

AUDIT AND INTERNAL CONTROL PANEL

ACTION

A meeting of the Audit and Internal Control Panel was held on Thursday 3 June 2010 commencing at 10.30 am in the Members Conference Room, Police Headquarters.

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| PRESENT | Mr Mike McGrory JP (Chair), Mr Peter Hadfield (Vice Chair), Mr Geoff Fell, Cllr Mary Lanigan, Mr Chris Coombs, and Mr Peter Race MBE (ex officio) |
| OFFICIALS | Mrs Julie Leng, Mr Paul Kirkham and Mr John Bage (CE). Mr Derek Bonnard, Ms Claire Hinnigan and Miss Kate Rowntree (CC). |
| AUDITORS | Mrs Sue Turner – Internal Auditor (RSM Tenon), Mr Paul Heppell – External Auditor (Audit Commission) |

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dave McLuckie (ex officio) and Councillor Caroline Barker.

DECLARATIONS OF INTERESTS

Mr Peter Hadfield and Mr Chris Coombs declared an interest in the Teesside Pension Fund for Agenda Item 10 – Statement of Accounts.

MINUTES OF THE PREVIOUS MEETING HELD 25 March 2010

The minutes were agreed as a true and accurate record.

OUTSTANDING RECOMMENDATIONS

ORDERED that:-

1. the Outstanding Recommendations were noted and updated. The Chair informed Members that a report on business items for consideration for exclusion from the press and public, be brought to a future Panel meeting.

Treasurer

AUDIT PROGRESS REPORT

The Audit Commission informed Members that following the recent General Election, the new coalition Government had announced a new policy direction, which immediately abolished Comprehensive Area Assessments.

Members were informed that as a result, the Use of Resources Scored Assessments were to cease with immediate effect. The Audit Commission informed Members that the work associated with producing the Scored Assessments had been carried out,

and that the Audit Commission still intends to report back to the Police Authority, but are unsure as to the methodology that will be employed to do such.

The Chair informed Members that it was a pity that following a great deal of work, put in by the Authority to improve its performance, that these improvements would not be formally recognised.

The Audit Commission informed Members that they would still work with the Police Authority and offer their opinion on Accounts and Value for Money.

ORDERED that:-

1. the commentary was noted.

OPINION AUDIT PROTOCOL

The Audit Commission informed Members that they are required to audit the financial statements of the Police Authority and to form an opinion as to whether they present fairly the financial position of the Authority at 31 March 2010.

Members were informed that consideration of any amended accounts, presentation of proposed opinion and ISA 260 report to the Audit & Internal Control Panel could take place earlier than previously indicated in the report.

ORDERED that:-

1. the report be noted.

AUDIT FEE LETTER 2010/11

The Audit Commission informed Members that it submitted a letter in April 2010, to inform on its annual audit fee. The fee is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11.

Members were informed that the Audit Commission had not yet completed its audit for 2009/10, so the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The Audit Commission informed Members that the figure quoted in the letter was above the scale fee, and as such would be reviewed and reported to Members at a later date.

**Audit
Commission**

ORDERED that:-

1. the report be noted.

STRATEGIC RISK MANAGEMENT & SERVICE CONTINUITY PLANNING

The Deputy Chief Constable reminded Members of the integrated approach to embedding risk management and service continuity planning within the Force. Members were informed that the programme is progressing on a systematic basis with the intention of developing robust risk management and service continuity plans and embedding a risk management culture by March 2011.

Members were informed that Project I currently sits outside the Force's routine risk management and service continuity arrangements, but is managed within the project team and a risk register had been maintained throughout the project. However following any decision by the Police Authority, it will be brought into the normal governance arrangements if the project is approved by the Police Authority.

The Deputy Chief Constable informed Members that there are three additional strategic risks which have been added to the register in recent months. These additional risks are numbered SR5, 6 and 7 respectively. One of which had been elevated from the Crime Operations' risk register and two from the People and Diversity risk register.

Members were informed that Risk Management and Service Continuity Plans are key building blocks in ensuring the sustainable delivery of services and delivery of Policing Priorities through the effective identification and management of the principal risks to the delivery of corporate objectives.

Members sought clarification on the degree the current financial climate posed a risk to the organization.

The Deputy Chief Constable assured Members that the Executive were keeping a close eye on the financial climate and regularly review the situation daily.

The Chair felt that although the Register indicated timescales, there are occasions when a more finite date could be indicated for certain areas of work, and requested if such data could be produced.

