

To: Joint Audit Committee

By: Members of the Joint Audit Committee

Title: JOINT AUDIT COMMITTEE ANNUAL REPORT

Purpose of Report/Issue: To review the activities of the JAC in 2021/22

Recommendation(s) - To receive and note

Equalities / Human Rights Implications – None arising.

Risk - As discussed in the report.

Background papers - none

Joint Audit Committee

ANNUAL REPORT 2021/22

Annual Report 2021/22 from the Joint Audit Committee (JAC) to the Police and Crime Commissioner for Surrey (PCC) and the Chief Constable of Surrey Police (CC)

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VERSION CONTROL

Number	Description	Date Issued
1.0	Draft agreed by JAC	17-12-2021
1.1	Incorporating comments from Force and OPCC	10-01-2022
2.0	Report adopted by JAC for Jan 22 JAC	25-1-2022N.A.
3.0	Timing for report changed to 31 st March	29-3-2022

1. INTRODUCTION

1.1. Chair Review of Year

2021 saw three new members recruited to the Joint Audit Committee and a new Chair appointed from existing members with plans to recruit a chair designate at the end of the 2021 to aid succession planning. The new team bring their own experience including risk, change, finance, operations, and governance and, with the established members, collectively developed a scope document outlining how the JAC would work most effectively which was welcomed by police colleagues.

Concerns at the start of the year about the standard of the risk register, relationship with auditors and interactions within the JAC and with police colleagues improved considerably with positive feedback from key stakeholders throughout 2021. In addition to attending JAC meetings, team members attended many Surrey Police and Office of the Police and Crime Commissioner (OPCC) meetings as observers gaining a broad understanding of the “business”.

The year ended as it began with concerns about the way value for money (VFM) in relation to the EQUIP programme was treated in the year’s audit report but with an additional concern about the robustness of the legacy ERP system used by Surrey Police.

To summarise, from the Chair’s perspective, we have a well-balanced, challenging, and enthusiastic JAC who respect each other and their stakeholders’ views and are making a real difference. This is a view that we believe to be echoed by police colleagues. 2021 has set an excellent foundation for the challenges of the next three years and has identified several key areas of focus for 2022.

1.2. Role and Purpose of the Joint Audit Committee

The purpose of the JAC is to provide independent advice and recommendation to the PCC and CC on the adequacy of the governance and risk management frameworks, the internal audit control environment, and financial reporting. In this way it helps to ensure efficient, effective, and adequate assurance arrangements are in place. The JAC is enabled and required to have oversight of, and to provide independent review of, the effectiveness of governance assurance arrangements in place for

- the risk management framework,

- the internal control environment,
- financial reporting,
- annual governance processes,
- internal audit and external audit.

In this, our first Annual Assurance Report, we explain how the JAC has complied with its responsibilities during the year 2021 under three main headings: Finance, Risk and Governance. The report will cover the period 1st April to 31st March at the request of Surrey Police to coincide with preparation of governance statements. We have chosen to comment on the substantive issues leaving commentary to other matters in the publicly available meeting minutes for 2021.

1.3. Vote of Thanks and Welcome

The year under review started with the departure of three long serving members of the Committee. The JAC would like to record its thanks for their contribution during their eight-year tenure. Three members continued their tenure for another 4 years one of whom who would be spending the next two years as Chair whilst a successor is appointed.

An induction session for new Committee members was conducted in early January 2021. The new members have enhanced the existing capability of the JAC, specifically around governance, risk and IT strategic skills. In light of the ongoing pandemic, all meetings during 2021 were held on Microsoft Teams. There was 100% attendance of Committee members. A member attended the CIPFA conference for Police Audit Committee members and all subsequent training courses with attendees disseminating learning to other members on a timely basis.

