

# CIPFA Survey on Police Audit Committees

## Briefing from the CIPFA Better Governance Forum

**September 2016**

### Overview

In the year following the November 2012 elections for police and crime commissioners (PCCs), new joint audit committees were established to support the PCCs and the chief constables (CC) in their new roles. The joint audit committees marked a significant departure from the audit committees of predecessor police authorities and from the typical model of an audit committee in a local authority. The committees have now been running for more than three years so the survey has been an excellent opportunity to take stock.

This briefing is one of a series featuring the results from the 2016 audit committee surveys conducted by CIPFA. It concentrates on the results in relation to police audit committee chairs and the views of the chief financial officer (CFO) of the PCC's office. Fifty five percent of CFOs responded to the survey and 40% of audit committee chairs. All of the briefings are available to download from the CIPFA website.

### Operation of Police Audit Committees

The [Home Office Financial Management Code of Practice](#) makes the establishment of the joint audit committee mandatory, including the requirement for all members to be independent. The code also requires the committees to follow the guidance from CIPFA in the 2013 publication *Audit Committees, Practical Guidance for Local Authorities and Police* (CIPFA, 2013).

There is no set requirement for the number of meetings. Our survey showed that there is a lot of consistency across the sector with the committees meeting either four (80% of respondents) or five (20% of respondents) times a year. Members were appointed to the committee with a term of between three and five years.

### Views of Audit Committee Chairs

#### **Knowledge, experience, training and support**

We asked questions about the knowledge and experience of the audit committee members and the training and support that are available to them. Eighty two percent of police audit committee chairs responded that their committee members had relevant financial, audit or governance experience. This contrasts with the 31% of local authority chairs who also answered this positively. In contrast to local authorities, police audit committee chairs tended to be less positive about the training and support available to the committee.

	Police chairs		Local authority chairs	
	Yes	In part	Yes	In part
Has training been provided to meet the identified needs?	53%	43%	62%	26%

One area where there was a significant divergence between the responses of the audit committee chair and the PCC's CFO concerned the use of the CIPFA guidance on knowledge and skills when assessing the training needs of the audit committee members. While 74% of CFOs said they had used the CIPFA guidance only 38% of chairs agreed. This perhaps indicates that the chairs are less familiar with the CIPFA guidance.

Ongoing briefings, training and support are essential for audit committee members so we asked about the access that the committee members had to these. Overall a high percentage of police chairs said they did have access to briefings but a lower percentage had access to training. Overall the scores for each of the areas were lower for police chairs than for local authority chairs.

**Do members of the audit committee have access to any of the following resources and support?**

	Police chairs	Local authority chairs
Regular briefings or updates on developments affecting the police or council	76%	84%
Regular briefings on relevant subjects	76%	82%
Regular training on relevant subjects	47%	62%
None of the above	12%	5%

While members of police audit committees may come onto the committee with relevant skills and experience, they still need support to keep up to date with new developments in policing and changes to governance and audit topics, such as the introduction of the new governance framework.

**The operation of the committee in practice**

We asked questions about the work of the committee and the frequency that certain responsibilities would be covered at audit committee meetings. As expected certain areas received universal (100%) coverage among police committees:

- review of the annual governance statement
- head of internal audit's annual opinion and report
- assurance framework
- review of the internal audit plan
- review of the effectiveness of risk management arrangements
- external audit plan

- external audit annual audit letter.

Other areas where coverage was widespread were:

- annual governance report (ISA 260) (95%)
- internal audit performance reports (95%)
- follow-up of agreed audit recommendations (89%)
- review of the accounts prior to approval (89%)
- reports on internal audits completed (84%).

Other areas covered by a majority of audit committees included:

- review of the treasury management strategy (63%)
- review of treasury risks and controls (63%)
- relevant reports from the National Audit Office (63%)
- reports from HMIC (63%).

HMIC reports are a significant element of the assurance framework for policing so it is surprising that not all audit committees were considering the reports. Similarly the National Audit Office issued a report on the financial sustainability of police forces in England and Wales so again that might have been expected to feature on audit committee agendas.

