



Item 2 (ii)

2023 Annual Report

1. Role and Purpose of the Ethics Transparency and Audit Panel (ETAP)

ETAP is the Joint Audit Committee of three organisations:

- Staffordshire Police Force (Force),
- Staffordshire Fire and Rescue Service (FARS),
- Staffordshire Commissioners Office (SCO).

ETAP is independent of all three organisations. A major function and purpose of ETAP is recommending to those charged with governance the approval of the annual accounts for the organisations, this is undertaken at a public meeting. ETAP also tries to increase confidence for both the taxpayers and the wider public that the funds are being well utilised, good value for money is obtained and ensures that the processes in use are transparent.

In addition to the functions of a public sector audit committee for the three bodies ETAP also undertakes a scrutiny role in examining the processes of specific topics. This report sets out:

- The membership and structure of ETAP,
- The activities undertaken by ETAP during 2022/23,
- How the results of ETAP activities are shared with the public,
- The plans to ensure ETAP adopt best practice and enhance future assurance to the public.

2. Membership and Structure of ETAP

Membership of ETAP is drawn from residents of Staffordshire to ensure panel members have a vested interest in the work of ETAP. Appointments to the panel are made independent of the executive of the three organisations. Members need to be independent and have the technical knowledge and the ability and willingness to ask searching informed questions of the three bodies. ETAP therefore adds value to all of the services by scrutinising the finances and also examining specific topics. ETAP currently has ten members with a wide variety of knowledge and experience from the financial, public sector, and other external organisations.

During the last twelve-month period ETAP held four public meetings for FARS and five public meetings for the Force. Both sets of meetings also had representatives from the SCO and were quorate including a high representation from ETAP Members. All meetings were held at Police Headquarters.

To ensure delivery of the planned workload ETAP has two subgroups: Finance Panel (FP) and Ethics and Review Panel (ERP). The Finance Panel concentrates on a variety of financial and other information for all three organisations and the Ethics and Review Panel leads on the scrutiny of processes on specific topics. Each panel is chaired by an ETAP member and all ETAP members are a member of at least one of the panels.

ETAP also has oversight of both internal and external audits together with the financial and governance reports, for all three organisations in helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

The panels have the opportunity to add further value through the in-depth analysis of the subject matter and the value and experience brought from professional expertise of working at high levels in multi-faceted organisations.

a) Finance Panel (FP)

This panel has a close working relationship with the statutory Head of Finance for each organisation (often referred to as the Section 151 Officers). The FP takes the lead for ETAP on the audit committee responsibilities and examines the details of the reports. This is to provide the full ETAP meeting with an independent assurance at a high level on the adequacy of governance, risk, and control arrangements that are both in place and are operating well.

The FP has separate meetings for the Force and FARS which are attended by the Section 151 Officers (or their deputy) and the SCO also has senior staff in attendance. To best utilise ETAP members' time these FP meetings are normally held back-to-back on the same day at the same venue.

From April 2022 to March 2023 the FP met on five occasions, were always quorate and had high level representation by FP Members. In addition, the Chair of the Finance Panel and ETAP Chair regularly met with the Section 151 Officers.

As a result of both ETAP and FP actions, we have ensured that there is sufficient assurance over governance, risk, and control and greater confidence can be given to all those charged with governance in the three separate organisations that those arrangements are effective.

b) Ethics and Review Panel (ERP)

The function of ERP is to review specific topics to ensure good management is in place and give assurances to the public that established processes and procedures are being adhered to. Any deviance from the agreed processes need good reasons or assurance that management will take remedial action. Without ERP review this depth of assurance would not be in place.

The topics can be suggested by any of the management teams or ETAP. The initial approach is to ask the relevant manager to attend an ERP meeting and share the current issues being faced by the team. This helps members greatly as there is an open frank discussion of the topic, ERP have moved away from formal PowerPoint presentations and only ask for copies of management reports that are already in use.