An overhaul of the structure of the JAC was undertaken. This included definitions of roles, introduction of new agenda items, interface points, removal of duplication from the work schedule and the creation of an Annual Planner providing evidence that the Committee met its responsibilities as set out in the Terms of Reference (TOR). A refresh of the TOR was undertaken to fully reflect CIPFA guidance. A new *modus operandi* was established based on an agenda of standing items and “calling forward” papers and minutes of meetings were without fail published within 2 weeks of each JAC meeting. To avoid duplication of effort, each member of the JAC was tasked with a specialist area and these roles were communicated to all stakeholders to allow maximum integration. A new meeting structure was created with a pre and post JAC meeting to ensure a unified approach and collective review of the individual efforts.

This ensured effective assurance and efficient challenge. JAC members now regularly attend internal meetings on an observation basis only. It should be recognised that to work in this way members voluntarily commit significantly more days of effort over and above that which is required of the basic role – i.e. preparation and attendance at four meetings. When individual members of the Committee speak on behalf of the JAC they speak with the authority of the whole.

The JAC is committed to best practice and to improve the adequacy of its own governance practices. A 360 review took place with feedback from the PCC, CC and other senior members of management to the Chair. This review was conducted using the National Audit Office Audit and Risk Assurance Committee Effectiveness Checklist and included constructive feedback on performance from all Committee members. The JAC has developed a scope which is broader than just finances and risk and now has oversight of all the risks it is made aware of whether operational, reputational, supply chain or support. The CC and PCC welcomed this approach and commented that they appreciate the degree of challenge they and their teams are receiving. Further challenge to governance arrangements was encouraged. They both felt that the balance of the JAC was correct and that, as well as providing assurance, the expert advice provided was helpful. They consider the JAC approach to be collegiate, well integrated and that views are well presented. The JAC held an effectiveness review in early December and the collective view was that the new approach is working well, is interesting and professionally rewarding. It was agreed that the new methodology needs further definition during 2022 to aid future succession planning. Furthermore, there was recognition that the JAC need more awareness of corporate governance arrangements between the CC and OPCC.

During the year we said goodbye to David Munro and welcomed Lisa Townsend as the new PCC. A new post of Deputy PCC was created. We also welcomed the new Head of Corporate Development and the new CDIO. The JAC wishes to note its thanks to the outgoing PCC for his leadership and stewardship of the OPCC and the positive and collegiate working relationship with the JAC that he fostered. We look forward to continuing in this vein with the new PCC.

2. FINANCE

2.1. General Observations

The JAC gains material assurance from the audit and other oversight activities performed for the PCC and the Surrey Police by its internal and external auditors. We

wish to note that in our view relationships with and between both these parties have been strengthened during the year, including open and constructive conversations with the external auditors outside of the quarterly JAC meetings. We also provided our input to the Surrey Police response to the 'Consultation from PSAA on Auditor Appointments 2023/24'.

The year started with the JAC making a strong statement about the VFM opinion offered by external auditors EY for 2019/20. We noted that, similarly to over 90% of other local governments audits nationally, the external auditor, EY, had not been able to sign off the accounts and issue an audit certificate at the 30 September 2021 as originally planned - This was due to delays arising from the impact of Covid19, as well as within EY, gaining specialist assurance around pensions and property valuations, along with ongoing internal discussions regarding the value of EQUIP assets acquired during the year. The legacy ERP system did not help and led to some challenges for the Finance team.

The Covid19 difficulties of 2020 had continued into 2021 and we note the excellent working relationship with external audit staff in both organisations, notwithstanding these challenges. With the level of professionalism and commitment in the teams, it is expected that this strong relationship will continue, and we encourage both the PCC and CC to continue to foster this environment.

With regular updates regarding the progress of both the external and internal audit teams and following the receipt of the assurance opinion from EY, the Committee was satisfied that both the PCC's Chief Finance Officer and Surrey Police's Executive Director of Commercial and Financial Services have the necessary capability and capacity to ensure the proper administration of the PCC's and Surrey Police's financial affairs. The individuals involved, and the teams they lead have the experience and skills to overcome the systems challenges identified to the JAC and the Committee wish to commend them for their output during this challenging year.

