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POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

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Report of	**OFFICES OF THE CHIEF CONSTABLE AND POLICE AND CRIME COMMISSIONER**
Subject	**EFFECTIVENESS REVIEW**
Date	**WEDNESDAY 23 OCTOBER 2019 – 10:00AM**
Author	**OPCC FINANCE DIRECTOR**

Purpose of report

1.1 To review the effectiveness of JARAP using CIPFA guidance.

Recommendation

2.1 Members of the panel, along with the internal and external auditors are invited to consider and comment on the finding from the review and determine if they agree with the proposed outcome.

Information

3.1 It is good practice to carry out an effectiveness review from time to time on how the panel operates. The last effectiveness review was carried out in June 2017.

3.2 In June 2019 the Chairman of JARAP met with the Senior Audit Manager from Mazars and the Finance Director from the OPCC to consider the effectiveness of the panel using the framework set out in the CIPFA publication 'Audit Committees – A Practical Guide for Local Authorities and Police'. The guidance was reviewed and re-issued in 2018 and it is this latest guidance that has been used for the review.

3.3 The guidance includes a 'Self-assessment of good practice' as well as a further appendix on 'Evaluating the effectiveness of the audit committee'.

3.4 Appendix A to this report sets out the responses to the self-assessment that were considered at the meeting referred to in paragraph 3.2. The self-assessment asks a series of questions. The response can either be 'Yes', 'No' or 'Partly'. The more questions where the response is 'yes' the better. The CIPFA self-assessment includes 25 questions, one question (question 2) is not relevant to Policing bodies. The remaining 24 questions have all been answered 'Yes' with narrative included

underneath each one providing further information on why this is believed to be the case.

3.5   Appendix B to this report sets out the evaluation of the effectiveness of the audit committee (JARAP). The table below summarises the outcome of this part of the review with scores of four or five given to all of the areas considered.

Assessment score	Assessment Description	Number of areas given this score	%
5	Clear evidence is available form a number of sources that the committee is actively supporting improvement across all aspects of this area. The improvements made are clearly identifiable	4	44%
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area	5	56%
3	The Committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps	0	0%
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.	0	0%
1	No evidence can be found that the audit committee has supported improvements in this area	0	0%
Total number of areas considered		**9**	**100%**

3.6   Again, narrative has been provided against each of the criteria justifying the score that has been given.

Findings

3.7   Given the results of the self-assessment and the evaluation as described above, it is believed that JARAP is operated in an effective manner.

3.8   Members of the panel, along with the internal and external auditors are invited to consider and comment on this finding and determine if they agree with the proposed outcome.

3.9   The external auditor provided the following comment:

"I think the report and supporting appendices are fair. I think the JARAP has improved its effectiveness since my attendance over the past couple of years. When I first attended JARAP in the spring of 2017 I was concerned the balance of the meeting and focus was too heavily on discussing the closure of outstanding Internal Audit recommendations, particularly those which were not high risk ones. That has moved significantly and I think the focus and relative skills, capability and experience of members is all appropriate. I also believe, perhaps relative to others I see, there is a very appropriate and healthy balance and challenge between the officers and members. I can see officers present from PCC, CC take something from JARAP meetings which shows it is effective.

I think we should also recognise that Luke has been a proactive chair in seeking to measure the effectiveness of Leicestershire's JARAP by attending other Audit Committees in the region. I know he has genuinely done this to learn and adapt and that is good to see. Luke has also held me and others to account on providing briefings and sessions to improve Audit Committee's understanding of the respective

role of audit and our views on the key issues affecting the Policing and Community Safety sector. I can see the benefit of JARAP members attending workshops and training is surfaced much more in JARAP meetings.

Two areas I think JARAP could reflect on:
- Whether the risk register drives the business and agenda of JARAP more. For example, could JARAP have a risk focus report at each meeting to get risk owners to give an update on any significant areas of concern or arrangements being put in place for significant strategic and organisational projects?
- Agree with the point on Treasury Management but I would broaden this to cover Prudential Framework. The increasing importance of following prudential guidelines with ongoing financial challenges is important. I would expect JARAP to consider the PCC, CC Treasury Management and Capital Strategies."

3.10   Appendix C of this report sets out the response from a JARAP member, commenting on the findings of the Effectiveness Review.