The Deputy Chief Constable informed Members that there could be amendments made to the Register, but assured Members that more specific timescales are always discussed in SUM interviews on such matters.

ORDERED that:-

1. the report be noted.

CLEVELAND POLICE AUTHORITY RISK REGISTER

Members were informed that the management of risk within the Force had recently undergone a transformation with extra resources provided and a new *Service Continuity and Risk Management Implementation Programme* well underway. It was reported to Members at the Panel meeting in September 2009, that in order to engender and support a culture of risk management across the Authority and Force, the Chief Executive had established a Joint Risk Management Group that met monthly.

The Treasurer informed Members that the terms of reference, including membership details, were considered and agreed at the Panel meeting held in November 2009. This Group reviewed the progress being made with the Force implementation programme and will, amongst other things, facilitate consistency between the Authority and Force Risk Registers.

Members sought clarification on the risk associated with the indicated 'in year' financial cut.

The Treasurer informed Members that they can be assured that all aspects of the indicated 'in year' cut, are being addressed and will be communicated to Members for decision when appropriate.

The Chair requested an update into the "Actions" at Appendix B to the report.

The Treasurer informed Members that a full report will be brought to the next meeting of the Panel.

Treasurer

ORDERED that:-

1. the Risk Register and Action Plan at Appendices A and B respectively to the report, be reviewed, as part of the assurance role of the panel, be noted.
2. the implementation of the CPA Risk Management Policy and Strategy, as well as the role of the Leadership Panel be noted.

STATEMENT OF ACCOUNTS

The Treasurer informed Members that the role of the Audit and Internal Control Panel in reviewing the statement of accounts is essentially to provide assurance to the Police Authority Executive and to the wider stakeholder base that they conform to proper practices.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice (SORP) 2000/10. This specified the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair

presentation of the financial position of the Authority.

Members were informed that as the audit of the accounts by the Audit Commission is not scheduled to begin until the 9th June 2010, the Statement of Accounts is presented subject to audit. The audited accounts and any amendments resulting from the audit will be presented to a future Authority meeting.

The Treasurer informed Members that the report was to provide Members of the Panel with the required information for them to discharge their role.

The Chair sought clarification regarding the application of depreciation and whether standard accounting practices were employed.

The Treasurer confirmed that standard depreciation practices had been utilised.

Members required clarification on the methodology used when deciding how to dispose of motor vehicles purchased by the Force.

The Deputy Chief Constable informed Members that decisions taken to dispose of vehicles were a mix of standard depreciation practices and the usage the vehicle had undertaken.

Members took note at para 2.2 to the report, and queried if they had been a change in the methodology of the analytical review of the accounts and if so what was the rationale behind the process.

The Corporate Finance Manager informed and assured Members that there had been a positive change in the analytical review methodology employed. Members were informed that the main result of this change was that there were now nine lines of reporting policing services as opposed to the previous one line. This would permit Members to examine such, in a more objective and detailed manner.

Members sought clarification as to the costs for legal provision and what this area of spending covered.

The Treasurer informed Members that currently the legal provision was being utilised for Police Authority costs in its functions relating to discharging the appeals process. However he assured Members that as is normal operating practice, all cost lines are constantly reviewed.

ORDERED that:-

1. the accounting policies as set out in the Statement of Accounts on pages 13 to 18 inclusive, which the Authority had followed in producing the accounts be reviewed, be noted.

2. the analytical review of the accounts contained with the body of the report and specifically within paragraphs 3.10 to 3.14 to the report, to provide Members with confidence in the financial statements, be noted.
3. the establishment of provisions totalling £92k. (para 3.15 to the report refers) be agreed.
4. the establishment of earmarked reserves totalling £8,551k. (para 3.16 to the report refers) be agreed.
5. the Statement of Accounts (at Appendix A to the report) be recommended for acceptance to the Police Authority Executive on the 15th June 2010, be agreed.

ANNUAL GOVERNANCE STATEMENT 2009 - 2010 – SOURCES OF ASSURANCE

The Treasurer informed Members that the report was intended for the Audit and Internal Control Panel to review and comment on the Sources of Assurance as part of the process of establishing the assurance framework in support of the Annual Governance Statement.

Members were reminded that at its meeting on 11th December 2007 the Police Authority Executive received and agreed a report in relation to the requirements to produce an Annual Governance Statement. Members were advised that the mechanism to be used was to be the same group that prepared the Statement of Internal control (SIC).

Members reviewed the list of sources at their meeting on 28th May 2009. Since then Officers had considered the list afresh. Changes to the list were shown in italics in the report.