The accounts for 2020/21 were not signed off by the external auditor until March 2022 but Surrey Police was still one of the earliest public bodies to have a signed off, true and fair, audit report for 2020/21 which is a significant achievement

2.2. Internal Audit

The current Internal Auditors, Southern Internal Audit Partnership (SIAP), were appointed just over 2 years ago and were immediately recognised to be carrying out thorough audits resulting in many more observations. Historically, the interface with the JAC had been poor and the JAC appreciate the co-operation of the new Lead

Auditor in helping to build the current open relationship with the JAC which has benefited both parties.

During the year the JAC has sought to ensure that an appropriate program of internal audit has been put in place and reviewed the reported outcomes. At the start of the year the JAC were concerned about the limited audit opinions in the areas of IT, Estates, and procurement. However, significant improvements were made each month especially in IT where many actions were closed out expediently. The auditor looked in depth at the risk process and identified concerns which the JAC shared. These are to be addressed through a new risk process for Surrey Police intended to be implemented from January 2022 several months later than originally planned. At the July JAC, Internal Audit offered their opinion that they had “reasonable assurance” within their annual report which demonstrated good progress against the challenges at the start of the year. This was recognised by the JAC at the meeting. It was also noted by the JAC that the Force Internal Audit Recommendations Report, describing how they were dealing with actions, had become better aligned with actions and was easier to follow and monitor. The focus for 2022 will be on completing the remaining actions in a timely manner and continuing the improvement seen in 2021.

2.3. External Audit

In April our new associate audit partner from EY attended her first meeting and in July gave her first observations. As part of their planning, they had identified 10 significant audit risks for the 2020/21 accounts and three new risks: risk of fraud in revenue recognition, cash flow preparation, and disposal. In accordance with establish practice they would review these areas during the audit. She also observed that the financial system within the legacy ERP system was “clunky”, requiring workarounds. The need to bring forward the business case for a new ERP was further reinforced by EY as it would include an updated financial system. These deficiencies in the accounting systems were emphasised as EY reached their opinion to the surprise of the JAC as they had not previously appreciated the extent of the risk or impact. This will be a point of focus going forward. There was considerable debate between EY and JAC members about the valuation of EQUIP intangible assets, and the definition of VFM.

3. RISK

Risk Management is a key area of focus for the JAC, Surrey Police and the OPCC. The Committee reviewed the quarterly reports it received regarding the strategic risk management systems and processes. The JAC questioned and challenged officers to

ensure the Committee was appropriately appraised on all material existing and emerging corporate risks to ensure these are managed in a timely and effective manner. Risk reports and verbal updates supported the insight provided to the Committee in addition to which a JAC member has observed at Organisation Risk Board (ORB) meetings and the newly introduced annual Risk Assurance Day.

The JAC has provided challenge on whether the risk registers are capturing all risks on a timely basis and whether they are consistently deployed across the various Surrey Police/OPCC departments. Surrey Police and OPCC had already identified that the existing risk management tools are suboptimal in supporting the Force's risk management processes. There is a well progressed project aiming to deliver a new risk management system with enhanced reporting capabilities. The new system and supporting management regime will represent a considerable improvement on the previous approach. The JAC expects that enhanced reports will improve its ability to monitor risk management processes and welcomes this improvement to the risk management framework. It is also expected that the major risks from this process will provide a useful and consistent tool for senior management meetings

4. GOVERNANCE

4.1. Annual Governance Process

The JAC played a constructive role in understanding the local governance framework and the production of annual governance statements. The Committee noted the comprehensive summary of governance arrangements and requested that these be enhanced with a more detailed explanation of outcomes in future reports. It was noted that, while the documents themselves were appropriate and compliant with CIPFA guidance, their formality was not conducive to distribution further down the organisation. It was agreed that a review into how to make the governance documents more accessible was appropriate. This will be a focus of the JAC in 2022.