Appendices

Appendix A: Self-assessment of good practice
Appendix B: Evaluating the effectiveness of the audit committee
Appendix C: Janette Pallas response to the effectiveness review

Person to contact

Paul Dawkins – Assistant Chief Officer (Finance & Resources) and Interim CFO for the OPCC
Paul.Dawkins@leicestershire.pnn.police.uk
Direct Line: 0116 248 2244

Self-assessment of Good Practice

This self-assessment tool provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an audit committee has a high degree of performance against the good practice principles then it is an indication that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Can you please complete the following self-assessment, answering 'yes', 'partly' or 'no'. Where you feel further explanation is required, can you please include your comments in the 'Response' box directly following the question.

Good practice questions	Yes	Partly	No
Audit committee purpose and governance			
1 Does the Force / OPCC have a dedicated audit committee?	☒	☐	☐
Response: The Joint Audit Risk and Assurance Panel (JARAP) which takes on all of the responsibilities of an Audit Committee			
2 Does the audit committee report directly to another forum, e.g. in local government, the full council?	☐	☐	☒
Response: It is not applicable in the Police for the Panel to report into another body. Any particular issues would have to be raised directly with the Police and Crime Commissioner and the Chief Constable. The chairman produces an annual report on the work of the panel and this is considered by the Strategic Assurance Board which is chaired by the Police and Crime Commissioner.			
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	☒	☐	☐
Response: The terms of reference are considered on an annual basis and updated and refreshed where applicable. The amended terms of reference are reported back into JARAP.			

Good practice questions		Yes	Partly	No
4	Is the role and purpose of the audit committee understood and accepted across the Force / OPCC?	☒	☐	☐
Response: JARAP members go through a selection process and are given a letter of appointment. It is attended by senior members of the Commissioner's office and the Police Force. Attendees at the meeting are well aware of the panel's role and purpose.				
5	Does the audit committee provide support to the Force / OPCC in meeting the requirements of good service?	☒	☐	☐
Response: The panel provides an appropriate level of scrutiny and takes its governance role seriously. In particular the Chairman sees the panel as a progressive panel which takes a pro-active role. The Chairman has been to a number of equivalent bodies across the region and further afield.				
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	☒	☐	☐
Response: The panel members all have an appraisal as does the Chairman of the panel. An effectiveness review is carried out each year and seeks the views of internal and external audit, the panel members and senior officers who attend the meeting. An annual report is produced and reported through to the Strategic Assurance Board. The chairman has visited other equivalent bodies to see how they discharge their responsibilities and therefore has been able to compare and contrast how the different panels operate.				
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			

Good practice questions	Yes	Partly	No
• Good governance	☒	☐	☐
• Assurance framework	☒	☐	☐
• Internal audit	☒	☐	☐
• External Audit	☒	☐	☐
• Financial reporting	☒	☐	☐
• Risk management	☒	☐	☐
• Value for money or best value	☒	☐	☐
• Counter-fraud and corruption and Ethical framework	☒	☐	☐
-			

Response: It is believed that the terms of reference address all of the areas highlighted above.

8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	☒	☐	☐

Response: An annual effectiveness review takes place which seeks to establish if the panel is carrying out its role effectively or not. The terms of reference are also reviewed on an annual basis and will pick up any issues coming out of the effectiveness review. An annual report is also produced by the Chairman and is reported to the Strategic Assurance Board. The Chairman has visited a number of other panels across the region in order to form a view on best practice and how the JARAP compares with it.

9	Has the JARAP considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	☒	☐	☐

Response: CIPFA's position statement highlights the wider areas that Audit Committees could be involved in as set out below:
- Considering governance, risk and control issues from other committees;
- Ethical values.
- Treasury management
- Oversight of other public reports.

