

JOINT INDEPENDENT AUDIT COMMITTEE**27 FEBRUARY 2017**

**ANNUAL GOVERNANCE REVIEW - ASSURANCE FRAMEWORK –
2016/17****Report of Joint Chief Finance Officer**

1 Purpose of the Report

- 1.1 The Committee are asked to agree an assurance framework for the production of an Annual Governance Statement for both the Police and Crime Commissioner (PCC) and Chief Constable for 2016/17.

2 Background

- 2.1 The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable both conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement. These will be reviewed by the Joint Independent Audit Committee before approval by the PCC and Chief Constable. The statements will then accompany the Annual Statement of Accounts for each body.

3 Assurance Framework

- 3.1 The assurance framework is made up from a number of sources that provide assurance on governance arrangements and controls in place to achieve each body's strategic objectives.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance based around a framework that sets out the steps by which assurance should be gathered to enable the production of an Annual Governance Statement for both the PCC and Chief Constable.
- 3.3 In preparation it will be necessary to review evidence from the following sources of assurance that the systems of internal control are operating as planned: -
- Governance arrangements
 - Senior managers
 - The system of internal audit
 - Risk management arrangements
 - Performance management and data quality
 - Views of the external auditor, HMIC and other external inspectorates.
 - The legal and regulatory framework
 - Financial controls

NOT PROTECTIVELY MARKED

- Partnership arrangements and governance
- Other sources of assurance as appropriate.

4 Sources of Assurance

4.1 Governance arrangements

4.1.1 The PCC and Chief Constable have responsibilities for governance within the Office of the Police & Crime Commissioner (OPCC) and Force in their own right. This means that there will be two freestanding processes within the Police Service for ensuring good governance. In most respects the principles and implementation will be the same for the PCC and the Chief Constable. There may be however, areas specific to each corporation sole which will need to be reflected.

4.1.2 The PCC and Chief Constable have established a Joint Internal Governance Group which meets on a quarterly basis and whose work is fully aligned with that of the Joint Independent Audit Committee (JIAC). The Group is resourced by individuals who have the appropriate knowledge, expertise and levels of seniority to consider all necessary and mandatory governance requirements on behalf of both corporate bodies.

4.1.3 The permanent members of this Group are:

Joint Chief Finance Officer
Chief Executive
Deputy Chief Constable
Head of Corporate Development
Head of Finance
Chief Internal Auditor

4.1.4 This Group will:

- Consider the extent to which the organisations comply with the principles and elements of good governance set out in the framework
- Identify systems, processes and documentation that provide evidence of compliance.
- Identify the individuals or mechanisms responsible for monitoring and reviewing the systems, processes and documentation
- Identify any governance issues that have not been addressed and consider how they should be addressed.
- Identify the individuals who would be responsible for undertaking any actions that are required.

4.2 Senior managers

4.2.1 All Heads of Department and Area Commanders for the Force and the Chief Executive of the OPCC will complete a self assessment assurance statement detailing the level of assurance they feel they can place on their key control and governance processes. The Joint Independent Audit Committee will receive a report giving the overall opinion of senior managers on the adequacy of arrangements they have in place.

4.3 The system of internal audit

4.3.1 The Internal Audit Service, provided under a support agreement with Gateshead Council, is responsible for ensuring 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.

4.3.2 In addition a review of the effectiveness of internal audit is required under the Accounts and Audit Regulations 2015. This is defined by CIPFA as “a framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in understanding its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation”. This review will also include evaluating the effectiveness of the Joint Independent Audit Committee.

4.3.3 Assurance in this area will be provided through the overall independent opinion of the Chief Internal Auditor based on the work undertaken by the Internal Audit Service during the year and reported to the Joint Independent Audit Committee in the Internal Audit Annual Report 2016/17.

4.4 Risk management

4.4.1 The PCC and Chief Constable have established a joint approach to the consideration and management of risk, which ensures that both bodies have management arrangements in place. Updates on risk are provided to JIAC on a quarterly basis and assurance in this area will be provided in the Corporate Risk Management Annual Report for 2016/17.

4.5 Performance management and data quality

4.5.1 The performance management framework forms part of the assurance of senior managers on the key controls operating in their areas.

4.5.2 In addition there is a framework for reporting corporate performance management information, including oversight by the PCC. The Head

of Corporate Development will provide assurance to the Joint Independent Audit Committee in respect of this framework.

4.6 Views of the external auditor and other external inspectorates

4.6.1 The external auditor will issue an Annual Audit Letter to both the PCC 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.

4.6.2 There are also a number of other external inspectorates, including HMIC, which report from time to time on management and governance arrangements within the Police Service.

4.7 Legal and regulatory framework

4.7.1 Assurance will be sought from the PCC'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 ensure compliance with established policies, procedures, laws and regulations.

4.8 Financial controls

4.8.1 Assurance will be sought from the Joint Chief Finance Officer to the PCC and Chief Constable, who is designated as the responsible officer for the administration of each body's financial affairs under section 151 of the Local Government Act 1972.

4.9 Partnership arrangements and governance

4.9.1 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 (Bridging the Accountability Gap, 2005)

4.10 Other sources of assurance as appropriate

4.10.1 Any other occurrence during the financial year that allows for or provides an opinion on the internal control environment or governance arrangements for either body, will be included in the evidence provided to support the Annual Governance conclusion.

4.10.2 The annual assurance statements will also take due account of adherence to the CIPFA Code of Practice on managing the risk of fraud and corruption.

5 Review of Governance Arrangements

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- 5.1 The actual review of evidence from these assessments will be undertaken by the Joint Internal Governance Group who will prepare the statements covering 2016/17 for review and approval by the Joint Independent Audit Committee.

6 Recommendation

- 6.1 The Committee is asked to agree the Annual Governance Statement assurance framework for both the PCC and Chief Constable as set out in this report.