There were also a number of other areas that were covered by a minority of audit committees:

- counter fraud strategy and performance against the strategy (42%)
- reviews of value for money arrangements (42%)
- assurance statements on partnerships (21%)
- counter fraud risk assessment (21%)
- results of fraud analysis and data matching initiatives, including the National Fraud Initiative (21%)
- reports on fraud investigations completed (16%).

It would seem that the areas of counter fraud, value for money and assurance over partnership arrangements only receive attention from some committees. The Public Sector Internal Audit Standards (PSIAS) include both fraud and value for money as areas for internal audit assurance so some coverage on audit committee agendas might be expected. While the responses for local authority audit committees were of similar levels in respect of value for money and partnerships, the majority of local authority audit committees do devote agenda time to counter fraud issues so there is a significant difference there.

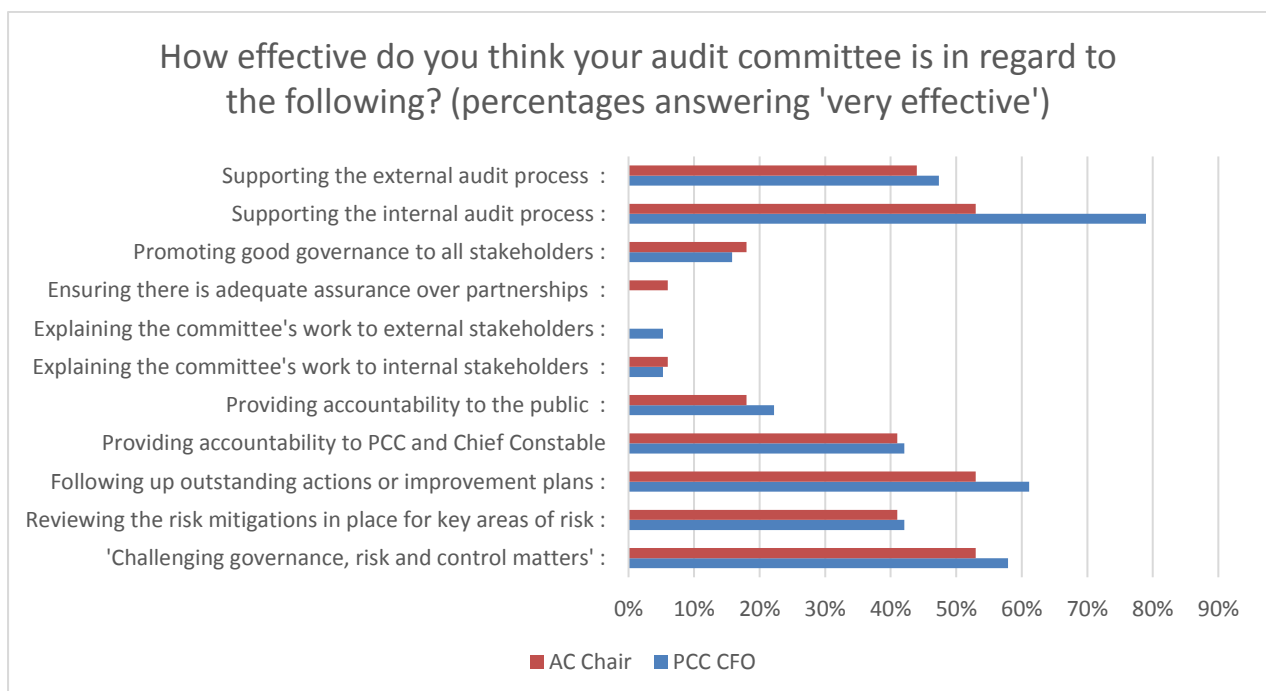
## Effectiveness

The areas where chairs thought they were most effective were those areas where the committee were able to ask questions, provide challenge and follow up action plans. Along with these results the chairs felt they were effective in supporting both internal and external audit. While both police and local authority chairs were positive overall about the effectiveness of their committee, police chairs tended to be less positive about the committee’s role in providing accountability and explaining their role. Forty seven percent of police chairs felt their committee was ineffective in explaining the work of the audit committee to external stakeholders.