4.2. Health & Safety

The JAC were concerned that the H&S paper they received every 6 months had excellent statistics but did not present identified risks. The JAC were invited to attend the joint Force H&S Board where health and safety risks are reviewed and it was agreed that a version of the Surrey part of this risk register, plus an analysis of underlying causes within accident and incident categories would be presented

annually to the JAC commencing January 2022. However, this was not forthcoming, and the January meeting focused on issues of non-conformance raised by the JAC which the OPCC had not been aware of. These concerned activities in the Estates and Facilities Management area and it was reassuring to see the PCC take this up after the meeting with a positive response from the CC. Although at end March 2022 the issues were not fully resolved the review process and weekly reporting on progress gave confidence the issues were being taken seriously and would be resolved

In future the new style report and analysis of underlying causes of various incidents will give the JAC greater assurance that risks are being managed and ultimately should be a product of the new risk process. There was little discussion during the year on sustainability and the environment and this is a subject the JAC will be probing in 2022.

4.3. Equality, Diversity & Inclusion

It was noted that a new user-friendly whistleblowing guide was being introduced and it will be interesting to see how that has impacted the number of reports. In response to the Sarah Everard case, the JAC suggested that a Speak-Up policy be investigated to supplement and enhance the current Whistleblowing arrangements. The JAC noted with great interest feedback they were provided on EDI during the year and this has led to a thirst for more knowledge and information.

The JAC received their first report on the EDI policy at the January 2022 meeting and were very impressed with the content but did have concerns about how the effectiveness will be demonstrated in future and how the policy will be communicated to relevant stakeholder groups. They were assured that checks and reviews regularly take place and the JAC look forward to hearing more about the results during 2022/23 when they will be looking in detail at data provided to gain assurance that the policy is delivering measurable results.

4.4. Building the Future (BTF) Programme

BTF, the programme of development of a modernised headquarters and new ways of working, linked with the wider Estates strategy, is by far the largest programme facing Surrey Police. BTF was managed through a governance process at which JAC representation was invited, and the programme itself is delivered through a structured industry standard method. Following design work on the proposed Leatherhead HQ site, a major checkpoint, and an external financial review by CIPFA, recommended and commissioned by the Executive Director of Commercial and Financial Services, confirmed that a review to examine suitability of the current proposals should be progressed. That review has concluded that redevelopment of Mount Browne be the preferred solution.

The JAC has observed and is pleased to note that risk management has been integral to the management of the programme and that the BTF programme has been open to feedback and adapted its approach. The fact that the external review has been undertaken demonstrates the governance working correctly, in the JAC's opinion, as well as demonstrating a willingness to take a difficult, major strategic decision based on an assessment of the risks and finances rather than any confirmation bias which can be common once major programmes are under way.

The JAC questioned whether the decision to cease work on a Leatherhead HQ could have been taken earlier avoiding such costs as have been incurred to date. However, until the design work had been taken to the level it has the JAC was advised that it was not possible to calculate the costs to the degree of accuracy required to highlight any financial risks with the original business case. Furthermore, the JAC understands there can be re-use of some work undertaken to date. The JAC looks forward to continued involvement with the Mount Browne redevelopment which will be the most significant programme facing Surrey Police in coming years.

4.5. EQUIP ERP Programme

The EQUIP programme exercised the JAC considerably during 2021: in particular the need to understand the lessons learnt from the programme. When the lessons learnt were provided to the JAC they appeared comprehensive and sensible with no attempt to hide the issues that had occurred although it was noted that best practice is to evolve lessons learned as a dynamic process throughout major projects not as a review at the end. The JAC's view is that the challenge for the force will be embedding those lessons to ensure they can be applied to all future programmes: best achieved by allocating project ownership, defining project and programme checklists used during project and programme initiation, ensuring governance has the requisite checkpoints and controls to catch project and programme issues before they spiral, and the conduct of expert, external reviews at key programme stages.

