

Joint Independent Audit Committee

Annual Report 2020/21



To the Acting Police, Crime and Victims' Commissioner and the Chief Constable of Durham Constabulary

Joint Independent Audit Committee Annual Report 2020/21

Introduction

This is the annual report of the Joint Independent Audit Committee and covers the financial year 2020/21.

The report has been developed to enable the reader to form a view about the effectiveness of the Committee's activities during the year and its oversight of the Assurance and Risk Management Frameworks within which County Durham and Darlington's Acting Police Crime and Victims' Commissioner (PCVC) and Durham Constabulary's Chief Constable (CC) operates.

The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that Audit Committees report on their work and assess their performance.

When production of this report commenced in April 2020 England had been placed in a national 'lock down' due to the unprecedented coronavirus pandemic (Covid-19). The coronavirus pandemic brought disruption to people and businesses globally. This Joint Independent Audit Committee have remained dedicated and have adapted to modern methods of working.

Background

The Joint Independent Audit Committee was set up as a statutory requirement alongside the changes which saw the introduction of a Police and Crime Commissioner (PCC) in November 2012.

It operates as a single Committee, providing assurance jointly both to the PCVC and Chief Constable of County Durham and Darlington. It operates to a set of terms and reference agreed annually.

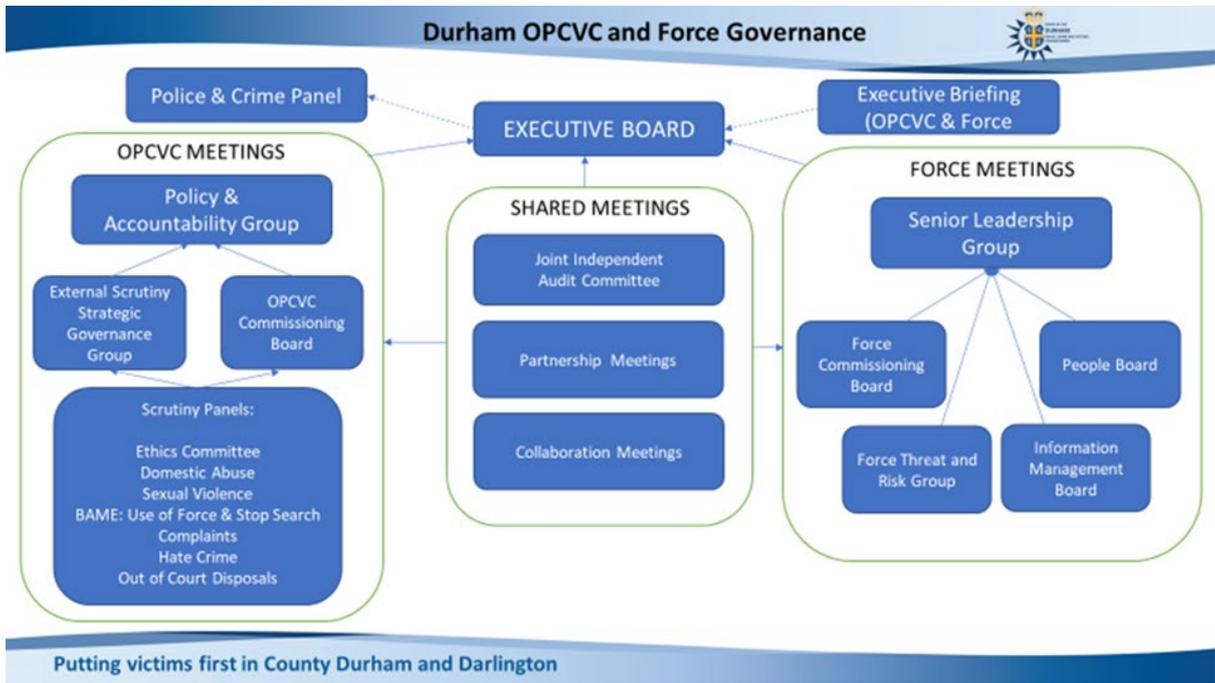
The JIAC for County Durham and Darlington was established in April 2013.

Aims and Objectives

The primary aim of the Joint Independent Audit Committee is to support the achievement of the Police and Crime Plan by enhancing public trust and confidence in the governance of Durham Constabulary.

- The JIAC help improve the overall governance arrangements across the OPCVC and Durham Constabulary according to good governance principles and, in particular, provide assurance to the PCVC and the CC on the effectiveness of the framework in place for ensuring compliance with statutory requirements.
- The JIAC help improve the adequacy and effectiveness of risk management framework and internal control environment in place across the OPCVC and the Force by seeking reliable assurance from whoever is best placed to provide it and ensuring appropriate and timely action is taken to address any weaknesses identified.
- The JIAC help improve the financial integrity of financial planning and reporting, and the achievement of Value for Money (VfM), in the OPCVC, the force and partner organisations.

