

AUDIT & INTERNAL CONTROL PANEL

A meeting of Audit & Internal Control Panel was held on Thursday 21 April 2011 in the Members Conference Room at Police Headquarters.

PRESENT: Councillor Caroline Barker, Mr Geoff Fell, Mr Peter Hadfield (Vice Chair), Mr Mike McGrory JP (Chair), Councillor Ron Lowes, Mr Chris Coombs and Mayor Stuart Drummond.

OFFICIALS: Mr Michael Porter and Mr John Bage (CE)
Mr Derek Bonnard, Mrs Ann Hall and Miss Kate Rowntree (CC)
Mr Ian Wallace (IA)

APOLOGIES FOR ABSENCE

Councillor Dave McLuckie (ex officio) and Ms Gill Gittins (Audit Commission).

DECLARATIONS OF INTERESTS

There were no declarations of interests.

MINUTES OF THE PREVIOUS MEETING HELD ON 10 FEBRUARY 2011

A Member informed the Panel that they had been missed off the minutes of the previous meeting, following this correction the minutes were held as a true record.

OUTSTANDING RECOMMENDATIONS

ORDERED that;

1. the Outstanding Recommendations were noted and updated.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Assistant Chief Officer Finance & Commissioning (ACO F+C) informed Members that the purpose of the report was to update Members on the requirement to adopt International Financial Reporting Standards (IFRS), for Local Authority (including Police Authority) financial statements from 2010/11.

Accounting statements that are fully compliant with

International Financial Reporting Standards (IFRS) must be produced for the 2010/11 financial year, including comparators for 2009/10, together with an opening (transition) balance sheet at 1st April 2009.

Members were informed that a significant amount of work had already taken place within the Corporate Finance Department, and now in co-ordination with Steria, to ensure that all of the required changes as a result of adopting IFRS are incorporated into the Statement of Accounts in line with the requirements of the timetable for Local Government.

Members queried what effect annual leave, flexi leave and time off in lieu not taken at 31st March in any particular year, had on the Organisation.

ACO F+C informed Members that IFRS requires a monetary value on such; however it is rarely taken as cash and is usually found to be returned as holidays or early retirement.

A cost benefit analysis to be undertaken and brought to Members attention along with information from the Audit Commission to clarify whether or not there would be any additional costs brought to the Police Authority for any further précis of documentation.

**Treasurer
ACO F+C**

ORDERED that;

1. the contents of the report be noted.
2. a summary of the financial statements be provided in future years be agreed.

STANDING FINANCIAL INSTRUCTIONS

The ACO F+C informed Members that the Standing Financial Instructions (SFIs) related to those budgets and financial activities delegated to the Chief Constable by the Police Authority.

Members were informed that the SFIs detail the financial responsibilities, policies and procedures adopted by the Force which apply to everyone working for the Force. They were designed to ensure that the Force's financial transactions are carried out in accordance with the law and within the authority delegated to the Chief Constable by the Police Authority.

The ACO F+C informed Members that the information had also been given to Steria and that Steria had been requested to report back to Members how they comply.

ACO F+C

Members queried why the amount that the Chief Constable may vire from the budget was so high, £100k or 10%.

The Treasurer informed Members that this was to allow the Chief Constable operational flexibility.

ORDERED that;

1. the Standing Financial Instructions be agreed.

**DRAFT ANNUAL GOVERNANCE STATEMENT 2010/11
AND SOURCES OF ASSURANCE**

The Treasurer informed Members that the purpose of the report was firstly to bring forward a further draft of the 2010/2011 Annual Governance Statement which builds upon the first draft presented to Members at their February meeting.

Secondly it was to provide Members with an opportunity 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 they had received an initial draft of the 2010-11 Annual Governance Statement at their meeting in February 2011 and as part of the approved timetable for the production of the 2010/11 statement, approved that a second draft of the report be brought to the April meeting in advance of the final report being presented for approval at the June meeting.

As part of the framework for preparing the Annual Governance Statement it was necessary to identify the Sources of Assurance which underpin the provision of assurance on the adequacy and effectiveness of controls over key risks. These sources of assurance linked directly to key controls and the extent to which positive assurances, or otherwise, had been obtained will then feed into the final review of key controls.

