

AUDIT AND INTERNAL CONTROL PANEL

ACTION

A meeting of the Audit and Internal Control Panel was held on Wednesday 20 January 2010 commencing at 10.00 am in the Members Conference Room, Police Headquarters.

PRESENT	Mr Mike McGrory JP (Chair), Mr Peter Hadfield (Vice Chair), Councillor Caroline Barker, Councillor Victor Tumilty, Mr Peter Race MBE (ex officio), Mr Chris Coombs, Councillor Mary Lanigan,
ADDITIONAL MEMBERS	Councillor Ron Lowes.
OFFICIALS	Mr Joe McCarthy, Mr John Bage and Mr Paul Kirkham (CE). Mr Derek Bonnard, Mrs Ann Hall, Miss Kate Rowntree (CC).
AUDITORS	Mr Ian Wallace, Ms Sue Turner (RSM Tenon), Ms Catherine Andrew, Mr Paul Hepple (Audit Commission)

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dave McLuckie (ex officio), Councillor Steve Wallace, Councillor Barry Coppinger.

DECLARATIONS OF INTERESTS

There were no declarations of interests.

MINUTES OF THE PREVIOUS MEETING HELD 26 NOVEMBER 2009

The minutes were agreed as a true and accurate record.

OUTSTANDING RECOMMENDATIONS

ORDERED that:-

1. the Outstanding Recommendations were noted.

PROGRESS REPORT ON ANNUAL AUDIT LETTER RECOMMENDATIONS

The Executive Accountant informed Members of the progress made to date in implementing the agreed actions in the Annual Audit letter relating to the 2008/2009 audit.

The Audit Commission presented the Annual Audit Letter flowing from the 2008/2009 audit to the Police Authority Executive on 10th December 2009. It contained an action plan agreed with the Authority's officers.

Members were informed that relevant parts of the action plan were at Appendix A to the report. It also contained information relating to progress made to date.

Members raised concerns regarding potential blockages of data / information from partners, and sought clarification of how the Authority would overcome this, should it arise.

The Executive Accountant informed members that data quality checking will form part of agreed Information Sharing Protocols (ISP), and the Authority will be in a position to promote such ISP's.

ORDERED that;

1. the progress to date against the recommendations in the Annual Audit Letter of November 2009 be noted.

AUDIT COMMISSION PROGRESS REPORT

The Audit Commission informed members that the report provided a summary to inform the Panel of an update on 2009/10 audit programme to date. The update also seeks to highlight key emerging national issues and developments which may be of interest to Members.

Members were informed that the Audit Commission are currently reviewing their initial risk assessment to update their plans for changes since April 2010, and have carried out some testing of the significant financial systems. The audit opinion plan will be presented to the next Audit and Internal Control Panel.

ORDERED that;

1. the report be noted.

**AUDIT PRACTICE ANNUAL QUALITY REPORT –
CORPORATE REPORT**

and

AUDIT QUALITY REVIEW PROCESS – ANNUAL REPORT

The Audit Commission spoke to both reports simultaneously.

The Audit Commission informed Members that the Audit Commission appointed external auditors, to principal local government, criminal justice and health bodies in England. The aim of which is to provide assurance that the Commission's audit suppliers had suitable systems and procedures in place to ensure the quality of work delivered at audited bodies.

Members were informed that as the regulator of the local public audit regime, the Commission must be able to provide assurance to the bodies they audit and other key stakeholders, that the audits carried out by the Commission's suppliers are of an appropriate quality. To be credible, such assurance needed to be – and be seen to be – wholly independent.

The Audit Commission went on to inform that the audit practice and the bodies tasked with carrying out the work have continued to produce work which meets their quality requirements. The risk of an auditor issuing an unsafe opinion or failing to meet their regulatory requirements remained low.

The Chair sought clarification on the working practices that may be adopted to carry out such functions and whether or not these practices would differ across participating bodies.

The Audit Commission informed Members that the working practices and reporting mechanisms would remain consistent to the current regime.

Members required clarification as they noted that there were concerns in the Quality Review Process (QRP Results) that there were indications in the report, that the regime that had been implemented had scope for improvement in both the quality of evidence on file to support given assessments and the quality of written reporting.

The Audit Commission informed Members that overall the quality of such was good, however they do continuously review the quality issues surrounding such activities. The Audit Commission recognised that although the overall degree of administering such was acceptable, there was always scope for improving record keeping and also ensuring their safe-keeping.