Good practice questions		Yes	Partly	No
It is believed that the only one that the Panel is currently not involved in is Treasury Management.				
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	☒	☐	☐
	Response: It is believed that the Core Areas are adequately covered and therefore at this current point in time the question is not applicable. However, if there was limited coverage it is believed that plans would be put into place to address any shortcomings.			
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	☒	☐	☐
	Response: The panel is not a decision making body.			
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include:			
	• Separation from the executive	☒	☐	☐
	• An appropriate mix of knowledge and skills among the membership	☒	☐	☐
	• A size of committee that is not unwieldy	☒	☐	☐
	• Where the independent members are used, that they have been appointed using appropriate process.	☒	☐	☐
	Response: All of these criteria have been clearly met			
13	Have independent members appointed to the Committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	☒	☐	☐
	Response: Appointments are confirmed by the PCC and CC			
14	Does the chair of the committee have appropriate knowledge and skills?	☒	☐	☐

Good practice questions		Yes	Partly	No
Response: It is believed that the Chairman of the Committee does have the appropriate skills and knowledge. Furthermore, other panel members have been selected with a wide range of different skills and expertise so that there is mix of different specialisms.				
15	Are arrangements in place to support the committee with briefings and training?	☒	☐	☐
Response: Induction training has been carried out, briefings are provided prior to each meeting on different relevant topics and training of individual members has been supported based on their PDR development plans.				
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	☒	☐	☐
Response: It is thought to be satisfactory				
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	☒	☐	☐
Response: Yes it has good relationships. It also meets privately with the Internal and External Auditors at least once a year.				
18	Is adequate secretariat and administrative support to the committee provided?	☒	☐	☐
	Response: Yes, there is dedicated administrative support to the Panel.			
Effectiveness of the committee				
19	Has the committee obtained feedback on its performance from those interacting with the committee on relying on its work?	☒	☐	☐
Response: Yes feedback has been received through this effectiveness review, through personal feedback and from external visitors to the meeting.				
20	Are meetings effective with a good level of discussion and engagement from all the members?	☒	☐	☐
Response:	All members contribute at all meetings. Their contribution is incisive and effective and provides appropriate levels of challenge for the police officers and staff in attendance.			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	☒	☐	☐

Good practice questions		Yes	Partly	No
Response:	Senior managers from the force and the OPCC attend every meeting. Service leads also attend particularly where an audit of their particular area is being discussed or scrutinised.			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	☒	☐	☐
Response:	Yes – working with the Executive improvements to the management of governance, risk and control have been acted upon.			
23	Has the committee evaluated whether and how it is adding value to the organisation?	☒	☐	☐
Response: It is believed that value is added. Examples include the challenge and scrutiny of audit findings and management recommendations, the independent review and scrutiny of the draft statement of accounts by a qualified accountant who is a panel member and the recent review of the risk management approach adopted by the two organisations.				
24	Does the committee have an action plan to improve any areas of weakness?	☒	☐	☐
Response:	Panel members have Professional Development Reviews (PDRs) carried out annually. Any suggestions for improvement are considered and taken on board where appropriate. Currently there is no action plan in case as it is not believed that there are significant areas of weakness that need addressing.			
25	Does the committee publish an annual report to account for its performance and explain its work?	☒	☐	☐
Response: Yes it does				

Evaluating the Effectiveness of the Audit Committee

Appendix E of the CIPFA publication Audit Committees – A Practical Guide for Local Authorities and Police sets out nine areas where it should be evaluated if an Audit Committee (JARAP) can add value by supporting improvement. It then provides examples of how this can be demonstrated. The chairman of the panel, the internal audit manager and the OPCC's CFO met to self-evaluate against the criteria and provide an evaluation score on the scale set out below.

Assessment Key

5 – Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

4 – Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.

3 - The committee has had mixed experience of supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

2 – There is some evidence that the committee has supported improvements, but the impact of this support is limited.

1 – No evidence can be found that the audit committee has supported improvements in this area.

Areas where the panel can add value by supporting improvement	Examples of how the panel can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment (5-1 See key above)
Promoting the principles of good governance and their application to decision making	- Supporting the development of a local code of governance - Providing robust review of the AGS and the assurances underpinning it - Working with key members/PCC and Chief Constable to improve their understanding of the AGS and their contribution to it	- Separate consideration of the AGS - Separate AGS for the OPCC and the Force - Considers internal audit reports on Corporate Governance and considers recommendations - Corporate Governance arrangement in place - Effectiveness review carried out - Terms of reference reviewed annually - Visits to other JARAP equivalent meetings across the region and beyond	5

