

**JOINT INDEPENDENT AUDIT COMMITTEE****10 JUNE 2013****PRESENT:** J Cooke (Chair), E Hayward and J Remnant**8. MINUTES**

RESOLVED - That the minutes of the last meeting held on 13 May 2013 be approved as a correct record and signed by the Chair.

**9. MATTER ARISING FROM THE MINUTES**

- (i) Further to minute 2, work on the joint strategic risk register was ongoing and it will be provided to Members before the next meeting.
- (ii) Further to minute 4, it be agreed that the target for the number of audit recommendations implemented be increased from 90% to 100%.
- (iii) Further to minute 5, notice of the dates of the Committee meetings should be advertised for the public on the websites.

**10. CORPORATE RISK MANAGEMENT – ANNUAL REPORT 2012/13**

Risk is the uncertainty that an event or action will adversely affect an organisation's ability to achieve its objectives and to execute successfully its strategies.

Risk management enables the Police and Crime Commissioner (PCC) to effectively manage strategic decision-making, service planning and delivery to safeguard the well being of stakeholders and increase the likelihood of achieving objectives. The aim is to manage risks that cannot be economically eliminated or transferred and contribute to effective systems of corporate governance.

CIPFA's "Delivering good governance – guidance note for police authorities" states that PCCs have a dual responsibility managing their own risks, separate from those of the force, and for monitoring that the force has adequate risk management arrangements in place.

The PCC, in November 2012, agreed, following some minor changes, to use the former Authority's corporate risk management policy and strategic risk register until 31 March 2013 when they were to be reviewed. Technical support, advice, guidance and training to the Office of the Police and Crime Commissioner (OPCC) are included in the support services agreement with Gateshead Council including procuring appropriate insurance cover with protection against loss. All activity undertaken is approved of the Treasurer to the PCC.

The force risk management strategy, supported by clear policy and procedures, is also being reviewed to reflect the new arrangements and to consider a consistent corporate approach to the identification, management and reporting of risk and aligning processes with the OPCC.

The National Decision Model has been embedded into Northumbria Police's operational training to assist police officers and staff to develop the professional judgement necessary to make effective policing decisions which consider and mitigate associated operational risks.

The PCC's financial and contract regulations state that the Treasurer, in consultation with the Chief Executive will be responsible for advising the PCC on insurance and risk management. The PCC and Chief Constable are jointly responsible for approving risk management policies and strategies and for reviewing the effectiveness of risk management.

The Joint Independent Audit Committee will monitor the effective development and operation of risk management and corporate governance arrangements for the PCC and Chief Constable.

The PCC and Chief Constable are developing a joint strategic risk register of risks that would prevent the achievement of their corporate objectives based upon the strategic risks inherited from the former Authority and any areas of common risk that have the potential to impact on both bodies.

Areas forming the basis of the 2013/14 objectives to be delivered to be monitored quarterly by the Joint Independent Audit Committee include: finalising the joint strategic risk register and reporting arrangements; operational risks affecting the OPCC following move to Victory House; updating corporate risk management policies for the PCC and force to reflect the new governance arrangements and updating the OPCC's business continuity arrangements to reflect the transition from BS 25999 to ISO 22301 and the new governance arrangements.

On the basis of the arrangements outlined and evidence of their operation, it can be concluded that interim arrangements for managing risk within the OPCC and force were effective.

RESOLVED - It be agreed that the interim arrangements for managing risk within the OPCC and force for 2012/13 were effective.

## **11. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT 2012/13**

In accordance with the Accounts and Audit Regulations 2011, the PCC and Chief Constable have conducted an annual review of the effectiveness of the system of Internal Audit and the Committee has considered its findings as part of the annual review of the effectiveness of the system of internal control for the annual governance statement.

The Treasurer to the PCC and the Director of Finance to the Chief Constable have delegated responsibility to maintain an adequate internal audit of the financial affairs of both bodies as required by Section 151 of the Local Government Act 1972.

The 2012/13 review of the effectiveness of the system of Internal Audit has been undertaken by the Joint PCC and Chief Constable Monitoring Control Group, which includes the PCC's Chief Executive and Treasurer and the Assistant Chief Officer (Corporate Services) and Director of Finance from the force. It was based upon the self-assessments against the CIPFA code of practice for Internal Audit and CIPFA statement on the role of the Head of Internal Audit, reliance placed upon Internal Audit by the Audit Commission, the assessment of the effectiveness of the current Joint Independent Audit Committee rather than the former Authority's Audit and Improvement Committee and relevant performance information.

Based on the reviews outlined, it is considered that both the PCC and Chief Constable's system of internal audit is operating effectively.

RESOLVED -

- (i) That the opinion that the PCC and Chief Constable's system of internal audit is operating effectively be endorsed.
- (ii) That an agenda item be included for future meetings on HMIC inspections, third party audits etc.

## **12. SENIOR MANAGERS' ASSURANCE STATEMENTS**

The Accounts and Audit Regulations 2011 require Authorities to produce an annual governance statement giving an assessment of governance arrangements and their effectiveness. The Committee has previously agreed an assurance framework that will provide evidence for the completion of the annual governance statement (minute 3 – 2012/13).