The diagram below shows the PCVC's relationship with the Chief Constable, how the PCVC is ultimately responsible to the public, and the additional scrutiny mechanisms which are in place in Durham.



Durham PCVC Accountability Framework (taken from Durham PCC website)

Membership of the Committee and Attendance Record

The Committee members come from a range of backgrounds with a wide skillset.

The Committee is composed of seven members Elsie Davies (Chair, retired from post 16th October 2020), Jenny Flynn, Roger Humphries (retired from post 16th October 2020), Derek Shingleton, Diane Murphy, Cllr Edward Bell nominated by Durham County Council and Cllr Heather Scott nominated by Darlington Borough Council.

Due to the retirement of two key members of the Committee in October 2020 a recruitment campaign took place in January 2021. Mr Stuart Green and Mr Mac Williams were the successful candidates and commenced in post March 2021.

Member	No. of meetings held	No. of meetings attended	% of meetings attended
Elsie Davies (Chair)	3	3	100
Eddie Bell (Cllr & Chair)	7	7	100
Jenny Flynn	7	7	100
Stuart Green	1	1	100
Roger Humphries	3	1	33
Diane Murphy	7	4	58
Heather Scott (Cllr)	7	7	100
Derek Shingleton	7	6	86
Mac Williams	1	1	100

Table: Members' attendance in 2020/21

Members are paid for their time.

The remuneration rates for the financial year 2020/21 were: £112.75 for up to a 4-hour period, £164.00 between 4- & 6-hour period, £215.25 in excess of a 6-hour period. (Please note that following advice from

Her Majesty's Revenue and Customs (HMRC) all payments are subject to Pay as You Earn deduction). There is a policy in place which is reviewed annually, and members are reimbursed accordingly after each meeting.

Meetings 2020/21

The Committee met formally on seven occasions during 2020/21. The meeting planned for 21st April 2020 was impacted by Covid-19 and cancelled, virtual arrangements were put in place for the rest of the financial year.

Date	Place	Time	Meeting
02/06/2020	Virtual Meeting	10:30 am	Joint Independent Audit
21/07/2020	Virtual Meeting	10:30 am	Joint Independent Audit
08/09/2020	Virtual Meeting	10:30 am	Joint Independent Audit
20/10/2020	Virtual Meeting	10:30 am	Joint Independent Audit
08/12/2020	Virtual Meeting	10:30 am	Joint Independent Audit
19/01/2021	Virtual Meeting	10:30 am	Joint Independent Audit
09/03/2021	Virtual Meeting	10:30 am	Joint Independent Audit

Table: Meetings held 2020/21

Two declarations of interest were recorded during the year. One was in respect of an item reported by Durham Constabulary in relation to the proposals for a Centralised Custody Facility, the other was in relation to the Joint Chief Finance Officer role.

The JIAC meetings are also attended by the PCVC's Chief Executive (as Monitoring Officer), the Joint Chief Finance Officer, Internal and External Auditors. Other officers attend in accordance with reporting requirements.

The Joint Independent Audit Committee Annual Report for 2019/20 was presented on 8th October 2020 at a virtual Executive Board to the Police, Crime and Victims' Commissioner and the Chief Constable. The Acting PCVC and Chief Constable of Durham Constabulary welcomed this extra layer of assurance and accountability provided by this Committee.

The Work of the Committee in 2020/21

The Committee consider reports from officers and staff of the PCVC or CC, and reports from internal and external auditors and request reports as felt necessary.

A full list of reports reviewed/requested by the JIAC in 2020/21:

- Allowance Review of Joint Independent Audit Members
- Annual Governance Statement
- Annual Fraud and Corruption Report
- Annual Review of the System of Internal Audit
- Collaboration Updates
- Code of Corporate Governance Framework Refresh
- Commissioning Updates
- Covid-19 Service Impact
- Evaluation of Complaints Resolution Team
- Gift & Hospitality Registers

- HMICFRS Inspection Plans
- Internal Audit Plan & Progress Report
- Internal Audit Acquisition, Retention & Disposal of Firearms progress
- Police, Crime & Victims' Commissioner Office Restructure
- Rape Scrutiny
- Terms of Reference Review (Joint Independent Audit)
- Treasury Management Reports

The JIAC questions and challenges the staff on the reports it receives and any other matters arising. It aims to add value to the work of the PCVC and CC by posing these questions in a constructive manner. Where follow up action is agreed as necessary, this is noted in a forward plan/action log and added to the appropriate meeting.

The Committee is accountable to the PCVC and the Chief Constable. CIPFA's Practical Guidance for Local Authorities and Police Audit Committees sets the criteria for this accountability which forms the basis of this report.

The criteria is as follows:



Has the Committee fulfilled its terms of reference?

The Committee's terms of reference were reviewed and approved on 21st July 2020. Details can be found on the PCVC website.