	• Supporting reviews/audits of governance arrangements • Participating in self-assessments of governance arrangements • Working with partner audit committees to review governance arrangements in partnerships		
Contributing to the development of an effective control environment	• Actively monitoring the implementation of recommendations from auditors • Encouraging ownership of the internal control framework by appropriate managers • Raising significant concerns over controls with appropriate senior managers	• Regular report considered on internal audit recommendations. • Audit recommendations only closed upon agreement by JARAP • Internal audit recommendations assigned to relevant managers who are responsible and accountable for their implementation • Management responses are scrutinised by members of the Committee and challenged were appropriate • Recommendations not signed off until panel members are satisfied that they have been fully and properly discharged and evidence is provided to demonstrate this	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	• Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking • Monitoring improvements • Holding risk owners to account for major/strategic risks	• Risk management updates are received at each meeting • Movements in risk scores and addition of new risks are reported to the Panel. • Full risk registers are reported periodically to the panel • Risk are only closed when the panel are satisfied that they have reduced to a sufficient level or are no longer a risk • Risks are assigned to individual risk owners who are accountable and responsible for the risk	5

		• Internal Audit can provide an impartial view on the strength of risk management across the region as they audit all PCCs and forces across the East Midlands • The chairman attends other audit committees across the region to seek to learn and develop the effectiveness of the panel here	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	• Specifying its assurance needs, identifying gaps or overlaps in assurance • Seeking to streamline assurance gathering and reporting • Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit	• Gains assurance from the Deputy Chief Constable, respective CFO's from the force and the OPCC, internal audit, external audit and various staff and police officers • Standard agenda items ensure the main areas of assurance (internal audit recommendations, risks, internal and external audit progress) are updated, reviewed and considered on a regular basis. • Internal audit annual review provides significant assurance • External audit annual reports provided significant assurance • Annual Governance Statement describes and reports upon all of the assurance provided to the panel and is considered as a separate agenda item • Responsible senior managers are brought into the panel to provide advice and response to queries from panel members on any areas of particular concern.	4
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	• Reviewing the audit charter and functional reporting arrangements • Assessing the effectiveness of internal audit arrangements,	• Receive an annual internal audit report • Ensures the attendance of internal audit at every meeting	4

	• Actively supporting the quality assurance and improvement programme of internal audit providing constructive challenge and supporting improvements	• Meets privately with the internal auditor at least once a year • Has a direct line to Internal Audit if required on any matters • Considers the internal audit plan on an annual basis • Receives a regular update from Internal Audit as a standard agenda item • CFOs meet regularly with Internal Audit to discuss work plan, progress and so on.	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	• Reviewing how the governance arrangements support the achievement of sustainable outcomes • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place • Reviewing the effectiveness of performance management arrangements	• Risks relating to major projects are reported through the SORB and then onto JARAP where appropriate • Internal audit work programme looks at areas of highest risk • Internal audit review previous audits the following year where they have been given 'limited' or 'no' assurance • Regular reports from Internal and External audit • Attendance at all meeting of internal audit, external audit, Deputy Chief Constable, CFOs and other relevant police officers and staff	4
Supporting the development of robust arrangements for ensuring value for money	• Ensuring that assurance on value for money arrangements is included in the assurances received by the Audit Committee • Considering how performance in value for money is evaluated as part of the AGS	• Value for money judgement provided by external audit and reported to the panel on an annual basis • Value for money judgements are contained within the Annual Governance Statement • Annual Governance Statement is considered as a separate agenda item by the panel • Briefings received by the panel on the budget and other financial matters including regional collaboration and the target operating model	4
Helping the authority to implements the values of good governance,	• Reviewing arrangements against the standards set out in the Code of	• Regular agenda item on counter fraud and corruption • Briefings organised on fraud	

including effective arrangements for countering fraud and corruption risks	Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks • Assessing the effectiveness of Ethical Governance arrangements for both staff and governors	• Internal audit carry out work on fraud • Declarations made about actions taken to minimise fraud and corruption through the accounts closedown process • Meeting between the chairman of JARAP and the chairman of the Ethics Committee	5
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	• Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency • Publishing an annual report from the committee	• All JARAP meetings are public meetings • Meetings have been attended by members of the public and the local press • An annual report is prepared by the Chairman of the Panel and this is reported to the meeting and to the internal Strategic Assurance Board	4