Members queried whether the Police Authority's Leadership Panel should be included in the 'Corporate' area of sources.

The Treasurer agreed.

Treasurer.

ORDERED that;

1. the second draft of the 2010/2011 Annual Governance Statement to be further progressed as per Appendix A to the report, be agreed.
2. the Sources of Assurance at Appendix B to the report be agreed.

CORPORATE GOVERNANCE – SERVICE UNIT QUESTIONNAIRES

The Internal Auditor informed members that to facilitate the production of the Annual Governance Statement the Authority had developed a process where Annual Service Unit Assurance Assessments are completed by Service Unit Managers within the Force, to confirm that the governance arrangements within the Service Unit are compliant with the internal control framework and evidence the declarations within the Annual Governance Statement

Members were informed that taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

ORDERED that;

1. the report be noted.

CAPITAL CONTRACTS

The Internal Auditor informed Members that since 2007 Cleveland Police Authority had adopted a more strategically focused approach towards developing its Capital Plan which had enabled the capital programme to be built around schemes aligned with strategic objectives. Within this approach funding had been retained for in – year capital projects which are approved on a case by case basis.

A Capital Plan for the period April 2010 to March 2014 had been developed. It included capital funding for the Information Systems Improvement Strategy, Air Support Programme, Facilities Programme, ICT Programme and Fleet Programme. The overall purpose of the programme was to provide sufficient funding to renew the current asset base, equipment

replacement programmes and business continuity requirements whilst at the same time maintaining flexibility to respond to schemes arising from programmes still in development.

Members were informed that taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

ORDERED that;

1. the report be noted.

ASSURANCE STOCKTAKE

Members were informed that a review of Assurance Stocktake was undertaken as part of the approved internal audit periodic plan for 2010/11.

The Internal Auditor informed Members that in 2009/10 they undertook a review of risk maturity at Cleveland Police Authority and concluded that the Authority was risk defined in that the risk management strategy and policy had been developed and communicated through the organisation.

Members were informed that Cleveland Police Force and Authority had made significant progress in developing a risk management framework. The Force had a Strategic Risk Register and a series of Operational Risk Registers which identify the risk, cause and effect, existing controls and any actions required to address the risk. The Authority had a strategic risk register in place and both the Authority and the Force use 4 Risk.

Members were informed that the assurance stocktake builds on the previous risk maturity audit, to review the effectiveness of the arrangements for mapping and managing assurances, thus providing the Authority with reasonable comfort that mitigation strategies are effectively identified and implemented. In addition an effective assurance framework facilitates the completion of the Authority's Annual Governance Statement which is required by CIPFA '*Delivering Good Governance in Local Government*'.

The Deputy Chief Constable informed Members that he supported in principle the recommendations but informed that there is a balance to be taken between checking everything and

actual operational working.

ORDERED that;

1. the report be noted.

INTERNAL AUDIT PROGRESS REPORT

Members were informed that the periodic internal audit plan for 2010/11 was approved by the Audit and Internal Control Panel on 3 June 2010. The report summarised the outcome of work completed to date against that plan. Appendix A to the report outlined the detailed internal audit plan approved by the Panel, whilst Appendices B and C to the report provided cumulative data in support of internal audit performance.

The Internal Auditor informed Members that they had not identified any major issues in the work undertaken to date, that would impact upon their annual opinion.

ORDERED that;

1. the report be noted.

INTERNAL AUDIT ANNUAL REPORT

The Internal Auditor informed Members that they were satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion on the adequacy and effectiveness of Cleveland Police Authority's arrangements.

For the 12 months ended 31 March 2011, based on the work the Internal Auditors had undertaken, their opinion regarding the adequacy and effectiveness of Cleveland Police Authority's arrangements for Governance, Risk Management and Control were all given a 'Green' assurance level, which were effectively 'Positive Opinion'.

ORDERED that;

1. the report be noted.

STRATEGY FOR INTERNAL AUDIT

The Internal Auditor informed Members that the strategy sets out the approach the Internal Audit have taken to develop the Police Authority's internal audit plan for 2011 / 2014. It

provided the Authority with a three year strategy and a more detailed plan for 2011/12.

