

## **AUDIT & INTERNAL CONTROL PANEL**

A meeting of Audit & Internal Control Panel was held on Tuesday 14 June 2011 in the Members Conference Room at Police Headquarters.

**PRESENT:** Mr Mike McGrory JP (Chair), Mr Peter Hadfield (Vice Chair), Mr Geoff Fell, Mr Chris Coombs, Councillor Mary Lanigan and Mayor Stuart Drummond.

**ADDITIONAL MEMBER:** Councillor Ron Lowes

**OFFICIALS:** Mr Michael Porter, Dr Neville Cameron and Mr John Bage (CE)  
Mr Derek Bonnard, Mrs Ann Hall and Miss Kate Rowntree (CC)  
Mrs Sue Turner (IA) Mrs Gill Gittins (AC)

### **APOLOGIES FOR ABSENCE**

Mr Peter Race MBE and Mr Ted Cox JP (ex officios)

### **DECLARATIONS OF INTERESTS**

There were no declarations of interests.

### **MINUTES OF THE PREVIOUS MEETING HELD ON 21 APRIL 2011**

A Member informed the Panel that they had been omitted from the list of attendees in the minutes of the previous meeting, following this correction the minutes were held as a true record.

The ACO F+C informed of a clarification to the report regarding Standing Financial Instructions (SFI). Members were informed that the process to ensure that Steria conformed to SFI's would be via Internal Audit to this Panel.

### **OUTSTANDING RECOMMENDATIONS**

#### **ORDERED that;**

1. the Outstanding Recommendations were noted and updated.

### **EXEMPTIONS TO STANDING ORDERS (JANUARY – MARCH 2011)**

The ACO (F&C) informed Members that the new contract standing orders were introduced on 1<sup>st</sup> July 2009. Standing Orders paragraph 9 stated that "Utilisation of Contract Standing Order 9 or failure to follow contract standing orders shall be reported to the Audit and Internal Control Panel".

In compliance with Contract Standing Orders it had been the practice to report quarterly every circumstance where it appeared that the normal requirement to tender had not been followed.

#### **ORDERED that;**

1. the exemptions in Appendix A of this report be noted.

## **ANNUAL GOVERNANCE STATEMENT – SERVICE UNIT ASSURANCE QUESTIONNAIRE**

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

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 reminded that for the first time during 2010/11 Internal Audit undertook a sample review of the returns from Service Unit Managers and the evidence that they collated to support their returns. The results of this audit were reported to Members at their April meeting.

Members sought assurance regarding the quality of work being carried out and whether this work was managed.

The ACO (F+C) informed members that all responses were overseen by the Treasurer. The DCC also informed Members that such quality checks were reviewed and managed via the monthly performance reviews undertaken with Service Unit Managers.

### **ORDERED that;**

1. the report be noted.

### **STATEMENT OF KEY CONTROLS**

The Treasurer informed Members that as part of the framework for preparing the Annual Governance Statement a Statement of Key Controls had been collated. Members were informed that this is one of the Sources of Assurance which underpin the provision of assurance on the adequacy and effectiveness of controls over key risks.

The Treasurer informed Members that the extent to which there is evidence to support compliance with the key controls had been reviewed by those individuals identified within the appendices as the source of assurance to be relied upon.

Members queried the two areas shaded red in the appendices and sought assurance of the risk to the process.

The Treasurer informed Members that the document asks key people for certain assurances. But this does not always balance with the expectations of the Long term Financial Plan, so there will be on occasions areas that should be brought to Members attention. However the Treasurer assured Members that all areas are monitored and any such movement / action is reported to Members.

The ACO (F+C) informed members that medium term issues are still not balanced and that there are significant financial challenges. Members were informed that the LTFP was linked to key strategic objectives.

**ORDERED that;**

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

**INTERNAL AUDIT FOLLOW UP REPORT**

The Internal Auditor informed members that as part of the approved internal audit periodic plan for 2010/11 they had undertaken a review to follow up progress made by Cleveland Police Authority to implement previous internal audit recommendations. Recommendations with dates for implementation not yet due would be followed up as part of the 2011/12 follow up work.

