
Report to: Governance and Audit Committee

Date: 18 March 2021

Subject: **PCC Governance Arrangements**

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1. Purpose of this report

- 1.1. To provide information to the Committee on MCA readiness work in relation to the future arrangements for governance with regard to the Police and Crime Commissioner functions.

2. Information

Current Audit Committee Arrangements

- 2.1 The Combined Authority has an established Governance and Audit Committee appointed in accordance with Schedule 5A of the Local Democracy, Economic Development and Construction Act 2009. The Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management and has the responsibility for approving the annual accounts.
- 2.2 The current equivalent arrangements for policing are via the Joint Independent Audit and Ethics Committee (JIAEC). This was established in accordance with the Financial Management Code of Practice (FMCP) which is guidance issued by the Home Office. This guidance specifies that the PCC and Chief Constable should establish an independent audit committee and it is recommended that this is a combined body which will consider the internal and external audit reports of both the PCC and Chief Constable.
- 2.3 In November 2012, the West Yorkshire PCC first approved the establishment of a Joint Independent Audit Committee with membership appointed from the then Police Authority & Standards Committee. The Statement of Purpose of this Committee provided that it would, "Provide independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of processes in order to get reassurances regarding the organisations financial and non-financial performance to the extent that it affects exposure to risk and weakens the control environment, and to oversee the financial reporting process."

- 2.4 Following a review of the operation of the Committee in April 2016, the PCC approved the establishment of a Joint Independent Audit and Ethics Committee. The ethics element of the Committee was put in place to assist the Monitoring Officer to discharge their statutory responsibilities under s5 of the Local Government and Housing Act 1989, as amended by the Police Reform and Social Responsibility Act 2011. The Statement of Purpose of this element of the Committee is, "To provide independent assurance to the PCC and Chief Constable that ethics and integrity are embedded within West Yorkshire Police and the Office of the Police and Crime Commissioner and to scrutinise the ethical governance and complaints arrangements in order to ensure that issues are being handled expeditiously and following due process."
- 2.5 Governance and Audit Committee is advised that the current JIAEC will continue to operate after the transfer of policing functions, as its core purpose and function are still required. It will be necessary to review some of the practical arrangements, including the terms of reference and introducing a reporting line across to the Combined Authority/Mayor and work will continue with the Office of the Police and Crime Commissioner and West Yorkshire Police to progress this. The OPCC and West Yorkshire Police support this position.

Internal Audit Arrangements

- 2.6 In terms of internal audit arrangements, all relevant authorities must have regard to regulation 6 of the Accounts and Audit Regulations 2015. This regulation states that, "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance." The standard referred to is the Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public finance and Accountancy (CIPFA). The guidance is contained in the FMCP and recommends that the PCC and Chief Constable should look to minimise duplication and bureaucracy and to maximise value for money when designing their internal audit arrangements so are recommended to have a shared internal audit service covering both bodies.
- 2.7 The Local Audit and Accountability Act 2014, Schedule 2, provides a list of relevant authorities which does include a Combined Authority, PCC and Chief Constable but modifications to the Act made by the Order excludes the PCC. The implication of this modification is that the Mayor with policing and crime functions does not come within the remit of a relevant authority therefore is not a decision maker in relation to the audit (internal and external) function arrangements.
- 2.8 A recent review of the internal audit arrangements provided to the PCC and West Yorkshire Police (WYP), which was instigated as part of the workforce workstream associated with the Mayoral Combined Authority (MCA) Ready Programme, considered whether the Internal Audit Team which was employed at that time by the PCC but providing a shared service arrangement to both bodies should transfer to the Combined Authority. It was noted that significantly more internal audit work was carried out for WYP than the PCC so on this basis it would not be appropriate at this stage for the Internal Audit Team to come

within scope to transfer. Recognising the balance of work that was provided by the Internal Audit Team, the staff transferred to WYP on 1st January 2021.

- 2.9 Work is underway to put in place a Service Level Agreement with WYP for the internal audit work that may be required to be undertaken in relation to the Mayor's PCC functions.

External Audit Arrangements and Approval of Accounts

- 2.10 The West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 specifies that after the transfer made by the Order, the Combined Authority in respect of the police and crime commissioner's accounts and the Chief Constable is required to prepare a statement of accounts for the period 1st April 2020 to 9th May 2021. It should be noted that the Chief Constable is a 'corporation sole' and produces annual accounts therefore in their own right, and these are then consolidated into group accounts with those of the PCC.
- 2.11 Under the delegated authority arrangements as set out in the current governance arrangements, the Combined Authority has delegated approval of the statement of accounts to the Governance and Audit Committee. It is proposed that this arrangement will continue.
- 2.12 The accounts for WYP, for which the Chief Constable is a separate legal entity, will continue to be audited and approved separately and will, from 2021/22, then be incorporated into the Mayoral Combined Authority accounts to produce a Consolidated Group account which is approved through the usual delegated route in the Combined Authority. The Mayoral Combined Authority accounts must show the Police Fund (the PCC and WYP) separately.
- 2.13 Presently, the JIAEC makes a recommendation for approval to the PCC and Chief Constable after considering the draft statements of account. JIAEC will continue to consider the draft accounts for WYP and make a recommendation to the Chief Constable who will approve the accounts for the WYP. The JIAEC will also provide an annual report to the Combined Authority's Governance and Audit Committee for them to consider as part of their process of considering and approving the consolidated Combined Authority accounts.
- 2.14 In terms of external audit, the FMCP provides guidance on the appointment of external auditors. Under the Local Audit and Accountability Act 2014, a relevant authority may appoint their own auditor taking advice from an auditor panel or may opt into the national auditor appointment arrangements managed by the Public Sector Audit Appointments (PSAA). Schedule 3, section 2(2) of the 2014 Act states that, "the chief constable must not appoint a local auditor to audit the accounts", section 2(3) further states that "the accounts (of the chief constable) must be audited by the local auditor appointed by the police and crime commissioner for the area to audit the commissioners accounts for the financial year". Whilst the position is not as clear as it could be at the point the Mayor takes office, the legislation which is also supported by the FMCP indicates that the Chief Constable's accounts should be audited by the Combined Authority's external auditors.

- 2.15 External auditor appointments are made by Public Sector Auditor Appointments Ltd (PSAA). Mazars are under contract to audit West Yorkshire Combined Authority for a further three years. PSAA is consulting with the PCC and West Yorkshire Police to determine whether there should be a change to their external audit arrangements.

Next Steps

- 2.16 There is synergy with the role performed by the JIAEC and the Governance and Audit Committee of the Combined Authority. As part of the wider work underway to prepare for the arrival of the mayor all committee terms of reference are being reviewed for consideration at the annual meeting in June. This provides an opportunity to revise the terms of reference of these Committees to enable an annual report to be considered and approved in terms of the accounts and audit function undertaken on behalf of the PCC element of the Mayor's accounts and the Chief Constable.
- 2.17 It is proposed that further work continues as the operational implications of the Order are fully understood, to enable a joint review to be undertaken later this year to assess the most constructive way to ensure efficient and effective overview of the governance matters currently undertaken by both Committees.

3. Financial implications

- 3.1 None arising directly from this report.

4. Legal implications

- 4.1 As set out in the report.

5 Staffing implications

- 5.1 None arising directly from this report.

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 That the Committee note the current arrangements in place with regard to governance of the policing functions and the immediate and longer term work underway to ensure these can continue effectively after the transfer of PCC functions in May.

8. Background Documents

None.