### How effective do you think your audit committee is in regard to the following?

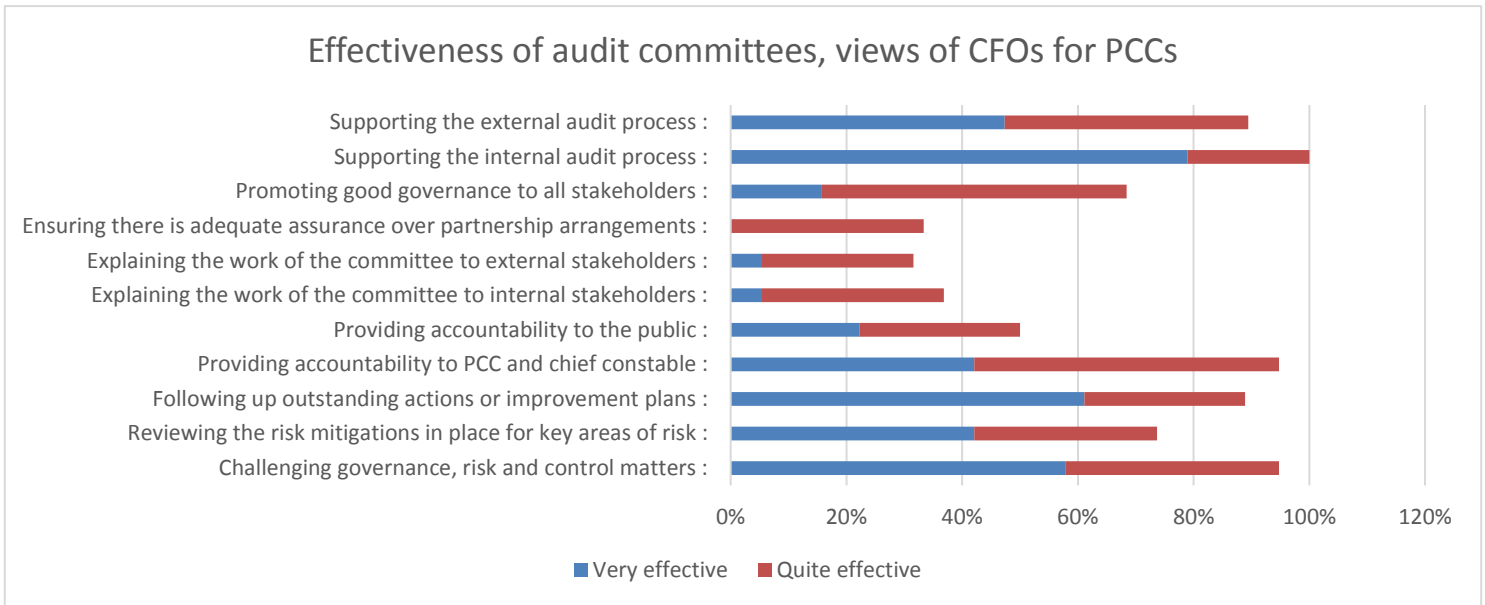
	Police chairs		Local authority chairs	
	Very effective	Quite effective	Very effective	Quite effective
Challenging governance, risk and control matters	53%	41%	49%	47%
Reviewing the risk mitigations in place for key areas of risk	41%	47%	38%	55%
Providing accountability to the public	18%	35%	34%	43%
Explaining the work of the audit committee to external stakeholders	0%	24%	9%	41%

We also asked the PCC’s CFOs how effective they thought the audit committee was. Again there were many positive replies. The chart below shows the views of CFOs together with the views of police audit committee chairs.



The graph demonstrates that there was considerable consensus between the audit committee chairs and the CFOs' responses. Overall the CFOs tended to be slightly more positive than the chairs. In only one area was there a significant difference: more CFOs considered the committee to be 'very effective' in supporting internal audit, although 100% of both chairs and CFOs thought the committee to be either 'very' or 'quite' effective.

The chart below shows the percentages for 'very effective' and 'quite effective' for each area, in the view of the CFO.



In contrast to the very positive results for the support given to internal audit, the weakest areas relate to partnership assurance, communication and public accountability. As we have already seen, only 21% of committees featured partnership assurance on their agendas so it is not surprising that the committee would not been seen as effective in this area. Given that increased collaboration and integration is being encouraged across the emergency services sector, the need for assurance is likely to increase over the next few years and should receive greater attention from the audit committee going forward.