The ERP meetings help with planning the timing of any further reviews that the panel members wish to undertake. In addition, to ensure the best use of panel members' time and only valid topics are scrutinised in detail a scoring template is used for each proposed review. A minimum score has to be achieved for ERP to take things further. Items not reaching a suitable score are referred to senior management for alternative solutions or reviews.

Once a topic is agreed for examination work by ERP a standard template is drawn up setting out the terms of the review along with the expected outcomes. This is shared and agreed upon with the relevant management team before work commences. The review may be a simple review of documents but may also include a test of a small sample to confirm the process is operating as expected. Once the fieldwork is completed the original terms of reference document is updated with the results of the review along with any suggestions for change. The wordings are agreed upon with the appropriate management and any response is included in the updated document. The agreed final document is published on the SCO website. ERP will also review the outcome of the exercise to note any lessons learnt or improvements for future reviews.

From April 2022 to March 2023 the ERP met formally on four occasions, were always quorate and highly attended by ERP Members.

3. Result and Outcome from ETAP

ETAP has had a busy year which in part has been caused by the delay of the audit of the 2021/22 Annual accounts for both the Group Accounts for the SCO with the Force and FARS.

a) FARS, 2021/22 Annual Accounts:

The draft accounts for the FARS were available in the early summer of 2022. Grant Thornton completed the audit in the autumn of 2022 and has since issued the VFM report in the spring of 2023. Whilst there are no major changes to the operational financial results ETAP members were concerned that the delays to the finalisation of accounts were due to some professional technicalities. As there were similar items raised with the group accounts there are some comments later in the report.

b) FARS, 2022/23 Annual Accounts (draft):

FARS are expected to publish the 2022/23 draft annual accounts on their website at the end of May 2023. The Finance team at FARS worked hard to achieve this date. At the same time the Annual Governance Statement (AGS) for 2022/23 is expected to be available. This is a change of format for FARS and makes it a consistent format with the AGS for the SCO and Force. ETAP has two experienced members to lead the AGS review. It is appreciated this is a busy time of year for a small team and FARS draft AGS was available for the May meeting.

c) Group Accounts SCO and Force 2020/21:

The Group Accounts for 2020/21 have yet to be formally signed off by EY. ETAP members appreciate the changes are technical issue and the accounts were subsequently signed off in May 2023.

d) Group Accounts SCO and Police Force 2021/22:

The external audit of the Group 2021/22 annual accounts for both the Force and SCO were started by Ernest and Young in January 2023, the Group Accounts for 2021/22 have yet to be formally signed off by Ernest and Young. The accounts were approved in the ETAP Public Meeting in May. Group Accounts SCO and Force 2022/23 (draft).

The SCO and Force are required to publish draft annual accounts for 2022/23 on their website by the end of May 2023. Until the 2021/22 accounts are formally signed off by EY this action cannot take place. The Section 151 Officers will update members at the meeting on the latest position.

e) Financial Planning Documents for 2023/24:

ETAP was pleased to receive the financial packs for 2023/24 in February 2023, for both the Force and FARS. This included the following reports:

- Budget and MTFS,
- MTFS Supplementary Report,
- Capital Strategy,
- Reserves Strategy,
- Treasury Management Strategy.

It was noted that these same documents were presented to the Police, Fire, and Crime Panel where the 2023/24 precepts were approved.

f) Annual Governance Statements:

ETAP reviews the AGS of all three organisations. Over the years the process has become more collaborative and has fully involved the skills of ETAP members.