The audits considered as part of the follow up review were:

- Corporate Planning 09/10;
- Digital Imaging Services 09/10;
- Use of Internet & Email Services 09/10;
- Key Financial Controls & Petty Cash 09/10;
- Network Security 09/10;
- Risk Maturity 09/10;
- Vetting 09/10; and
- Follow Up 09/10.

Members were informed that staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing had been completed to assess the level of compliance with this status and the controls in place.

The Internal Auditor informed Members that taking account of the issues identified in the remainder of the report and in line with their definitions set out in Appendix A to the report, in their opinion Cleveland Police Authority had demonstrated reasonable progress in implementing actions agreed to address internal audit recommendations and there were no significant recommendations that they considered to be receiving inadequate management attention.

Members queried whether or not actions could be put in place to stop implementation dates being rolled over.

The Deputy Chief Constable informed Members that he had taken up such issues with various Service Unit Managers, and that it must be understood that Service Units are continually changing in challenging environments and carry out rolling programmes of work.

**ORDERED that;**

1. the item was deferred to a future meeting.

## **PROJECT I REPORT**

The Internal Auditor informed Members that a review of the Governance Arrangements in place in relation to the Project I outsource was undertaken as part of the approved internal audit periodic plan for 2010/11. The Authority entered into a 10 year contract with Steria UK Ltd on 28 June 2010 whereby from 1 October 2010 Steria will deliver the following services on behalf of the Authority:

- Control Room
- Information and Communications Technology
- Finance
- Procurement
- Fleet
- Estates
- Human Resources (HR) and Training
- Central Business Unit (CBU)
- District Enquiry Desks and Administration
- Criminal Justice

Members were reminded that on 1 October 2010, 514 police staff transferred into the employ of Steria and the functions performed by 117 police officers became the responsibility of Steria under the contract. Members were informed that modern outsourcing is reliant on the establishment of effective behaviours in both the client and supplier involving the following:

- Relationships
- Flexibility
- Senior leadership
- Communication
- Knowledge sharing
- Cultural compatibility
- Problem resolution
- Quality of service line reporting
- IT practices and standards

The Internal Auditor informed Members of their key findings which were reported over six areas. They then provided updates for these findings.

Members sought assurance from Internal Audit as to the level of satisfaction in the overall process.

The Internal Audit assured Members of their satisfaction with the process and that they had no concerns, however Members were reminded that this area of work for Internal Audit was advisory work.

### **ORDERED that;**

1. the report be noted.

## **INTERNAL AUDIT ANNUAL REPORT 2010/11**

Internal Audit informed Members that as our internal audit provider, the assignment opinions that RSM Tenon provided the organisation during the year are part of the framework or assurances that assist the Authority prepare an informed governance statement.

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

For the 12 month period that ended on 31 March 2011, based on the work Internal Audit had undertaken, their opinion regarding the adequacy and effectiveness of Cleveland Police Authority's arrangements for governance, risk management and control all showed 'Green' assurance levels.

**ORDERED that;**

1. the report be noted.

**ANNUAL GOVERNANCE STATEMENT 2010/11**

The Treasurer informed Members that on 11 December 2007 the Police Authority received a report about the arrangements required under the Account and Audit Regulations, and defined proper practices to publish an Annual Governance Statement (AGS). The 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 make recommendations to the Police Authority Executive meeting. The draft had been drawn up using the CIPFA/SOLACE framework and the guidance referred to in the body of the report.

Members were informed that the Governance framework itself remained a discretionary code and was 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.

**ORDERED that: -**

1. subject to any amendments Members feel are necessary, the draft 2010/11 Annual Governance Statement at Appendix A to the report be agreed.
2. the Annual Governance Statement, at Appendix A to the report and subject to any amendments referenced in 2.1 of the report, be submitted to the Police Authority Executive on 23<sup>rd</sup> June 2011 for approval, be agreed.

**STATEMENT OF ACCOUNTS 2010/11 (SUBJECT TO AUDIT)**

The Treasurer informed Members that under the Account and Audit Regulations 2003, local authorities, including police authorities, are required to receive and approve the Statement of Account for 2010/2011 by the end of June 2011.

The role of the Audit & Internal Control Panel in reviewing the Statement of Accounts was essentially to provide assurance to the Police Authority Executive and to the wider stakeholder base that they conform to proper

practices.