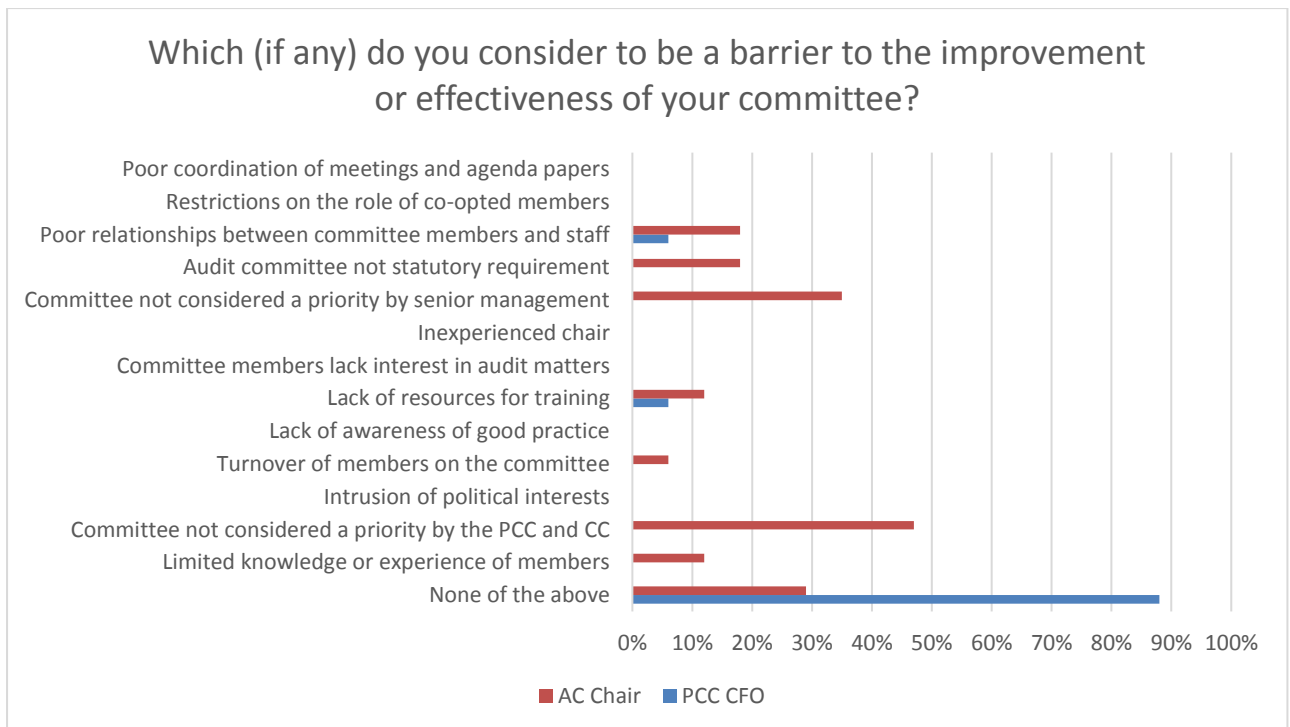
The table below compares the results for the areas of communication and accountability.

## How effective do you think your audit committee is in regard to the following?

	Very effective	Quite effective	Neither effective nor ineffective	Quite ineffective	Very ineffective
<b>Explaining the work of the audit committee to external stakeholders</b>					
Audit committee chair	0%	24%	29%	29%	18%
CFO for PCC	5%	26%	47%	21%	0%
<b>Providing accountability to the public</b>					
Audit committee chair	18%	35%	29%	6%	12%
CFO for PCC	22%	28%	39%	11%	0%

The primary accountability of the police audit committee is to the PCC and chief constable, but all players in public sector governance have a role in accounting for their performance and the satisfactory discharge of their function. There are fewer opportunities perhaps for the police audit committee to be directly in contact with external stakeholders and there is no formal link between the police and crime panel and the audit committee. Fifty three percent of PCC's CFOs said that their audit committee had published an annual report of its activities which would be available to the public and other stakeholders. The extension of this to all committees would be a step forward.