The Chair queried if the semi structured interviews that Members had recently undertaken could also be used as a source of assurance in such matters.

The Treasurer informed Members that this form of evidence could be included in such sources.

ORDERED that:-

1. the final version of the Sources of Assurance, be agreed.

ANNUAL GOVERNANCE STATEMENT 2009-2010 – SERVICE UNIT ASSURANCE QUESTIONNAIRE – SUMMARY OF RESPONSES

The Treasurer informed Members that the report was intended to provide a summary of the responses from the survey of Service Unit Managers, undertaken as part of the process of establishing the assurance framework in support of the Annual Governance Statement

Members were informed that it is not possible for Internal Audit to review every area of activity, every year. A risk based approach is adopted and agreed by all parties to support the annual audit plan.

The methodology used has been to follow the CIPFA "Rough Guide" in this case, "The Annual Governance Statement – meeting the requirements of the Account and Audit Regulations 2003 – Incorporating Account and Audit (Amendment) (England) Regulations 2006".

Members were informed that the 'Rough Guide' advocates undertaking an annual survey of Managers, to obtain a signed adequacy of controls statement, as part of the work in obtaining assurance on the effectiveness of key controls.

The 2009/2010 document was circulated to BCU/SUMs and the Police Authority in March 2010. The deadline for returning the documentation to the Corporate Finance Team was set for late April with most people achieving this.

Members queried the uptake of the questionnaire and whether there had been any problems in completing the survey.

The Treasurer informed Members that this was now the fourth year that the questionnaire had been circulated, and responses were good. The only areas where there were slight problems was when movements in posts had occurred and a degree of unfamiliarity had been found.

The Chair queried the situation regarding 'Assets are adequately recorded and safeguarded to protect against loss or unauthorized use', and sought assurance regarding the position of this area of assurance.

The Treasurer assured Members that should any problems arise in this area, it is likely the Internal Audit would highlight this matter. Members were further informed that Officers were also keeping this under review.

ORDERED that:-

1. improvements will be promoted through the Corporate Governance Framework.
2. the report be noted.

**ANNUAL GOVERNANCE STATEMENT 2009 – 2010,
STATEMENT OF KEY CONTROLS**

The Treasurer informed Members that the report is intended for the Audit and Internal Control Panel to review and comment on the Statement of Key Controls as part of the process of establishing the assurance framework in support of the Annual Governance Statement.

Members were reminded that the statement had been constructed to serve two purposes, that of the Annual Governance Statement (AGS) process and also to feed into the previous Police Use of Resources Evaluation (PURE) process.

The Treasurer informed Members that the PURE & AGS Group had reviewed the extent to which there is evidence to support compliance with these key controls and show the source of assurance relied upon.

ORDERED that:-

1. the Statement of Key Controls as set out at Appendix A to the report be agreed.

**ANNUAL GOVERNANCE STATEMENT 2009-2010 –
REVIEW OF INTERNAL CONTROL AND AGS ASSURANCE
GATHERING PROCESS**

The Treasurer informed Members that the report is intended for the Audit and Internal Control Panel to formally record that the document "Review of Internal Control and the Annual Governance Statement Assurance gathering process" had been made available to Members.

All Authority Members had been invited to a briefing on 1st June 2010 which comprised of an interactive presentation of the document. Detailed questions and comments were dealt with by Officers.

In compliance with agreed practice, a hardcopy of the Assurance document was circulated to Members on 27th May 2010.

ORDERED that:-

1. the working document "Review of Internal Control and the Annual Governance Statement Assurance gathering process" was circulated to all Members of the Police Authority on 27th May 2010 be noted.

ANNUAL GOVERNANCE STATEMENT 2009-2010

The Treasurer informed Members that the report seeks Members to review the third Annual Governance Statement to be produced.

Arrangements required under the Account and Audit Regulations, defined proper practices to publish an Annual Governance Statement (AGS). In 2007 the Police Authority Executive agreed to build upon the existing arrangements for production of the Statement of Internal Control. This meant that the Audit and Internal Control Panel had the responsibility to review the draft AGS, and to make recommendations to the Executive meeting. The draft had been drawn up using the CIPFA/SOLACE framework and guidance.

Members were informed that the governance framework itself remained a discretionary code and is offered to organisations as good practice. It outlined six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. The degree to which the Authority followed these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations from 2007/8.

One critical typographical error was noted, in the AGS. Page 10 para 3. The sentence "With the exemption of a review of financial standing orders the actions identified have now been completed during the course of 2009/2010". This should read "...with the exception...."

