

## JOINT INDEPENDENT AUDIT COMMITTEE

25 NOVEMBER 2013 AT THE WALLSEND TOWN HALL

**PRESENT:** J Cooke (Chair), P Angier, E Hayward, N Mundy and J Remnant

**OFFICERS:** G Davies - Mazars  
C Tyrell - Mazars  
M Tait - Treasurer to Police and Crime Commissioner/  
Director of Finance to Chief Constable  
J Farquhar - Chief Internal Auditor  
J Keenan - Strategy and Planning Manager, Northumbria Police  
B Wilson - Office of the Police and Crime Commissioner

### 30. MINUTES

- RESOLVED -
- (i) That the minutes of the meeting held on 16 September 2013 be approved as a correct record and signed by the Chair.
  - (ii) That it be agreed that Members' comments and concerns be recorded in the minutes of future meetings.
  - (iii) Further to minute 22, it be recorded that the risk of relations between the Police and Crime Commissioner and Chief Constable breaking down is mitigated by engendering a good working relationship between them and this needed to be recognised.
  - (iv) Further to minute 24, assurance was given that the current banking arrangements were constantly being reviewed and risk actively managed to maintain finance levels.
  - (v) That actions agreed by the Committee be recorded as an appendix to the minutes.
  - (vi) That further to minute 22(ii), the risk relating to the impact of increasing oil costs also included the peak oil scenario.

- (vii) That Members be asked to suggest items for consideration when the risk register was next to be reviewed.

### **31. MATTER ARISING FROM THE MINUTES**

- (i) Further to minute 19, the Committee's annual cycle of key forward issues was to be discussed further and would be circulated before the next meeting.
- (ii) Further to minute 20, the proposed Members' training should be progressed and include an input from the External Auditor.
- (iii) A copy of the statement of accounts for the Police and Crime Commissioner and Chief Constable were to be given to the Members of the Committee.

### **32. EXTERNAL AUDITOR: AUDIT PROGRESS REPORT**

Gareth Davies had replaced S Nicklin as Director at Mazars.

An unqualified opinion and value for money conclusion for the Chief Constable was given on 23 September 2013. An unqualified opinion and value for money conclusion was given for the Police and Crime Commissioner on 30 September 2013, as well as the external auditor's assurance statement on the whole of government accounts.

Annual audit letters for both organisations have now been agreed. These have been copied to the Audit Commission and will be published on its website in due course.

The Local Audit and Accountability Bill, before Parliament, sets out future local public audit arrangements.

The Audit Commission proposed 2014/15 scale of audit fees, set at the same level as for 2013/14 and final work plan be published in March 2014.

Responses to issues raised by Members' of the Committee:-

- The External Auditor's work plan focusses on the accuracy of the accounts rather than considering where the key areas of risk are. The value for money conclusion looks at the economy, efficiency and effectiveness of the arrangements in place and how the cuts in service and risk were being managed.

- Mazars are responsible for all four Police and Crime Commissioners in the region. All the accounts have been presented differently as there is no prescriptive guidance.

RESOLVED - That the information be noted.

### **33. TREASURY MANAGEMENT ANNUAL REPORT 2012/13**

In accordance with CIPFA'S Code of Practice on Treasury Management, the mid-year performance of the treasury management service was submitted.

The latest projection of investment income for 2013/14, based on interest earned to date and expected interest to March 2014, is £0.276m, an increase of £0.039m due to receiving a slightly higher average rate of return than anticipated.

The average rate of return is monitored for each investment type that the Commissioner enters into and these are used to calculate an average rate of return for the year to date. The current rate of return is 0.89% against the estimate of 0.77%.

As a means of benchmarking, the average rate of return for the month and year to date is compared to the equivalent 7 day London Inter Bank Bid Rate (LIBID). The monthly return of 0.06% exceeds the LIBID 7 day rate equivalent of 0.03%. The Commissioner's average rate of return of 0.89% is also well in excess of the equivalent LIBID 7 day rate of 0.36%.

The Commissioner had a deposit of £5.2m invested in Heritable Bank when it entered administration in October 2008. To date, dividends totalling £4.983m (94.02p in the £) have been received. The administrators have confirmed that the next dividend will be dependent on the resolution of ongoing litigation in the next 12 months. Further details on how the interest rates were calculated were to be given.

The treasury strategy was based on a borrowing requirement for the year of £29m. As at 30 September 2013, the Commissioner has entered into new borrowing of £20m to fund the capital programme. The current forecast for interest payable on total borrowing is £3.648m at an average rate of 4.01%, an estimated gross saving of £0.280m.

The projected net impact of investments and borrowing activity to the Commissioner in 2013/14 is an underspend of £0.319m.

Following concerns raised by the Members, it was confirmed that the Police and Crime Commissioner's current banking arrangements with the

Co-operative Bank, originally agreed by Gateshead Council, will continue until March 2015.

- RESOLVED -
- (i) That the treasury management performance as at 30 September 2013 be noted.
  - (ii) That the risks involved with the current and future banking arrangements be included in the joint strategic risk register together with the proposed mitigations.

#### **34. EXCLUSION OF THE PRESS AND PUBLIC**

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