The specific objectives of the Committee during 2020/21 was to oversee the following arrangements:

- Internal Control Environment
- Risk Management
- Internal Audit
- External Audit
- Financial Reporting
- Inspection and Review
- Regulatory Framework



The Committee believes it has met its requirements throughout the year, through the relevant agenda items and the effectiveness of its review. A total of 57 reports were considered the details of which are provided in Appendix 1. The key activities are summarised below:

- **Internal Control Environment** - The Committee-maintained oversight of the preparation of Annual Governance Statements for the PCVC and Chief Constable, which are consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The Annual Governance Statements were considered by the Committee prior to their final production. The Committee also considered the robustness of the internal control environment through reports from both internal and external audit.
- **Risk Management** - The risk registers was presented at the March 2021 meeting and focused on the most strategic risks. More recently, members have challenged on risks relating to Covid-19 and the impact on the Force and OPCVC.
- **Internal Audit** - Internal Audit activities were reviewed on a quarterly basis with updates on agreed plans, performance of the internal audit team and significant findings from those audits with a “limited” opinion being considered. The internal audit findings considered by the Committee continue to be wide ranging.

In addition, updates on internal audit's compliance against the Public Sector Internal Audit Standards have also been deliberated. In March 2021, the Committee endorsed the Internal Audit Strategy and Audit Charter and the Work Programme for 2021/22.

- **External Audit** – External audit activity was reviewed with plans and regular update reports received. Regular sector updates from external audit on emerging national issues and developments that may be relevant to the PCVC and Chief Constable were considered as part of these updates. The

Committee also discussed the performance of external audit against their pre-defined Key Performance Indicators.

The Committee have been made aware of the fees through external audit reports and have the opportunity to comment although the fees are set nationally.

- **Financial Reporting** – Statements of Accounts were reviewed prior to their final production in addition to the Committee considering the related external auditor’s report. Members reviewed the HMICFRS Value for Money (VfM) outcomes that are published annually.
- **Inspection and Review** – Regular updates from HMICFRS inspections were considered, which include details of recommendations or improvement actions and grading’s awarded for each inspection. Where relevant, the Committee asked for additional information and updates to be provided.
- **Regulatory Framework** - Specific aspects of the regulatory framework, such a review of Accounting Policies, Treasury Management Strategy, Anti-Fraud and Corruption arrangements etc. have taken place during the year. The annual effectiveness review of anti-fraud and corruption arrangements included an update on internal investigations undertaken by the Professional Standards Department, providing oversight on matters of conduct and behaviour. The Committee has maintained an overview in respect of financial regulations and contract standing orders through the assurance work provided by internal audit during the year on key financial systems.

Has the Committee adopted recommended practice?

As part of its annual review, the Committee reviewed its performance against good practices identified by CIPFA. The review shows the Committee is following good practice in the way it operates. (Appendix 2).

Has the Committee assessed its own effectiveness or been the subject of a review?

The Committee considered and accepted the benefit of undertaking a further self-assessment against the CIPFA requirements during 2020/21. Internal Audit, the PCVC CEO and Joint CFO carried out this process on 25th March 2021. (Appendix 3).

The Committee has assessed its own effectiveness based on CIPFA guidance (Appendix 4).

Have the development needs of Committee members been assessed and are they accessing briefing and training opportunities?

The Chair has a forward planning mechanism and holds regular pre meetings with the Chief Executive and Joint Chief Finance Officer. The forward plan is updated at these meetings.

JAC members will continue to receive training and development in their roles and an induction seminar is planned for new and existing Committee members on 27th April 2021. All members attended the training on 27th April 2021.

What impact has the Committee had on the improvement of governance, risk and control?

A wide range of issues were considered by the Committee during the year, providing independent scrutiny of the PCVC and the Chief Constable. The Committee has made an impact on the governance of both organisations as demonstrated in the following examples.