Members expressed concern that they had not received training in the AGS process for some eighteen months and queried whether they could have such further training made available to them.

The Police Authority Vice Chair informed Members that an annual refresher on such matters should be arranged and made available to Members.

ORDERED that:-

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| 1. amendments as appropriate, to the draft Annual Governance Statement be made and noted. | Treasurer |
| 2. an annual refresher training event to be held annually for Members on AGS | Treasurer |
| 3. subject to 1 above, Members recommend for approval to the Police Authority Executive meeting on the 15 th June 2010, the Annual Governance Statement at Appendix A to the report, be agreed. | Treasurer |

EXCLUSION OF THE PRESS AND PUBLIC

ORDERED that pursuant to the Local Government Act 1972 the press and public be excluded from the meeting under Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Act.

REPORTS OF THE INTERNAL AUDITORS

HEALTH & SAFETY

The Internal Auditor presented the report to Members.

ORDERED that:-

1. the report be noted.

SERVICE CONTINUITY PLANNING

The Internal Auditor presented the report to Members.

Members were concerned at the attendance levels at certain training sessions.

ORDERED that:-

1. an update regarding attendance at training sessions be brought to Members.
2. the report be noted.

**Deputy
Chief
Constable**

FOLLOW UP REPORT

The Internal Auditor presented the report to Members.

Members sought clarification on the progress of previous recommendations on sickness and absence control.

ORDERED that:-

1. an update regarding the progress of previous recommendations on sickness and absence control, including timescales and how it would be incorporated into the MPR process be brought to Members.
2. the report be noted.

**Deputy
Chief
Constable**

INTERNET AND E-MAIL

The Internal Auditor presented the report to Members.

Members queried how this policy would affect Members personally owned computers, when being used for Police Authority business.

The Internal Auditor informed Members that the usage policy applies to Members when using such for Police Authority business.

The Acting Chief Executive reminded Members that they do sign up to such a user policy upon joining the Police Authority.

ORDERED that:-

1. the report be noted.

NETWORK SECURITY

The Internal Auditor presented the report to Members.

ORDERED that:-

1. the report be noted.

CORPORATE & FINANCIAL PLANNING

The Internal Auditor presented the report to Members.

ORDERED that:-

1. the report be noted.

PROGRESS REPORT

The Internal Auditor presented the report to Members.

Members sought clarification as to why there had been nineteen days expended on Audit Management as opposed to the planned fifteen days.

The Internal Auditor informed Members that the Police Authority has more Audit Panels and therefore more associated meetings, thus this area of work is very management intensive.

The Chair sought clarification as to why they had been two Follow Up Reports as opposed to the one original report.

Members were informed that this was due to the need to amend the original report, to now include information regarding Project I.

ORDERED that:-

1. the report be noted.

INTERNAL AUDIT ANNUAL REPORT

The Internal Auditor presented the report to Members.

ORDERED that:-

1. the report be noted.

AUDIT STRATEGY

The Internal Auditor presented the report to Members.

ORDERED that:-

1. the report be noted.

CONTRACT STANDING ORDER NO. 9 – EXEMPTION FROM THE NORMAL REQUIREMENT TO TENDER (JANUARY – MARCH 2010)

The Treasurer presented the report to Members and informed them that the report would now be presented by category.

The Chair sought assurance that the items referred to in Items 2 to 8, 'Existing Computer Software Products', had taken cognisance of Project I.

The Treasurer assured Members that this had taken place.

A number of Members requested information regarding cost savings and time savings relating to the Video Witness System.

The Treasurer informed Members that the business case for the agenda item would provide assurance to Members and this would be forwarded to them.

Treasurer

Members enquired whether or not future maintenance and the potential requirement for upgrade of equipment, could be built into the initial procurement process.

The Treasurer assured Members that changes had recently taken place to the procurement process and that coupled with a new change to now also consider how long any given project was anticipated to run, would enhance this process and should reduce the need for such requests in the future.

The Chair required clarification on the section, 'Exemptions outside of the Police Authority Approved Exemption Reasons'. He asked if the Force had in position any prior process / notice of when contracts would need re-newing.

The Treasurer assured Members that there was such a process in place and that the reason this specific exemption request was brought, was due to a request for a short extension whilst a new possibly collaborative agreement could be considered.

ORDERED that:-

1. the exemptions in Appendix A to the report had been reviewed by Members, be noted.
2. the setting aside of Contract Standing orders for those items scheduled under Appendix B to the report be agreed.