We also asked what barriers there were to the improvement or effectiveness of the committee. The chart below compares the responses of the CFOs to this question to the responses of the audit committee chair.



As the table shows the overwhelming majority of CFOs did not think there were any barriers. Twenty nine percent of chairs agreed. However the chairs did identify a number of other concerns. The top three all indicate that there is some room for improvement in the working relationships and mutual respect between the committee members and the PCC, CC and respective senior management teams:

- committee not considered a priority by the PCC and CC (47%)
- committee not considered a priority by senior management (35%)
- poor relationships between committee members and staff (18%).

As part of the survey we also asked for any comments and some of the respondents expanded on their answers.

- *Audit [committee] need to be used by CC and PCC as a critical friend on projects, budgets, Police & Crime plans and future planning. This would make the audit more effective in oversight of risks management.*

Chair, police audit committee

- *An issue we have is that the executive has been resistant to our receiving information in a timely manner. Key decisions are taken and we are informed as an afterthought, beyond the point at which any advice could be said to be useful. During the last year it has been particularly difficult to develop/maintain a productive working relationship with the PCC and the chief constable.*

Chair, police audit committee

- *Audit committee has limited/no power. Recommendations of committee to PCC and CC ignored. CC and PCC have little or no interest in the committee.*

Chair, police audit committee

- *There is a general frustration on members' part[s] about wanting to be briefed on key issues (while their input is not required) so to better understand the business of the organisation. This creates tensions.*

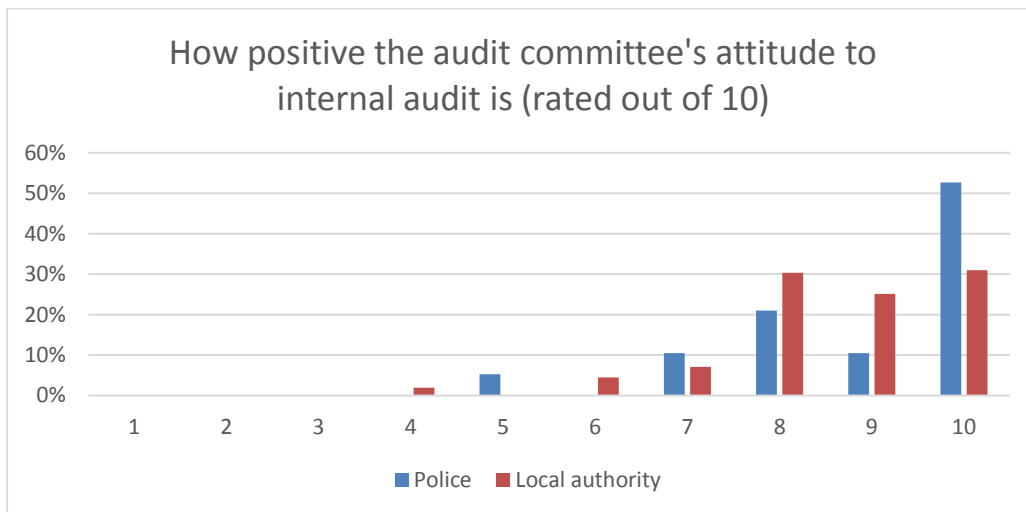
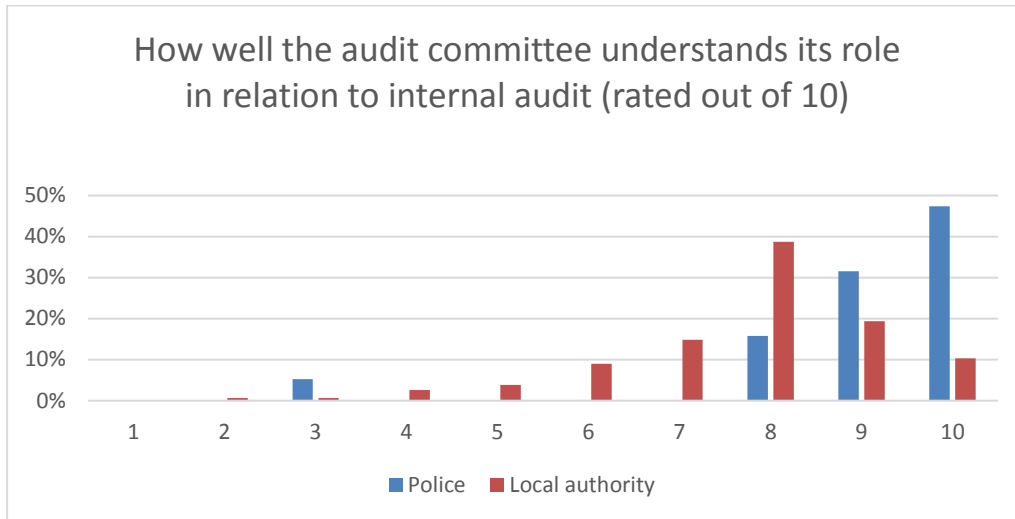
A CFO for the PCC