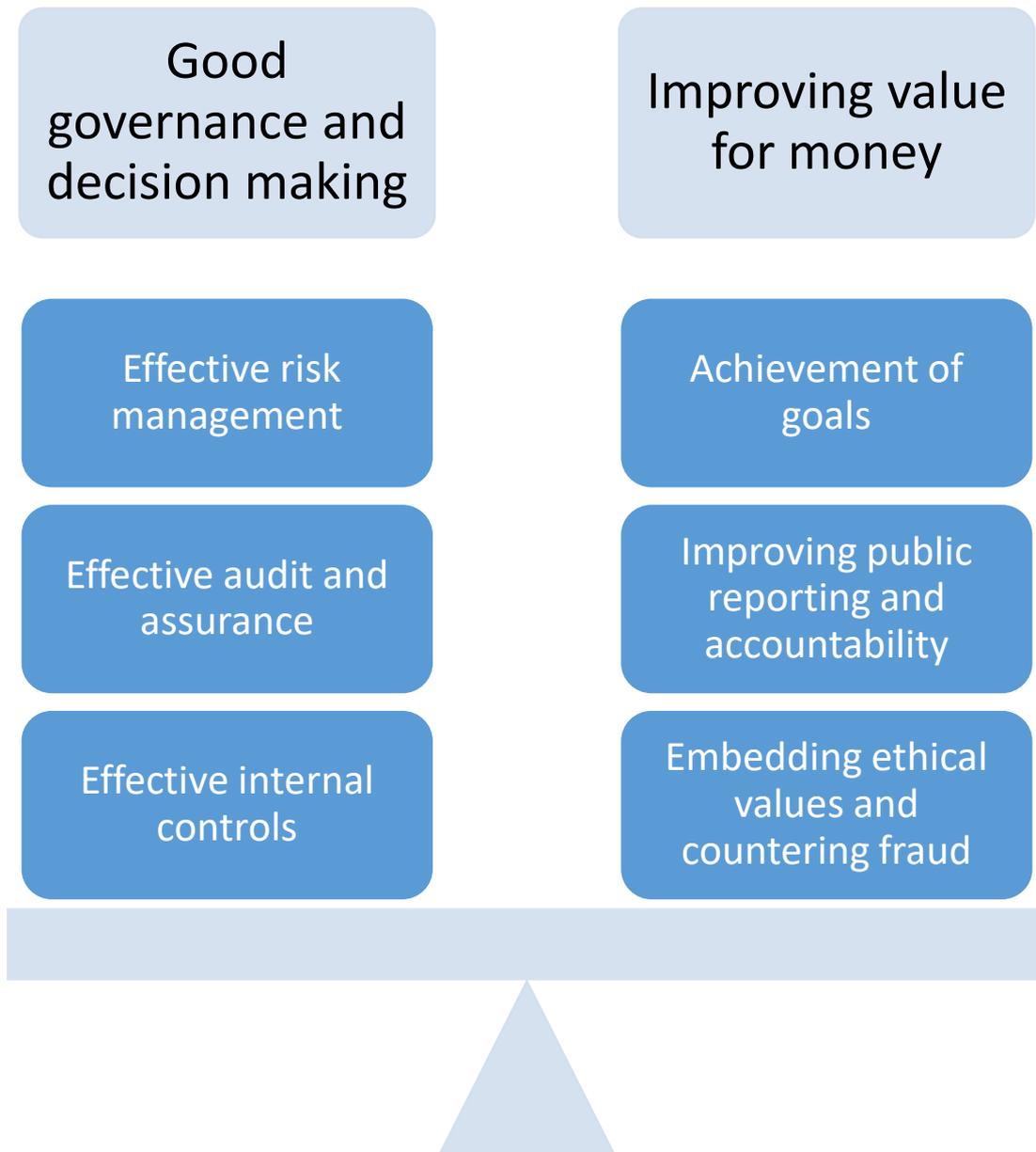
- The Committee has identified areas where briefings and training were required to fulfil its role. It has received reports or presentations on a range of areas including the budget setting process. This provides assurance on these arrangements.

- The Committee has played a key role in reviewing the annual accounts and annual governance statements, providing assurance to the PCVC and Chief Constable before they formally approve these documents.
- The Committee monitors the performance of the internal and external auditors and members have continued to actively participate in nationally held PSAA Local Audit Quality Forum events and receive updates on the Future of Local Government Audit.
- The Scheme of Governance Framework, which sets out how the PCVC and the Chief Constable conduct their organisations business both jointly and separately was considered by the Committee during the year.

The Chief Constable and PCVC are 'those charged with governance' the Committee's role is non-executive and purely advisory.

The influential audit Committee has the potential to be a valuable resource to the whole organisation. Where it operates effectively, an audit Committee can add value to its organisation by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit Committee will need commitment and energy from membership together with support and openness from the organisation.

The influential audit Committee supports:



Source: Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)

Committee's Conclusions on Governance

The Committee's primary contribution to the PCVC's and Chief Constables strategic objectives is to ensure the governance, control, risk management and audit systems which underpin the work of the PCVC, and Force are sound, reliable, robust and secure.

This annual report sets out how the Committee fulfilled these responsibilities in the financial year 2020/21.

The Committee reviewed its effectiveness against its terms of reference and has continued to develop the areas for improvement identified in the self-assessment undertaken in July 2020, against the revised CIPFA Practical Guidance for Local Authorities and Police Audit Committees.

The Committee continues to recognise the significant challenges facing the Police, Crime and Victims' Commissioner and the Chief Constable and aims to promote and support good governance. Any advice offered will be considerate of these challenges.

The continued openness of the Police Crime and Victims' Commissioner and Chief Constable and the value they place on the work of the Joint Independent Audit Committee in assisting them to provide best value to the public is acknowledged. I was especially grateful for the flexible and swift response from the OPCVC to the changes in Committee membership, which has allowed us to maintain excellent levels of attendance throughout the year.

To conclude, on behalf of the Committee, I would like to thank the officers of the Police, Crime and Victims' Commissioner and Durham Constabulary, Internal Audit (Durham County Council) and External Audit (Mazars) for their cooperation, and timely reports. They were essential in ensuring that the Joint Independent Audit Committee was able to function effectively and fulfil its role during 2020/21.

