

JOINT INDEPENDENT AUDIT COMMITTEE

27 MARCH 2013

PRESENT: J Cooke, E Hayward and J Remnant

1. APPOINTMENT OF INTERIM CHAIR OF THE COMMITTEE

RESOLVED - That J Cooke be appointed as Interim Chair of the Committee.

2. ROLE OF JOINT INDEPENDENT AUDIT COMMITTEE

The Police and Crime Commissioner and the Chief Constable are required to maintain an effective internal audit of their affairs by the Accounts and Audit Regulations 2011.

The Home Office's financial management code of practice requires the establishment of an audit committee and recommends that the Police and Crime Commissioner and Chief Constable have a shared internal audit service to minimise duplication and bureaucracy and maximise value for money.

The Police and Crime Commissioner and Chief Constable have agreed to establish a Joint Independent Audit Committee comprising five independent members, with a quorum of three, to discharge this requirement with terms of reference outlined, based on the Chartered Institute of Public Finance and Accountancy (CIPFA's) guidance on Audit Committees. The Committee will normally meet quarterly to consider internal and external audit reports on behalf of the Police and Crime Commissioner and the Chief Constable and advise them according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practice.

The Internal Audit Service's three year risk based strategic plan to review internal control systems will be presented to the Committee annually and performance against the plan and issues identified through audit activity, including audit recommendations not implemented, will be reported quarterly. At the end of each year an annual report will be presented to the Committee giving an overall opinion on internal control environments of the Police and Crime Commissioner and Chief Constable.

Mazars role as the external auditors of the Police and Crime Commissioner and Chief Constable includes an annual audit of the statements of accounts and ensuring there are proper arrangements for securing economy, efficiency and effectiveness. Mazars will provide

quarterly progress updates to the Committee on their work, annual audit letters for the statement of accounts and an annual governance report.

The Accounts and Audit Regulations 2011 require that both the Police and Crime Commissioner and Chief Constable produce a statement to cover their whole internal control environment, both financial and non-financial to be published in the Annual Statement of Accounts.

The Committee will be required annually to consider and recommend the approval of the assurance framework to the Police and Crime Commissioner and Chief Constable to produce the Annual Governance Statement and receive reports in each area of assurance as part of the process. The statement, once approved, will accompany the Statement of Accounts and be published externally. One key source of assurance, the Internal Audit Annual Report and the 2012/13 statement, will be reported to the Committee in June 2013.

It is proposed that the current risk management policy be adapted to recognise the organisational changes arising from the election of the Police and Crime Commissioner. A strategic risk register for the Police and Crime Commissioner and her office has been drafted. Quarterly reports reviewing risk management arrangements of both the Police and Crime Commissioner and Chief Constable will be provided to the Committee.

- RESOLVED -
- (i) That the information be noted.
 - (ii) That the Committee adopt the terms of reference included in the appendix to the minutes.

3. ANNUAL GOVERNANCE REVIEW – ASSURANCE FRAMEWORK 2012/13

The Accounts and Audit Regulations 2011 require that the Police and Crime Commissioner and Chief Constable produce an Annual Governance Statement setting out their governance arrangements and reviewing their effectiveness. This will be considered by the Joint Independent Audit Committee before approval by the Police and Crime Commissioner and Chief Constable to accompany the Annual Statement of Accounts for each body.

CIPFA has issued guidance on an assurance framework for the Annual Governance Statement. Evidence from the outlined sources of assurance that the systems of internal control are operating as planned was to be reviewed.

From 2012, the Police and Crime Commissioner and Chief Constable have responsibilities for governance in their own right. Most of the principles and implementation will be the same for both but areas specific to each corporation sole may need to be reflected.

Under the CIPFA framework, both the Police and Crime Commissioner and the Chief Constable should draw up a local code of governance, which could be a joint code, and follow recognised best practice in managing and reviewing its operation.

The Committee will receive a report giving the overall opinion of all the force's Heads of Department and Area Commanders and the Office of the Police and Crime Commissioner's senior officers on the adequacy of arrangements they have in place.

The Internal Audit Service, provided under a support services agreement with Gateshead Council, ensures that the key systems, both financial and non financial, of both bodies are subject to regular audit as part of the risk based internal audit plan. A review of the effectiveness of internal audit is required under the Accounts and Audit Regulations 2011 including evaluating the effectiveness of this Committee, and this will be reported to the Committee.

The Police and Crime Commissioner has a dual responsibility for arrangements to manage her own risks, separate from those of the Chief Constable, and for monitoring that the Chief Constable has adequate risk management arrangements in place. The approach to risk management is being reviewed and the development of a joint strategic risk register considered.

The performance management framework, including data quality, forms part of the assurance of senior managers on the key controls operating in their areas. Corporate performance management information is reported to the force's Senior Management Board which the Police and Crime Commissioner attends.

The external auditor will issue annual audit letters to both the Police and Crime Commissioner and Chief Constable, providing a review of the value for money arrangements in each body and reporting any significant issues arising from the audits of their financial statements.