Each entity has its own issues to overcome in the preparation of the AGS and ETAP has noted the items as follows:

- SCO, ETAP receive early drafts, this document has much improved over the years.
- FARS has in the past incorporated the AGS within other statements in the accounts. FARS have now adopted the same format as the SCO and Force, this is welcomed by ETAP.
- The Force prepares a Force Management Statement (FMS) which is a very detailed document covering all of the Forces activities. The AGS is only released when the (FMS) is completed as needs to be consistent in the information and approach. A draft

AGS for 2022/23 was made available to ETAP members shortly before the ETAP meeting on 24 May.

g) Private Meeting with Auditors:

The Chartered Institute of Public Finance Accountancy (CIPFA) recommends that Audit Committees meet the auditors in private at least once a year. ETAP has adopted this good practice and has had private meetings with the internal and external auditors. This ensures that ETAP members have the opportunity to independently ask the auditors difficult questions and have an external view or comparison of how the organisations are performing. This process also adds a further level of assurance for the public.

Fortunately, there were no matters of concern but it does assist in maintaining a good relationship with all of the audit teams.

h) Audit Planning:

ETAP receives and has input into the audit plans of both the Internal and External Audit plans. This enables ETAP to monitor progress at each public meeting and agree on any charges if required. The 2023/24 Internal Audit plan is on the agenda for the May 2023 meeting.

i) Internal Audit Reports:

ETAP receive all Internal Audit reports and in the main are discussed at the public meetings. Sensitive issues may be held in private and the advice of the Monitoring Officer is taken before deciding how to proceed. A major item for ETAP to have added confidence that issues are under control is the annual assurance report from Internal Audit.

j) Public Finance Panel and Ethics & Review Panel Reports:

In order to promote transparency of the work the ETAP does in the two sub groups a written update report is provided from the two deputy chairs at each ETAP public meeting. Again, in the interest of transparency, the procedure for the public to have the opportunity to raise issues has recently been updated.

k) Updates on Governance and Recommendations:

As part of the Governance role, ETAP has an update on any governance changes every six months. Similarly, as part of the Governance arrangements ETAP twice a year review formal reports on progress on recommendations from all sources including actions from audit and inspections reports.

l) CIPFA Training:

CIPFA issued a refresh to its guidance for Audit Committees in October 2022. The SCO kindly arranged a half-day virtual session on Annual Governance Statements in early December 2022 and a full-day presentation from CIPFA at Police HQ at the end of March on the role of an audit committee. Both sessions were a good refresher on the topics for the

experienced members it also helped newer members have a better understanding of the ETAP role.

Within the CIPFA training there were references to two useful documents that would assist ETAP in planning and development:

- Knowledge and Skills Framework of the Police Audit Committee.
This would help identify skills gaps which could be filled either by additional training or ensuring when recruiting new members added to the group skills of ETAP
- Self-Assessment of Good Practice.
The use of this matrix by ETAP members would assist in identifying the gaps and also gaining ownership from ETAP members for both individual and group development.

m) Other Training:

ETAP members were able to join in the recently updated Equality Diversity and Inclusion training delivered by the Force. It was a good insight into other complex issues that the Force is working with.

ETAP needs to be kept abreast of all relevant legislative changes and best practices. The provision of external training allows ETAP members an opportunity to evaluate their own performance in the light of current practice elsewhere. This becomes more vital in the current economic and financial situation both nationally and on an international scale.

4. Results of Finance Panel

- a) The FP spend time and use their expertise in working at a very senior level looking into the details of the financial reports of three multi-faceted organisations. In particular, they review the monthly management reports and look at trends and movements over a period of time. The panel has monitored the predicted year-end outcomes and hopefully, will be close to actual outturn results
- b) Some members of the FP were available to have input to the early business case for the proposal on a new firing range. The FP has subsequently received updates and presentations on progress and setting of realistic costings.
- c) The FP has undertaken the review of the annual accounts of each of the three entities and has serious concerns that the annual accounts are extremely complex and detailed and that this does not lend itself well to the public reader. The accounts give a distorted position by the unfunded pension element. Also, the panel members question the time effort, and costs that are incurred on technical changes. In particular, the expectations involved in both pension and building valuations which any changes are directly offset by changes in various reserves.
- d) ETAP feels the Annual accounts do not easily show the true revenue position and with the delays in clearing the audits, any comments are outdated yet, add to various fees.
- e) ETAP members have had the auditors and the Section 151 officers explain the very complex management arrangements at national level. The members feel if changes are to be made

within the differing responsibilities such as National Audit Office Financial Reporting Council and PSAA along with the different Government departmental bodies that the opportunity to simplify the format of accounts should also be taken. ETAP feel this is an area in desperate need of proving value for money to the public.