Eddie Bell

Interim Chair Joint Independent Audit. Committee 2020/21

Joint Independent Audit Committee: Reports Covered & Members Attendance 2020/21

	2 nd June 2020	21 st July 2020	8 th Sept 2020	20 th Oct 2020	8 th Dec 2020	19 th Jan 2021	9 th March 2021
Governance / Risk Management	Police, Crime and Victims' Commissioner (PCVC) Decision Log Draft Joint Audit Committee 2019/20 Annual Report PCVC Gifts & Hospitality Register	Police Complaints – Evaluation of Triage Team Integrity – Professional Standards referrals to IOPC Public Confidence Commissioned Services Controls Joint Audit Committee revised Terms of Reference	JIAC Annual Report 19/20 Estates Strategy Police Officer uplift - Recruitment Letter to External Audit from Chair re: Compliance with International Auditing Standards	Safeguarding Process during Covid-19	Centralised Custody Facility Proposal Joint Chief Finance Officer Review Professional Standards & Legal Services Update	Consultancy Services Report for Chief Constable and PCVC PCVC Office Restructure	Chief Constable & PCVC Risk Registers Chief Constable & PCVC Gifts and Hospitality Registers
Internal Audit (IA) Internal Control Environment	Draft Annual Governance Statements 19/20 CC & PCVC Annual Governance Statement Action Plan IA Progress Report Annual Fraud and Corruption Annual Review of System of IA Annual IA Report	Annual Governance Statements 19/20 update CC & PCVC	Acquisition, Retention and Disposal of Firearms	The Redmond Report Review IA Progress report Annual Governance Statement Action Plan Retention and Disposal of Firearms (verbal update)	Firearms Assurance (verbal update)	IA Progress report IA Progress – Acquisition, Retention & Disposal of Firearms update	IA Plan 2021/22 IA Charter CIPFA Annual Opinion Guidance Head of IA Annual Opinions Rpt.
External Audit (EA)	External Audit Progress Report including Covid-19 update		External Audit Strategy Memorandum External Audit Update			External Annual Audit Letter	

Inspection and Review		HMICFRS Timetable PCVC Annual Report	Annual Report 2019/20 – Joint Audit				Review of Joint Audit Allowance & Expenses
Regulatory Framework / Financial Reporting		Budget Monitoring 2020/21 report Corporate Governance Framework Update	Budget Monitoring 2020/21 Revenue & Capital		Budget Monitoring 2020/21 Treasury Mgt Strategy		Budget Report Precept 2021/22 Revenue & Capital Budget and Medium-Term Financial Plan
Elsie Davies (Chair)	Attended	Attended	Attended	Retired	Retired	Retired	Retired
Clr Eddie Bell (Chair from 16/10/2020)	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Clr Heather Scott	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Jenny Flynn	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Roger Humphries	Apologies	Attended	Apologies	Retired	Retired	Retired	Retired
Diane Murphy	Attended	Attended	Attended	Apologies	Attended	Apologies	Apologies
Derek Shingleton	Apologies	Attended	Attended	Attended	Attended	Attended	Attended
Stuart Green (from 9/3/2021)							Attended
Mac Williams (from 9/3/2021)							Attended

Evaluating the Effectiveness of the Audit Committee

Appendix 2 Audit Committee Members Assessment – Knowledge and Skills Framework

(Based on Appendix C of CIPFA’s “Audit Committees - Practical Guidance for Local Authorities and Police”)

Completed by Stephen Carter DCC Interim Chief Internal Auditor and Corporate Fraud Manager 23 April 2021

Knowledge Area	Details of core knowledge required	How the Audit Committee member is to apply the knowledge/training need	Yes	No	Partly	Comment
Organisational Knowledge	<ul style="list-style-type: none"> An overview of the governance structures of the organisations and decision-making processes. Knowledge of the organisational objectives and major functions of the organisations. 	This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers.	Yes		Yes	Committee considers a wide range of activities including those linked to organisational objectives, functions and governance. Would benefit from refresher training in this area.
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee’s role and place within the governance structures. Familiarity with the committee’s terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. 	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.	Yes		Yes	Audit Committees: Practical Guidance for Local Authorities and Police 2018 Report considered meeting April 2019 Committee Knowledge, purpose and Terms of Reference considered at a training event in May 2019. Terms of Reference revised as a result and are brought back to the Committee on a regular basis for approval. As new Member would benefit from training in this area.
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles of 	The committee will review the local code	Yes			The Committee reviewed the local