The Treasurer informed Members that the accounts were prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice (SORP) 2010 and the International Financial Reporting Standards Code. This specified the principles and practices of accounting required to prepare a Statement of Accounts which gave a true and fair presentation of the financial position of the Authority.

Members were informed that as the Audit of Accounts is not scheduled to begin until 8<sup>th</sup> June; the Statement of Accounts was presented subject to audit. The audited accounts and any amendments resulting from the audit will be presented to a future Police Authority meeting.

**ORDERED** that:

1. the accounting policies set out in the Statement of Accounts on pages 20 to 27 inclusive, which the Authority had followed in producing the accounts be reviewed, be noted.
2. the analytical review of the accounts contained within 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 Earmarked Reserves of £5,953k (paragraph 3.15 to the report refers), be agreed.
4. the Statement of Accounts (at Appendix A to the report) be recommended for acceptance to the Police Authority Executive on 23<sup>rd</sup> June 2011, be agreed.

### **AUDIT & INTERNAL CONTROL PANEL 2011/2012 SELF ASSESSMENT**

The Treasurer presented the report to Members and informed that the Audit and Internal Control Panel last undertook a self assessment in 2008. The Action Plan arising from that self assessment had been addressed and given the change in membership of the Panel, during the intervening period the Chair of the Panel asked, at the meeting of the Panel in December 2010, that an updated process to undertake a further self assessment be produced. The purpose of the paper was to further develop this self assessment.

Members were informed that the proposed process for the self assessment will use the criteria within the Audit Committee Handbook published by HM Treasury in March 2007. This was further developed by the National Audit Office in a paper entitled "The Audit Committee Self Assessment Checklist" which was published in November 2009.

The Treasurer informed Members that a fully developed Audit and Internal Control Panel, with the appropriate Role, Membership, Skills, Scope and route for Communication should help the Authority undertake one of its primary functions, that is to *'put in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through*

*the year and that arrangements are in place for the management of risk.'*

The Panel Vice Chair expressed concern that the process could be too technical. Members suggested that it may be prudent for this process to be carried out collectively.

**ORDERED that;**

1. the checklist, attached at Appendix A to the report, is used to undertake the required self assessment be agreed.
2. a timetable and process for the completion of the self assessment be agreed.
3. an action plan be developed and monitored, as a result of the completion of the checklist, to address any areas for development be agreed.
4. the Panel Chair, Vice Chair and Treasurer to report back after the Police Authority AGM, on a system to be adopted to complete this collectively be agreed.

**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.

**CLEVELAND POLICE AUTHORITY RISK REGISTER**

The Service Improvement Manager informed Members that the purpose of the report was to provide Members with the opportunity to review the current Police Authority Risk Register, Action Plan and developments since the last update given on 10<sup>th</sup> February 2011.

The ownership of the Police Authority Risk Register rests with the Leadership Panel where routine maintenance and chronological updates are discussed and agreed. Risk updates are also provided at the Joint Risk Management Group, held with the Force, every two months.

Members were informed that the report is part of an ongoing process within both Authority and Force to embed risk management into every aspect of the business.

**ORDERED that;**

1. the routine maintenance and chronological updates to the Risk Register at Appendix A and Action Plan Appendix B to the reports be noted.

## **STRATEGIC RISK MANAGEMENT AND SERVICE CONTINUITY PLANNING UPDATE REPORT**

The Deputy Chief Constable informed Members that the purpose of the report was to provide Members with an update on progress in implementing both risk management and service continuity planning in the Force and to increase awareness of the strategic risks facing the Force.

Members were reminded of the integrated approach to embedding risk management and service continuity planning within the Force. The programme is progressing on a systematic basis with the intention of developing robust risk management and service continuity plans and further embedding a risk management culture.

The Deputy Chief Constable informed Members 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 of an element of the Strategic Partnership Agreement.

The Deputy Chief Constable provided such assurance.

### **ORDERED that;**

1. the contents of the report be noted.

### **COMMENT OF APPRECIATION.**

The Panel Chair placed on record his and the Panel's appreciation of the work carried out by Cllr Mary Lanigan who will be leaving the Police Authority following the recent local elections.

### **CLOSE OF MEETING**