- f) The FP has seen early drafts of the SCO AGS, FARS AGS and Force AGS at the May ETAP Public Meeting.
- g) The FP regularly reviews the risk registers of the three bodies. The FP is in conversation with the services to determine how to best monitor and gain assurances from their risk operating environment. FP believe it would be a good step for all three organisations to reconsider the current procedure to risk management and have a top-down approach.

5 Results from Ethics & Review Panel

In 2022-23 the ERP has used its meetings and conversations with managers across all three organisations as an opportunity to provide in- depth scrutiny as well as conducting a number of full reviews in the following areas:

Force:

- Vetting: Understanding the vetting challenges, in preparation for the recommendations, national and local, that will come from an HMICFRS inspection in November 2022.
- Know the Line: A campaign internal to the Force to combat Abuse of Position for Sexual Purposes, to challenge inappropriate behaviours and support victims.
- Whistleblowing policy: A briefing on the updated Whistleblowing Policy.
- Attendance at Professional Standards Department CPD day.
- A Review of the Areas for Improvement 2019 related to Professional standards and counter fraud and corruption.
- Complaints Review follow-up: From an initial review of the process for handling complaints against the police in 2021, ERP found that much improvement and reorganisation had taken place. (An update report on Complaints-handling was also presented to whole of ETAP that Commissioner presented to the Police, Fire and Crime Panel).

FARS:

- Follow up on the implementation of the FARS Core Code of Ethics.
- Attendance at Financial Challenge roadshow meetings.
- Briefing on FARS governance arrangements and on the Consultation on the Fire White Paper, to which ETAP responded
- Preparatory meetings for a full review of FARS project management processes underpinning their response to Areas for Improvement identified in a recent HMICFRS report.
- Review of FARS' response to the Grenfell Phase 1 Report, which recognised a considerable amount of work had been carried out, with most recommendations implemented and the remaining seven outstanding on-track

SCO

- Review of the project management of the SCO CISP Project: Which replaced the structure of Safer Neighbourhood Panels with Commissioner's Independent Scrutiny Panels. ERP found that this had been well-managed in a timely fashion.

All three organisations

- Review of expenses, gifts and hospitality: A review of the reporting arrangements against existing statutory obligations, policies and procedures with recommendations on reporting requirements going forward.
- Follow-ups on Covid Staff Welfare and well-being reviews.

6 ETAP Topics for the Future

There is an increased awareness of the role of Audit Committees following the CIPFA update on the role in October 2022. There are a number of issues that need addressing locally in Staffordshire to ensure that ETAP as an audit committee meets the recently published version of CIPFA best practices and is able to deliver expectations.

In order to identify early the use of both the self-assessment and skill matrix needs to be completed by all ETAP members. This will identify the gaps in topics not currently covered properly and the future training needs of ETAP Members. This will also help in setting out an evidence-based work plan for the FP and ERP.

The SCO has prepared a matrix of all the expected tasks for ETAP and will establish a timetable and workplan to ensure everything is approached in a timely manner. There is already an agreed workplan for ERP but it can be changed if required.

In order to create a balanced workload, it is proposed to hold the ETAP meetings for FARS at Pire Hill. Not only does this help with treating FARS as separate legal entity ETAP members can have some time to action roles such as proper planning and development and completion of self-assessment and skills matrix.

Initially, the plan would be for separate meetings for FARS and Force ETAP on alternative months with FP and ERP meeting in between full ETAP meetings. ETAP has agreed that the formal FP reviews move to quarterly which would assist in allowing FP members to use the 2 spare meetings to address the known gaps in coverage of governance and control assurances.

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