Members were informed that Cleveland Police Authority's objectives and risk profile are the starting point in the development of the strategy for internal audit for the organisation, which was set out at Appendix A to the report.

The strategy will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed internal audit plan for the forthcoming year. The detailed plan for 2011/2012 is set out at Appendix B to the report.

In agreeing the Strategy and Plan the meeting noted that in the present climate a flexible approach would be necessary and that Internal Audit would work closely with Officers of the Authority and the Force as the year progressed to ensure continuing relevance to our audit needs.

ORDERED that ;

1. the Internal Audit Strategy 2011/12-2013/14 and the Audit Plan for 2011/2012 be agreed.

**INTERNAL AUDIT SERVICES – ANNUAL REVIEW
2010/2011**

The Treasurer informed Members that each year, the Authority is required to review the effectiveness of the Internal Audit Service. The report was intended to allow Members to discharge that responsibility.

Internal auditors provide Officers and Members with an independent assessment of the adequacy and effectiveness of the internal controls operating within the organisation.

The Treasurer informed Members that the report fulfilled the requirement for an annual review of the effectiveness of Internal Audit.

Members sought assurance that Internal Audit were aware of the Terms of Reference pertaining to Fraud and Anti-Corruption.

The Internal Auditor assured Members that the Internal Audit does have a partial knowledge of such, but because the Police have their own Professional Standards Dept. in addition to their

policies, it provides the required assurance in such matters.

ORDERED that;

1. the specific analysis at Appendix A to the report be noted.
2. the corporate self assessment from RSM Tenon at Appendix B to the report be noted.
3. the summary of questionnaires returned by auditees at Appendix C to the report be noted.
4. the contract monitoring information contained at Appendix D to the report.

AUDIT COMMISSION AUDIT PLAN

The Treasurer presented the report to Members on behalf of the Audit Commission.

Members were informed that the plan set out the audit work that the Audit Commission proposed to undertake for the audit of financial statements and the value for money conclusion 2010/11.

The plan is based on the Audit Commission's risk-based approach to audit planning. It reflected:

- audit work specified by the Audit Commission for 2010/11;
- current national risks relevant to your local circumstances; and
- the Authority's local risks.

The Treasurer informed Members that this report was brought to the Panel's pre agenda and was accepted as a forward plan of action. The Treasurer informed Members that he was content with the Plan.

ORDERED that;

1. the report be noted.

ANNUAL AUDIT FEE 2011/12

The Chair presented to Members a letter received from the Audit Commission informing the Police Authority of its proposals for the Audit Fee.

The letter confirmed the audit work that they proposed to undertake for the 2011/12 financial year at Cleveland Police Authority. The fee reflected the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12.

Members were informed that the audit fee covered:

- the audit of financial statements;
- the value for money conclusion; and
- the Whole of Government accounts.

The Audit Commission informed that it will issue a separate audit plan in December 2011. This will detail the risks identified to both the financial statements audit and the value for money conclusion. The audit plan will set out the audit procedures they plan to undertake and any changes in fee.

ORDERED that;

1. the report be noted.

EXCLUSION OF 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.

FRAUD RESPONSE PLAN

The Deputy Chief Constable informed Members that this is an update of the Draft Fraud Response plan that was considered by Members previously. The purpose is to seek approval of the plan as set out in Appendix A to the report and then adopt this as the Fraud Response Plan.

The report fulfilled the recommendations of the Counter Fraud and Corruption advisory report in respect of establishing a Fraud Response Plan to be activated in the event that the

Authority experiences such an event.

Members queried a number of areas of the report and sought extensive assurances from the Force, of which all were satisfied.

Members sought an update regarding the Monitoring Officer position.

Members were informed that work is being carried out to identify a more permanent arrangement, however until that time the Police Authority continues to use the services of the Deputy Monitoring Officer as, and when required.

ORDERED that;

1. the Fraud Response Plan as set out at Appendix A to the report be agreed.

ANY OTHER BUSINESS

Members sought clarification over an item of information brought to Members attention at a previous meeting.

CLOSE OF MEETING