Knowledge Area	Details of core knowledge required	How the Audit Committee member is to apply the knowledge/training need	Yes	No	Partly	Comment
	<p>the CIPFA/Solace Good Governance Framework and the requirements of the Annual Governance Statement (AGS).</p> <ul style="list-style-type: none"> • Knowledge of the local code of governance. 	<p>of governance and consider how governance arrangements align to the principles in the framework.</p> <p>The committee will plan the assurances it is to receive in order to adequately support the AGS.</p> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</p>				<p>code of governance as part of its work programme for 2020/21.</p> <p>The Committee receives assurances from the wide range of reports it receives from officers and both internal and external audit.</p> <p>The Committee reviews the AGS in Draft and Final formats and receives progress updates on actions raised within the governance action plan.</p>
Internal Audit	<ul style="list-style-type: none"> • An awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. • Knowledge of the arrangements for delivery of the internal audit service in the organisations and how the role of the head of internal audit is fulfilled. 	<p>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards</p> <p>The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards</p> <p>In relying on the work of internal audit, the committee will need to be confident that professional</p>	Yes			<p>The Committee received a report from the Chief Internal Auditor which outlined the key principles of PSIAS and the LGAN.</p> <p>The Committee receives an Annual Report and Opinion from the Chief Internal Auditor and an Annual Effectiveness Report which identifies how the Internal Audit Service has conformed with professional standards.</p>

Knowledge Area	Details of core knowledge required	How the Audit Committee member is to apply the knowledge/training need	Yes	No	Partly	Comment
		standards are being followed The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan.				The external assessment was undertaken in 2016 the Chair was interviewed as part of the process and the outcome was reported to the Committee.
Financial management and accounting	<ul style="list-style-type: none"> Awareness of the financial statements that the local organisations must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of the Chief Financial Officers in Policing (2018) 	Reviewing the financial statements prior to publication, asking questions Receiving the external audit report and opinion on the financial audit Reviewing both external and internal audit recommendations relating to financial management controls The audit committee should consider the role of the CFO and how this is met when reviewing the AGS	Yes			Review of financial statements is part of the Terms of Reference for the Committee. The Committee receives financial reports from the Joint CFO and the External Audit report and opinion. The Committee considers the role of the Joint CFO and Safeguarding Protocol on an annual basis .
External audit	<ul style="list-style-type: none"> Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. 	The audit committee should meet with the external auditor regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising	Yes		Yes	The Committee considers the Audit Strategy Memorandum and regular progress reports and Annual report from External Audit.

Knowledge Area	Details of core knowledge required	How the Audit Committee member is to apply the knowledge/training need	Yes	No	Partly	Comment
	<ul style="list-style-type: none"> Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken. 	<p>benefit from audit process.</p> <p>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</p>				<p>Arrangements for appointment of External Audit are considered at the appropriate time.</p> <p>Would benefit from refresher training in this area</p>
Risk management	<ul style="list-style-type: none"> Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee. 	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts</p> <p>Typically risk registers will be used to inform the committee</p> <p>The committee should also review reports and action plans to develop the application of risk management practice</p>	Yes		Yes	<p>Committee receives regular reports for consideration from Force and OPCVC with respective risk registers.</p> <p>Robustness of risk management arrangements is considered as part of AGS discussion.</p> <p>Would benefit from further information regarding the risk management policy and strategy</p>
Counter-fraud	<ul style="list-style-type: none"> An understanding of the main areas of fraud risk the organisation is exposed. Knowledge of the principles of good 	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's</p>	Yes		Yes	<p>The Committee receives an Annual report from the Chief Internal Auditor outlining the work the service has</p>

Knowledge Area	Details of core knowledge required	How the Audit Committee member is to apply the knowledge/training need	Yes	No	Partly	Comment
	<p>fraud risk management in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p> <ul style="list-style-type: none"> • Knowledge of the organisation's arrangements for tackling fraud. 	<p>fraud strategy and receives reports on the effectiveness of that strategy</p> <p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment</p>				<p>undertaken in year considering Force / OPCVC fraud risk management framework and associated documents and including examples, as applicable, of where fraud has been identified in specific categories such as payroll, procurement, expenses, flexitime abuse etc. The Committee also receives from Internal Audit, the outcome from the NFI exercise which is undertaken every 2 years. The Committee receives reports from Force Professional Standards.</p> <p>As new Member would benefit from training in this area</p>
Values of good governance	<ul style="list-style-type: none"> • Knowledge of the Seven Principles of Public Life. • Knowledge of the organisation's key arrangements to uphold ethical standards for both members and staff. • Knowledge of the whistleblowing arrangements in the organisations. 	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</p>	Yes		Yes	<p>Seven Principles of Public Life are referenced in the Internal Audit Charter. Periodic reports received from Officers and internal Audit in relation to Ethical Standards and whistleblowing arrangements.</p>

Knowledge Area	Details of core knowledge required	How the Audit Committee member is to apply the knowledge/training need	Yes	No	Partly	Comment
						Refresher training would be useful in this area.
Treasury Management	<ul style="list-style-type: none"> Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangement for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> Regulatory requirements <ul style="list-style-type: none"> Treasury risks The organisation's treasury management strategy The organisations policies and procedures in relation to treasury management. 	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny	Yes			Member Training events and Treasury Management Update Reports

Skills Area	Key Elements	How audit committee member is able to apply the skill	Yes	No	Partly	Comment
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> Able to focus on material issues and overall position, rather than being side tracked by detail 	When reviewing audit reports, findings will include areas of higher risk or materiality but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending	Yes			Audit Committee receives a copy of all Limited Opinion Internal Audit reports for consideration and a quarterly progress update on any audit actions that have not been implemented in accordance with agreed timescales.

