

To: Joint Audit Committee

Date: 26th January 2022

By: Chair of the Committee

Title: Annual Assessment of the Effectiveness of the Committee

Purpose of Report/Issue:

Joint Audit Committee (JAC) Effectiveness Assessment

Recommendation(s) -

- 1) Confirm agreement with the assessment or otherwise**
 - 2) Consideration future actions suggested**
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Equalities / Human Rights Implications – None arising.

Risk- As discussed in the report.

**Background papers – NAO Audit and Risk Assurance Committee
Effectiveness Checklist November 2017**

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Name: Paul Brown

Job Title: Chair JAC

Summary

The consensus view from stakeholders during this appraisal is that Surrey Police JAC works effectively and makes an important contribution to ensuring that the organisation operates with good governance, applies appropriate accounting and audit standards, and adopts appropriate risk management arrangements. A number of actions to potentially improve effectiveness have been identified.

Process

The terms of reference for The Surrey Police JAC specify that we should review our performance each year and for 2021 we have for the first time adopted a

formal approach to this exercise using the National Audit Office (NAO) Audit and Risk Assurance Committee Effectiveness Checklist. This focusses on 5 key principles

- Membership, Independence, Objectivity and Understanding
- Skills
- Role and Scope – Review and Support
- Role and Scope – Engagement and Assurance
- Communication and Reporting

The checklist is divided into 34 questions about best practice all of which were considered with yes/no answers, but this appraisal focussed on the five core principles and whether we are performing effectively and identifying potential areas to improve effectiveness.

Participants

This review has been carried out with internal (JAC) and external (Police and OPCC) stakeholders in particular 30-minute individual meetings with both the Chief Constable (CC) and Police and Crime Commissioner (PCC) on 1st November 2021. Informal views from Officers from both parts of the organisation were also sought during the year and a meeting with all JAC members present on 1st December 2021 was used to crystallise individual and collective views on JAC performance.

Conclusions

The Chairs summary of responses to the checklist was that for all of the 34 questions posed in the checklist all received a positive response indicating good practice. Some areas of potential improvement were identified that needed further consideration with OPCC officers as discussed at the end of this paper but recognising that some may not be relevant to our type of assurance committee.

The collective view of the JAC effectiveness versus the 5 principles is discussed here.

Membership, Independence, Objectivity and Understanding

The consensus view from all parties was that the JAC is independent and objective, is developing a good understanding of the objectives and priorities for Surrey Police and of their role as members of the JAC

With three new members it was felt important to have a better understanding of how Surrey Police works, and this was done by training, briefings, and involvement in meetings. It should be said that training is somewhat ad hoc and could be improved with respect to understanding of the organisation.

The new JAC work collectively but specialise in individual areas based upon skills and experience specifically, Finance, Governance, Risks, IT, Business Planning and Operations and they provide a critical friend and challenger

role to Surrey Police. This approach was welcomed by the PCC and CC who felt it better integrated the JAC with their operations and led to more robust challenge. It was also preferred by members who felt it was a more fulfilling way of operating. Clearly it is important to maintain independence with this approach and for instance members would attend operational meetings as observers not participants. The CC commented that the skills of members and how they are deployed provides welcome challenge to his team and he encourages pushing for timely responses as we are an important part of his governance arrangements. Feedback also suggested the efforts of the JAC are more tangible in the organisation and creates energy in the areas of focus. He appreciated the constructive and forthright challenge and feels a better understanding of his business is being developed. Although new to the role the PCC has made time to meet all of the JAC members individually now and thinks we have a good balance of skills individually and collectively and her team recognise the collegiate approach of the new way of working.

Skills

The consensus view was that the JAC has an appropriate skills mix to carry out their overall function.

Perhaps unusually for an audit committee although all are financially literate only two of the six members come from an accounting/audit background and the Chair is from an Operations background. This needs to be recognised in succession planning as the finance role is a prerequisite for the member composition.

The CC and PCC both felt the balance of skills was correct within the team and the CC was aware of and appreciated all our individual interactions with his staff. JAC members respect each other's skills and collectively provide a wide range of views and challenges.

Role and Scope – Review and Support, Engagement and Assurance

The consensus view was that the JAC supports Senior Officers by reviewing assurances on governance, risk, the integrity of financial statements presented to them and the general control environment. Furthermore, it was felt that their terms of reference encompass the known assurance needs of the senior officers including engagement with internal and external audit, risk management and financial management and reporting issues.