Heads of Departments and Area Commanders were required to state whether they agreed or disagreed that the processes in place to manage their key business interests were effective and provided an adequate level of assurance, detail evidence to support this and identify further actions for improvement.

Based on the 2012/13 self assessments, managers agreed that controls were in place to allow them to achieve their service objectives and therefore the objectives of the Chief Constable, which in turn supports the achievement of the PCC's objectives. A summary of the returns was submitted. In 22% of the returns, future enhancements to existing controls to further strengthen systems were identified. These are all in areas specific to the respective Area Command or Department.

Internal Audit is to review the evidence and actions identified by the managers' assurance statements in the 2013/14 audit plan and this will be reported to the next meeting of the Committee prior to the approval of each body's financial statements.

RESOLVED - That the assurances provided by force managers be noted.

## **13. INTERNAL AUDIT ANNUAL REPORT – 2012/13**

The 2012/13 Internal Audit Service work, giving an overall assessment and independent opinion on the effectiveness of both the PCC and Chief Constable's internal control systems and governance arrangements for the annual governance statement was submitted

The 2012/13 audit plan, in accordance with the requirements of the Code of Practice for Internal Audit 2006, provided a risk-based focus for the deployment of internal audit resources and the Chief Constable's requirements were taken into account when preparing the audit plan which was subsequently endorsed by the PCC.

The audit plan enables the Treasurer to the PCC and Director of Finance to the Chief Constable to fulfil his delegated responsibility to maintain an adequate internal audit of financial affairs as required by Section 151 of the Local Government Act 1972.

The number of planned audit reviews completed to 31 March 2013 has previously been reported to the Committee (minute 6 – 2013/14).

The Internal Audit Service's quality review process ensures that the work undertaken complies with the code of practice, the local audit manual and local procedures.

Audit work was focused on the completion of routine systems based audits. There were also two special investigations as outlined.

Based on evidence arising from the 2012/13 planned internal audit activity, the PCC and Chief Constable's internal control systems and governance arrangements, and up until November 2012 those of the former Authority, were considered to have worked effectively in practice particularly given the significant changes impacted on the police service in 2012/13. The Chief Internal Auditor recommends that an action for improvement in 2013/14 should be the review of compliance by the PCC and the Chief Constable of governance arrangements, both those adopted from the former Authority and new arrangements set out in CIPFA's "delivering good governance – a guidance note for Police Authorities". The financial and contract regulations agreed by the PCC should continue to be reviewed in 2013/14 to ensure they remain appropriate and fully reflective of the different governance regimes in place.

The Internal Auditors received full co-operation from police officers, police staff and OPCC officers involved in the areas under review.

RESOLVED - That the audit findings be noted.

#### **14. ANNUAL GOVERNANCE STATEMENTS – 2012/13**

The Accounts and Audit Regulations 2011 require public bodies to produce an annual governance statement giving an assessment of governance arrangements and their effectiveness. This accompanies the annual statement of accounts for each body. Previously, the annual governance statement was a combined statement for the Authority and Force but now a separate statement for both the PCC and Chief Constable is required.

The Committee's terms of reference gives the Committee the responsibility to agree the assurance framework for and oversee the production of the PCC and Chief Constable's annual governance statements and review and comment on these statements prior to their approval by the PCC and Chief Constable.

The Committee has agreed the assurance framework to provide evidence for the completion of the annual governance statements based on assurances outlined (minute 3 – 2012/13).

The PCC and Chief Constable's Joint Monitoring Group, chaired by the PCC's Treasurer and Chief Constable's Director of Finance, has reviewed the governance and internal control arrangements to form the basis of the preparation of an annual governance statement for each body. Based on the assurances and evidence provided it concluded that the PCC and Chief Constable's governance arrangements were effective, with the following four actions for improvement in 2013/14 covering both bodies:-

- A review of compliance by the PCC of governance arrangements in place against the requirements in *CIPFA's "Delivering Good Governance – A Guidance Note for Police Authorities"*.
- Continue to review the current financial and contract regulations to ensure they remain appropriate and fully reflective of the different governance regimes that are in place.
- Finalise the joint strategic risk register covering both the PCC and Chief Constable and arrangements for its reporting to both senior officers and the Joint Independent Audit Committee.
- Identify the training and development requirements of Members of the Joint Independent Audit Committee and arrange an appropriate programme to be delivered during 2013/14.

The Committee considered both annual governance statements and requested that the following comments be incorporated:-

- A review of terminology to give consistency of whose responsibility is referred to throughout both statements.
- Re-emphasising what arrangements were in place as at 31 March 2013.
- Recognising in the PCC's statement the accounting relationship after the election with all assets being transferred over.
- Replicating paragraph 14 in the Chief Constable's statement into the PCC's statement as both statements cover all areas.

RESOLVED -

That the PCC and Chief Constable's 2012/13 annual governance statements following the review and comments from the Committee be passed to the PCC and Chief Constable for approval.