An effective relationship between the committee and the PCC team and force would allow the committee to operate as a critical friend, identifying areas for improvement and providing support. Drawing on their wider experience police audit committee members are well placed to add value. However, committee members need to be mindful of the committee's role in the accountability framework for policing and the roles and responsibilities of others, including the statutory officers, the policing and crime panel and ultimately the democratic accountability of the PCC to the electorate.

## **How the committee works with internal audit**

As detailed in the previous section both CFOs and chairs of police audit committees considered that the committee was effective in supporting the internal audit process. Further questions asked about the interaction between the audit committee and internal audit.

We asked chairs and CFOs to rate on a scale of one to ten the understanding of internal audit of the committee and also how positive the committee was.



While both heads of internal audit in local authorities and PCC CFOs scored their audit committees highly on these two measures, in both cases the scores for police are higher than for local authorities. The spread of scores on the first chart is also much narrower. This is perhaps to be expected since the audit committee members should include people selected for their relevant knowledge and expertise.

Both police and local authority chairs scored internal audit highly on effectiveness (mean score of 7.5 out of ten for local authorities and 7.2 out of ten for police). As one might expect there is a considerable range reflecting local variations, but few scored their internal audit team less than six out of ten.

## Conclusions

Police audit committees are viewed as effective in many key performance areas, including supporting the internal audit process, challenging governance risks and controls and providing accountability to the PCC and Chief Constable. There are some key areas however, notably assurance over partnerships where they are seen as less effective.

While the audit committee members have a good level of relevant knowledge and experience there is scope to improve the training, briefings and support that they have access to. However the principal barrier to improving the effectiveness of the committee would appear to be the relationship of the committee with the PCC and/or chief



constable and with senior managers. Although this may not be the case with all police audit committees it does appear to be an issue for some.

## Recommendations

1. Audit committee members should work with police staff to undertake a knowledge and skills assessment, taking into account the CIPFA audit committee guidance and emerging developments in policing.
2. The audit committee chair should work with the PCC and Chief Constable to develop an action plan to address any knowledge and skills gaps amongst the committee and ensure arrangements are in place for regular updates and briefings.
3. Police audit committees should review their agendas and assurance frameworks to ensure that adequate attention is given to assurance over partnerships, especially given the current proposals in the Policing and Crime Bill for greater collaboration across blue light services.
4. The agendas of audit committees should include coverage of counter fraud and corruption risks, the effectiveness of counter fraud arrangements and strategy in accordance with the CIPFA guidance, *Audit Committees Practical Guidance for Local Authorities and Police* (2013 edition) and the *CIPFA Code of Practice on Managing the Risk of Fraud and Corruption* (2014).
5. The PCC, Chief Constable, senior staff and the audit committee should review the terms of reference of the committee to ensure that it is consistent with the [Financial Management Code of Practice](#) and CIPFA audit committee guidance and that there is a shared understanding of the committee's role, where it can best add value and its place in the accountability structure for policing.
6. All audit committees should ensure that they have a clear and accessible statement explaining their role on the PCC's website to help stakeholders understand their work and contribution. An annual report on the work of the committee should also be published.
7. The PCC, the chief constable and senior staff, should aim to have a positive relationship with their audit committee and take advantage of the wider experience of police audit committee members, using their input to improve audit, risk management and internal control.

If you have any questions about the Better Governance Forum, our resources or future developments please do not hesitate to contact me.

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