The way Surrey JAC is working differs from many other forces and it could be seen as stretching the Terms of Reference, but the JAC members feel that even to carry out their basic functions relating to finance and risk they need a broad understanding and interaction with Surrey Police. The CC felt that the scope of the committee was about right and welcomes robust challenge and encourages open debate and clear communication about all issues of importance to the JAC. He welcomes the broader interpretation of the Terms of Reference into looking at risks in most areas of the core

business. The PCC concurred with this and appreciated the broader review of risks.

During the year interactions with Sussex JAC has improved with quarterly meetings between the Chairs. The PCC suggested it could be of benefit meeting the Chair of other JACs to exchange views starting with Hertfordshire.

Communication and reporting

The consensus view is that the JAC working closely with the OPCC has ensured it has effective communication with all key stakeholders.

The OPCC and CC both appreciate the way the JAC members make constructive contributions to meetings individually and collectively and communicate in writing on behalf of the JAC when needed. The JAC have discussed what goes into the open and closed parts of meetings and recognise that this is a decision for the officers but what is clear is that the PCC and CC both want to be as open and transparent about risks as possible. The first Annual Assurance Report from the JAC due in January 2022 is welcomed by all although there is an argument to suggest it is produced mid-year to support governance statements. Both the CC and PCC had views on how and where the report should be published.

General

In making these comments and recommending the actions below it should be noted that the JAC members are all recruited on the basis they will attend and prepare for 4 meetings per year, and they do so as volunteers with a small, fixed attendance allowance to cover expenses for these 4 meetings. However, all members volunteer substantially more time than this collectively 4 or 5 times more than envisaged which is done willingly and without complaint, but it should be recognised that this constrains our efforts to carry out some of the additional actions below and may not always be sustainable. All six members attended all four meetings during 2021. The JAC are grateful to the support they have received in administering the committee from the OPCC and the cooperation in ensuring minutes are circulated within 2 weeks of each JAC meeting

Areas for potential improvement

1. Q6 States that conflicts are required to be **“recorded and declared at the start of each JAC meeting and appropriate action taken”** This is a standing item on our agenda but a refresh on what this means for attendees and how it is recorded would be useful (Action Chair).
2. Q7 **“Training required”** for JAC members has not been fully defined and is provided on an as needed basis mostly via CIPFA and internal briefings and this has been adequate. Considering that most JAC members will be committee members for 8 years a more structured approach would be of benefit and over the next 12 months a simple programme should be put together (Action JAC and OPCC).

3. Q9 Although the JAC do have the skills to challenge across the core business they would benefit from better knowledge in certain specific areas to fully address this question. In particular **“do we possess the wider skills necessary to be fully effective e.g. in relation to the wider political landscape”**. (OPCC to consider how best to achieve this if indeed necessary).
4. Q10 There is a requirement that at least one member of the JAC **“has recent and relevant financial experience to allow them to competently analyse the financial statements”**. Fortunately, we do have one such individual and another from an accounting background, but this needs to be recognised in succession planning. (OPCC to note for subsequent recruitment).
5. Q12 All new members are given informal induction by meeting senior stakeholders which has been very useful. However, we need to be able to **“demonstrate we have an effective induction and training arrangements”** This would be best achieved by formalising a standard induction programme for new JAC members. (JAC and OPCC).
6. Q16 We are required to **“have sufficient understanding of the overall control environment including governance and outsourcing arrangements”** and believe that generally we do through our JAC activities, but members believe they would benefit by having a more detailed understanding of corporate governance arrangements in specific areas as they arise e.g., the arrangements between PCC and CC. (For consideration by OPCC)
7. Q17 The JAC do not **“use assurance mapping to target areas of greatest risk in the organisation”** but rely on the officers responsible for risk and internal audit to assure us in this respect. (For noting)
8. Q21 We do not currently **“provide advice on the scope and preparation of the annual government statement”** but are invited to review draft and completed documents. (OPCC to consider if necessary).
9. Q32 The JAC Annual Assurance Report is timed to review the calendar year **“not to support the Governance Statement”**. (OPCC to consider if helpful to change).
10. We do not have significant awareness of the HM Treasury Audit and Risk Handbook and since this requires that **“all audit and risk assurance committee members and their committee secretaries will, of course, need to ensure that they are familiar with the full requirements of the Handbook, and that they operate in accordance with them”** we need to consider if this is relevant to us since the JAC take advice from CIPFA not HM Treasury (JAC to discuss with OPCC)
11. This JAC have worked for the last year in a way focussed on individual skills and collective review which will need consideration in succession planning. If over the next year this is agreed to be the most effective way of working the roles within the JAC would benefit from further definition. (JAC to define roles over the next 12 months)
12. Consider meeting with other JAC's if suggested by PCC or CC. (Chair)

The status of these actions will be reviewed at the next appraisal in 12 months