The JAC noted the decision to attribute value to the EQUIP assets on the balance sheet, despite the extent to which those assets could be re-used or the agreement to a revised ERP strategy which embedded those assets being unclear. The JAC understands the reasoning behind that decision agreed by Surrey Police Finance Team with the auditors (i.e., that some of the assets are being used and will be used in the future) but remains of the opinion that in the absence of a confirmed ERP strategy identifying the extent of any re-use it would have been more prudent to fully write-off those assets. The JAC does recognize however that they have been written down by 50%. Although the cost of EQUIP to Surrey Police is appropriately disclosed in the

Accounts, the JAC felt that the Notes to the Accounts could have made it much clearer to the reader that the £8.56m of project costs incurred had ultimately delivered very little to date.

The JAC had supported the external auditor's intention to issue an unqualified opinion on the accounts and the VFM opinion for 2020/21. However, although the auditor included a specific review of the cessation of the EQUIP project as part of their VFM work, the JAC repeated its previously expressed view that elements of the project management and governance over the life of the EQUIP project should be considered *as a weakness and that an assessment of 'value for money' should have been based on whether the project had delivered a positive outcome, and not just whether governance processes existed, especially where significant costs had been incurred resulting in apparently minimal benefits*

Information Technology has been the largest area of risk identified by Internal Audit. The Force's IT estate is extensive, diverse, and in some cases unsupported, as well as being managed through a shared service with Sussex. The JAC is pleased that Internal Audit recommendations are being taken seriously, regularly reported against, action being taken, and progress made. However, the new CDIO (Chief Digital and Information Officer) has a challenging job to frame a strategy to modernise the IT estate while ensuring that the Force is protected from cybersecurity attacks and the JAC is keen to understand that wider technology strategy, and in particular a holistic view of technology risk, during 2022.

4.6. Business continuity management

The JAC was satisfied that the business continuity management processes were fit for purpose for the OPCC having been robustly tested during the pandemic. It was noted that there was very little accessible detail about the Force business continuity plans and it was requested that this be included at the next annual review.

4.7. Contract Breaches and Waivers

The JAC noted the improvements in compliance with contract and procurement processes during the year as shown by a significant reduction in reported breaches and waivers.

5. CONCLUSION

The purpose of the JAC is to provide independent advice and recommendations to the PCC and CC regarding the adequacy of the risk management framework, financial reporting, and the associated control environment within the OPCC and Surrey Police. There appeared to be a strong, well established working relationship between the JAC, PCC and the CC during the period. This relationship extended to all senior staff who attended the meetings and included both internal and external audit. In this spirit of strong cooperation and with greater access to meetings, the Committee felt able to provide advice, support, and constructive challenge.

Based on the information presented at the JAC meetings during 2021, and evidence presented outside of those meetings, the Committee can advise the PCC and Chief Constable that, based on its observations, the risk management and internal control environment in Surrey is, in the main, operating efficiently and effectively. Where the JAC has identified areas for improvement, these have been, shared, and documented. This Annual Report is to evidence the advice, support, and challenge of the JAC during the year and, to our wider stakeholders, of the effective discharge of our public duties.

The year ahead (2022) will continue to be demanding. Despite the potential £10 increase in the precept, it is estimated that the Force needs to find approximately £16m of savings over the next four financial years from 2022/23. The need to deliver a comprehensive suite of digital policing systems will challenge the organisation to successfully implement lessons learned around the EQUIP programme. Recruitment and retention of high-quality staff and the impact of Covid19 will continue to challenge both organisations. The Committee will continue to scrutinise risk management, change management, the delivery of financial performance and operational effectiveness within both organisations with focus on corporate governance, financial systems, and estates/contract management.