Other external inspectorates eg HMIC, may report on management and governance arrangements within the Police Service.

Assurance will be sought from the Police and Crime Commissioner's Chief Executive and the Chief Constable's Head of Legal who have a legal duty within their own bodies to ensure the lawfulness and fairness of decision-

making and compliance with established policies, procedures, laws and regulations.

Assurance will be sought from the Police and Crime Commissioner's Treasurer and the Chief Constable's Director of Finance as the designated responsible officers for the administration of each body's financial affairs under section 151 of the Local Government Act 1972.

Assurance is also required in respect of any significant partnership arrangements, as they are key to the delivery of each body's objectives. Each arrangement will be assessed against guidance produced by the Audit Commission.

Other sources of assurance include anything not covered above which give an opinion on the internal control environment or governance arrangements for either body.

The production of the Annual Statements of Accounts for each separate body will inform the final process for the production of its Annual Governance Statement. Discussions are ongoing with the external auditors on the approach that will be followed.

Representatives of both the Police and Crime Commissioner and Chief Constable will review evidence from these assessments and the 2012/13 statement will be submitted to the Committee to review and make recommendations to the Police and Crime Commissioner and Chief Constable.

RESOLVED - That the Committee recommend that the outlined Annual Governance Statement assurance framework be approved by the Police and Crime Commissioner and the Chief Constable.

4. TREASURY POLICY STATEMENT 2013/14 TO 2015/16

CIPFA's Code of Practice on Treasury Management represents best practice in treasury management. By adopting the proposed 2013/14 to 2015/16 treasury policy statement and strategy, the Police and Crime Commissioner contributes towards achieving best practice.

The CIPFA Prudential Code for Capital sets out prudential and treasury indicators that must be calculated to ensure borrowing is affordable, prudent and sustainable and refers to the need for a clear and integrated treasury strategy.

Also, under Section 15 of the Local Government Act 2003, local authorities are required to have regard to the CLG's guidance on local government Investments which stipulates the requirement for an annual investment strategy to be integrated into the Police and Crime Commissioner's treasury strategy.

CIPFA's Code requires the setting out of the responsibilities of the Police and Crime Commissioner, Committee members, officers and treasury advisors to allow a framework for reporting and decision making on all aspects of treasury management. The 2013/14 to 2015/16 treasury strategy submitted covers the proposed specific activities in relation to both borrowing and investments and ensures a wide range of advice is taken to maintain and preserve all principal sums, whilst obtaining a reasonable rate of return, and that the most appropriate borrowing is undertaken. The primary objective of the investment strategy is to maintain the security of investments at all times.

The treasury strategy complies with the requirements of the Code, the Prudential Code for Capital Finance in Local Authorities and Part 1 of the Local Government Act 2003.

- RESOLVED -
- (i) That the implementation of the three year treasury policy statement as submitted be recommended to the Police and Crime Commissioner.
 - (ii) That an update on the current position in regard to the Heritable dividend be provided.

5. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED - That the press and public be excluded from the meeting during consideration of the remaining item in accordance with the indicated paragraphs of Schedule 12A to the Local Government Act 1972.

6. INTERNAL AUDIT: UPDATE ON INTERNAL AUDIT WORK AND PROGRESS AGAINST ANNUAL AUDIT PLAN – QUARTERS 2 and 3 2012/13 (Paragraph 7)

Information on the progress against the annual internal audit plan to date and the recommendations made to management during quarters 2 and 3 was submitted.

Ten internal audit reports were issued during the period, eight concluded that systems and procedures in place were operating well and two were operating satisfactorily. No fraud or irregularity investigations were undertaken during the period. Details of the number and priority of recommendations raised during the period and their agreed implementation timescales were also submitted.

The quality review process which provides assurance of compliance with the CIPFA Code of Practice for Internal Audit 2006, found no significant areas of non-compliance during the period.

- RESOLVED -
- (i) That the information be noted.
 - (ii) That the presentation of the Internal Audit recommendations be reviewed.

7. SERVICE MANAGEMENT: UPDATE ON THE IMPLEMENTATION OF OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS (Paragraph 7)

Assurance from management in respect of the implementation of outstanding internal audit recommendations during quarters 2 and 3 was submitted.

100% of internal audit recommendations raised to 31 December 2012 have been implemented against the current local target of 90%.

- RESOLVED - That the information be noted.

8. EXTERNAL AUDIT UPDATE (Paragraph 7)

An update on the external auditor's current position was given. The external auditor emphasised the importance of the Police and Crime Commissioner and Chief Constable having sound and effective governance arrangements in support of the preparation of the annual statement of accounts.

- RESOLVED - That the information be noted.

9. SUPPORT SERVICES AGREEMENT (Paragraph 3)

The Deputy Police and Crime Commissioner reported that the Police and Crime Commissioner was in discussions with Gateshead Council regarding the above agreement and changes in her Chief Executive and Treasurer appointments.

- RESOLVED - That the information be noted.