Skills Area	Key Elements	How audit committee member is able to apply the skill	Yes	No	Partly	Comment
		too much time on detail				
Questioning and constructive challenge	<ul style="list-style-type: none"> • Able to frame questions that draw out relevant facts and explanations • Challenging performance and seeking explanations while avoiding hostility or grandstanding 	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found	Yes			Audit Committee Members challenge and seek responses to any perceived issues they may have or where further clarification is required.
Focus on improvement	<ul style="list-style-type: none"> • Ensuring there is a clear plan of action and allocation of responsibility 	The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken	Yes			Audit Committee Members challenge and seek responses to any perceived issues they may have or where further clarification is required.
Able to balance practicality against theory	<ul style="list-style-type: none"> • Able to understand the practical implications of recommendations to understand how they might work in practice 	The audit committee should seek assurances that planned actions are practical and realistic	Yes			Audit Committee questions officers about progress made in delivering planned actions according to timescale.
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> • Support the use of plain English in communications, avoiding jargon, acronyms, etc. 	The audit committee will seek to ensure that external documents as the AGS and the narrative report in the accounts are well written for a non-expert audience.	Yes		Yes	Audit Committee comments upon Force / PCVC documentation that is to be made available externally such as the AGS. Could this be tested on someone

Skills Area	Key Elements	How audit committee member is able to apply the skill	Yes	No	Partly	Comment
						ie member of the public?
Objectivity	<ul style="list-style-type: none"> Evaluate information on the basis of evidence presented and avoiding bias or subjectivity. 	The audit committee will receive of assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views	Yes			Audit Committee members are objective in their thinking and willing to discuss differences of opinion.
Meeting management skills	<ul style="list-style-type: none"> Chair the meetings effectively summarise issues raised, ensure all participants are able to contribute focus on the outcome and actions from the meeting. 	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members	Yes			As nominated Chair of the Committee from October 2020 when the previous Chair retired and with a range of experience in Chairing meetings in a number of other organisations I represent, I have consciously looked to facilitate discussion through encouraging all members to participate which I consider they look to do.

Appendix 3

Self-Assessment of Good Practice During 2020/21

(Based on Appendix D of CIPFA's "Audit Committees - Practical Guidance for Local Authorities and Police")

Completed by CEO Mrs Sharon Caddell, Joint CFO Mr Gary Ridley, Mr Charles Oakley and Durham County Council Audit Manager Miss Tracy Henderson on 25th March 2021

Reviewed by Completed Stephen Carter DCC Interim Chief Internal Auditor and Corporate Fraud Manager 23 April 2021

Good practice questions	Yes	Partly	No	Comment
Audit Committee Purpose and Governance				
1. Do the organisations have a dedicated audit committee?	X			
2. Does the audit committee report directly to full council? (local government only).	N/A	N/A	N/A	
3. Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	X			ToR revised July 2020 to reflect CIPFA position statement
4. Is the role and purpose of the audit committee understood and accepted across the organisations?		X		Understood by those Officers / Staff who report to / support Committee
5. Does the audit committee provide support to both organisations in meeting the requirements of good governance?	X			
6. Are the arrangements to hold the committee to account for its performance operating satisfactorily?	X			
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 Governance	X			
• Assurance Framework, including partnership and collaboration arrangements	X			
• Internal Audit	X			
• External Audit	X			
• Financial Reporting	X			
• Risk Management	X			
• Value for Money (VfM) or Best Value	X			
• Counter-fraud and corruption	X			
• Supporting the ethical framework	X			
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?	X			Annual Review of ToR Annual Review of System of Internal Audit Joint Audit Committee Annual Report

Good practice questions	Yes	Partly	No	Comment
9. Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	X			
10. Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A	N/A	N/A	No issues with coverage of core areas
11. Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	X			
Membership and Support				
12. Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 	X			
13. Have independent members appointed to the committee been recruited in an open and transparent way and approved by the PCVC and Chief Constable as appropriate for the organisation.	X			
14. Does the chair of the committee have appropriate knowledge and skills?	X			
15. Are arrangements in place to support the committee with briefings and training?	X			
16. Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		X		Initial assessment in 2018/19, extended in 2019/20 and reviewed at Member training event April 2021 where Members requested to complete own skills framework document
17. Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer (CFO)?	X			
18. Is adequate secretariat and administrative support to the committee provided?	X			
Effectiveness of the Committee				

