resilience during the next few years.

JIAC operating principles

Our current operating principles are shown in Appendix 1. These are consistent with those previously used in the member recruitment process.

Conclusions

The purpose of the Joint Independent Audit Committee is to provide independent assurance to the PCC and Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames valley Police and the Office of the PCC.

Based on the information that we have seen collectively, or know about individually, we can assure the PCC and Chief Constable that the risk management and internal control environment in Thames Valley is operating efficiently and effectively.

Joint Independent Audit Committee

Members:

Dr Louis Lee (Chairman)

Mr Richard Jones

Mrs Alison Phillips

16 December 2015

Joint Independent Audit Committee - Operating Principles

Statement of Purpose

- Our Joint Independent Audit Committee is a key component of the PCC and Chief Constable's arrangements for corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- The purpose of the Committee is to provide independent assurance to the PCC and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Thames Valley Police and the Office of the PCC. It will consider the internal and external audit reports of both the PCC and Chief Constable and advise both parties according to good governance principles. It has oversight of general governance matters and provides comment on any new or amended PCC policies and strategies with regard to financial risk and probity.
- These operating principles will summarise the core functions of the Committee in relation to the Office of the PCC and the Force and describe the protocols in place to enable it to operate independently, robustly and effectively.

The Committee will report directly to the PCC and the Chief Constable.

Committee Composition and Structure

The Committee will consist of five members who are independent of the PCC and Thames Valley Police. They will be appointed by the Chief Constable and the PCC (or their representatives).

The Chairman will be elected by the Committee on an annual basis.

The Committee will hold four formal meetings a year – in public - although there may be a requirement to hold additional meetings at short notice.

The PCC and Chief Constable will attend or be appropriately represented at formal meetings. Committee meetings will be held at key strategic times of the year to coincide with the budget process and publication of financial management reports and accounts:

1. **March** – to consider the Internal Auditor's Internal Audit Plan
2. **June** – to consider the End of Year Report, the External Audit Plan and Fee and the Annual Governance Statement;
3. **September** – to consider the Statement of Accounts;
4. **December** – to receive the Annual External Audit Letter and agree the Annual Assurance Report of the Committee.

The agenda, reports and minutes of all Committee meetings will be published on the PCC and Force websites. However, members of the press and public shall be excluded from a meeting whenever it is likely that confidential information will be disclosed. Confidential information is defined as:

- a) Information furnished to the Committee by a Government department upon terms (however expressed) which forbid the disclosure of the information to the public; and
- b) Information the disclosure of which to the public is prohibited by or under any enactment or by the order of a Court.

Methods of Working

The Committee will:

- Advise the PCC and Chief Constable on good governance principles
- Adopt appropriate risk management arrangements
- Provide robust and constructive challenge
- Take account of relevant corporate social responsibility factors when challenging and advising the PCC and Chief Constable (such as value for money, diversity, equality and health and safety)
- Be regularly briefed by the Chief Constable and PCC on the full range of activities falling within its specific responsibilities and attend other relevant internal meetings
- Have direct access to the oversight of professional standards and ethics matters by regularly attending the Complaints, Integrity and Ethics Panel as an observer
- Attend any training and conference events that will ensure members are kept up to date with the policing landscape and audit requirements
- Provide an annual assurance report to the PCC and Chief Constable

Specific responsibilities

The Committee has the following specific responsibilities:

Financial Management and Reporting

- Provide assurance to the PCC and Chief Constable regarding the adequacy of the arrangements, capacity and capability available to their respective chief finance officers to ensure the proper administration of the Commissioner's and Force's financial affairs.
- Review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or the Chief Constable.
- Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements, and to give advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Internal Control and Governance Environment

- Consider and endorse the local Code of Corporate Governance
- Consider and endorse the Annual Governance Statement (AGS)
- Monitor implementation and delivery of the AGS Action Plan
- Obtain assurance that an annual review of the effectiveness of the internal audit function takes place
- Consider and comment upon the adequacy and effectiveness of the assurance framework, and the specific governance and accountability policies, systems and controls in place, such as the Corporate Governance Framework; anti-fraud and corruption; whistle-blowing, declarations of interest and gifts and hospitality.

Corporate Risk Management

- Consider and comment upon the strategic risk management processes; and
- Receive and consider assurances that organisational risks are being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

Business Continuity Management

- Consider and comment upon business continuity management processes, and
- Receive and consider assurances that business continuity is being managed effectively and that published goals and objectives will be achieved efficiently and economically, making recommendations as necessary

Internal Audit

- Receive and consider the adequacy and effectiveness of the arrangements for the provision of the internal audit service
- Consider and comment on the Internal Audit Strategy and Plan
- Receive and review internal audit reports and monitor progress of implementing agreed actions
- Consider and comment upon the annual report of the Head of Internal Audit

External Audit

- Receive and review reports from the external auditors, including the annual audit letter and audit opinion
- Review the effectiveness of external audit
- Consider and comment upon any proposals affecting the provision of the external audit service
- Consider the level of fees charged, and
- To undertake the future role of the Independent Audit Panel, as set out in the Local Audit and Accountability Act 2014, including considering and recommending appropriate arrangements for any future appointment of External Auditors

Health & Safety

- Satisfy itself on behalf of the PCC and the Chief Constable that an adequate and effective policy and practice framework is in place to discharge legal duties in relation to health and safety. In particular, having regard to the safety, health and welfare of police officers and police staff, people in the care and custody of Thames Valley Police and all members of the public on police premises or property

Equality and Diversity

- Satisfy itself on behalf of the PCC and Chief Constable that an adequate policy and practice framework is in place to discharge statutory requirements in relation to equalities and diversity

Inspection and Review

- To consider any HMIC report that provides assurance on the internal control environment and/or highlights governance issues for the PCC and/or Chief Constable

Accountability Arrangements

- On a timely basis report to the PCC and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
- Report to the PCC and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements and internal and external audit functions.
- On an annual basis to review its performance against its operating principles and report the results of this review to the PCC and the Chief Constable.