Good practice questions	Yes	Partly	No	Comment
19.Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	X			
20.Are meetings effective with a good level of discussion and engagement from all members?	X			
21.Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with responsible officers?	X			
22.Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	X			
23.Has the committee evaluated whether and how it is adding value to the organisation?	X			Joint Audit Committee Annual Report
24.Does the committee have an action plan to improve any areas of weakness?	X			Joint Audit Committee Annual Report
25.Does the committee publish an annual report to account for its performance and explain its work	X			Joint Audit Committee Annual Report

Appendix 4

Evaluating the Effectiveness of the Audit Committee

(Based on Appendix E of CIPFA's "Audit Committees - Practical Guidance for Local Authorities and Police")

Completed by CEO Mrs Sharon Caddell, Joint CFO Mr Gary Ridley, Mr Charles Oakley and Durham County Council Audit Manager Miss Tracy Henderson on 25th March 2021

who assessed each area providing a score from 1 to 5 in accordance with the following assessment criteria:

Reviewed by Stephen Carter DCC Interim Chief Internal Auditor and Corporate Fraud Manager 23 April 2021

5	Clear evidence available from numerous sources that committee is actively supporting improvements across all aspects of area. Improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvements across some aspects of this area.
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.
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 to Add Value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples of areas of strength and weakness	Overall Assessment Score 1-5
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> • Supporting the development of a local code of governance • Providing robust review of the AGS and the assurances underpinning it • Working with key members to improve their understanding of the AGS and their contribution to it • Supporting reviews/audits of governance arrangements • Participating in self-assessments of governance arrangements • Working with partner audit committees to review governance arrangements in partnerships 	<p>Review of the local code of governance.</p> <p>Review of the Draft AGS prior to its inclusion in the Statement of Accounts.</p> <p>Internal Audit reviews of governance arrangements are completed regularly as part of the risk-based plan.</p> <p>No formal work with partner audit committees takes place</p>	4

Areas to Add Value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples of areas of strength and weakness	Overall Assessment Score 1-5
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> • 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 	Recommendations from auditors are monitored regularly. Senior Officers provide confirmation of action taken / planned where concerns exist.	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> • 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 arrangements for both the PCVC and Constabulary are reviewed on a regular basis. Emerging issues reported by Joint CFO as part of update process.	5
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> • Specifying assurance needs, identifying gaps or overlaps • Seeking to streamline assurance gathering and reporting • Reviewing the effectiveness of assurance providers e.g. internal audit, risk management, external audit. 	Review of the local code of governance and Annual Governance Statement.	5
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements • Assessing the effectiveness of internal audit arrangements, 	Annual review of the audit charter and strategy. Annual review of the assessment of internal audit arrangements. Provision of constructive challenge and support for improvements.	5

Areas to Add Value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples of areas of strength and weakness	Overall Assessment Score 1-5
	<p>providing constructive challenge and supporting improvements</p> <ul style="list-style-type: none"> Actively supporting the quality assurance and improvement programme of internal audit 	<p>Review of Quality Assurance and Improvement Plan targets via quarterly progress reports and Internal Audit's annual report.</p>	
<p>Aiding the achievement of the organisation's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<ul style="list-style-type: none"> 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 	<p>Governance arrangements are reviewed via the Annual Governance Statement Process.</p> <p>Red Sigma / Capital programme updates provided as part of Joint CFO budget reporting arrangements.</p> <p>Performance Management forms part of the strategic internal audit plan coverage, however, testing exists in most audits to ensure performance management is robust.</p>	4
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<ul style="list-style-type: none"> 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 	<p>Value for money is assessed by both Internal and External Audit.</p> <p>External Audit specifically deliver an assurance opinion on value for money as part of the annual audit process. This and Internal Audit's work throughout the year form part of the assurance for the AGS</p>	5
<p>Helping the organisations to implement the values of good governance, including effective</p>	<ul style="list-style-type: none"> Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and 	<p>Internal Audit undertakes an Annual Review of Fraud and Corruption arrangements as outlined within its Annual Report. This incorporates the outcomes of each National</p>	4

Areas to Add Value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples of areas of strength and weakness	Overall Assessment Score 1-5
arrangements for countering fraud and corruption risks.	<p>Corruption (CIPFA, 2014)</p> <ul style="list-style-type: none"> • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks • Assessing the effectiveness of ethical governance arrangements for staff 	<p>Fraud Initiative exercise and work undertaken with Professional Standards identifying any investigations they have undertaken against a range of qualifying criteria. Internal Audit includes within its strategic plan reviews under a heading of Ethical Governance which includes reviews of Member Expenses, Gifts and Hospitality, Force PDR arrangements and Complaints.</p>	
Promoting effective public reporting to the organisation's stakeholders and local community and measures to improve transparency and accountability.	<p>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.</p>	<p>The committee meets in private with reports being exempt from public discussion. Minutes of each meeting are however displayed on the PCVC website. An annual report from the committee is published on the PCVC website.</p>	<p>3 (Upgrade to 4 if OPCVC promotes meeting with staff, partners and public).</p>