ORDERED that;

1. the report be noted.

INTERNAL AUDIT PROGRESS REPORT

The Internal Auditor informed Members that the periodic internal audit plan for 2009/10 had been approved by the Audit Panel on 28 May 2009. The report presented summarised the outcome of work completed to date against that plan, and Appendix A to the report provided cumulative data in support of internal audit performance.

Members were informed that the table at Appendix A to the report showed the work planned and undertaken to date for 2009/10. Progress is in line with the audit plan as agreed at the Audit Panel meeting on 28 May 2009. Since the last Panel meeting one report has been finalized.

The Chair informed the Panel that it was noted that the actual audit days in the first nine months equated to approximately half of the planned days for the year. Progress on each planned and commenced audit was discussed with reasons for the timing of such work. The Head of Internal Audit stated that the programme for the rest of the year should not prevent the timely completion of the Internal Audit Annual Report.

The Chair commented on the previously agreed protocol for progressing internal audit reports for presentation to the Panel

and expressed disappointment that there had been some significant slippage in recent months. The reasons for these were discussed.

ORDERED that;

1. the report be noted.
2. once potential for significant slippage of any report becomes apparent, the Head of Internal Audit alerts the S151 Officer and the Chair of the Panel, be agreed.
3. there be an assumption that Internal Audit Reports are presented to the Audit & Internal Control Panel meeting following the planned final report date, unless agreed otherwise with the Chair of the Panel.

ANNUAL GOVERNANCE STATEMENT

The Executive Accountant informed Members that Authorities, including Police Authorities, are required to prepare an Annual Governance Statement. Guidance from CIPFA envisages that the statement is reviewed by a Member group during the year as an integral and critical component of the review process. The Audit and Internal Control Panel had been tasked with this role.

Members were informed that the purpose of the report is firstly to update the Panel on progress since November 2009 against significant governance issues, and the action points for improvement, identified in the 2008/2009 Statement. Secondly it brings forward an initial draft of the 2009/2010 Annual Governance Statement.

ORDERED that;

1. the current progress against the significant governance issues and action points for 2009/2010 identified in the 2008/2009 Annual Governance Statement be noted.
2. the initial draft of the 2009/2010 Annual Governance Statement for further progression by Officers 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.

PAYROLL AND EXPENSES

The Internal Auditor provided Members with an update of the audit of Payroll and Expenses which was undertaken as part of the approved internal audit periodic plan for 2009/10. This audit used payroll data generated by IDEA (Interactive Data

Extraction and Analysis) Audit Interrogation software.

Members were informed that taking account certain issues identified in the report, in the auditors opinion the Authority can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

Members sought clarity on a number of areas of concern and welcomed assurances that the actions being taken to remind staff of the importance of keeping records up to date. The Force confirmed staff would be reminded.

ORDERED that;

1. the report be noted.

STRATEGIC RISK MANAGEMENT & SERVICE CONTINUITY PLANNING

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

Members were informed that the Force's integrated approach to strategic risk management and service continuity planning is progressing on a systematic basis with the intention of developing robust risk management and service continuity plans and embedding a risk management culture.

Members sought clarification regarding a structured timetable and succession planning for actions. The Deputy Chief Constable gave assurance to Members on such matters to the Members satisfaction.

In response to Members questions on succession planning he confirmed that there were currently processes in place whereby business critical roles in the organisation are identified and appropriate mitigation strategies agreed.

ORDERED that;

1. the report be noted.

COUNTER FRAUD ARRANGEMENTS – THEMATIC REVIEW

The Internal Auditor informed Members that in an economic downturn, research suggests that fraud is likely to increase and organisations need to ensure they are robust against such a risk. The review compared the arrangements within the Authority and Cleveland Police against the good practice set out in the CIPFA guidance.

Members were informed that to assist the Internal Audit in

undertaking the assessment they split the actions into seven areas, and had assessed the arrangements in place at the Authority and Cleveland Police for each of those areas.

The Internal Auditor informed Members that on the basis of the Thematic Review they had undertaken to compare Cleveland Police Authority's arrangements with the good practice set out in the CIPFA Guidance, *Managing the Risk of Fraud*, they had concluded that the Authority and Cleveland Police had appropriate high level executive support, concise, detailed policies and procedures and a positive attitude in relation to building and maintaining an anti-fraud and corruption culture.

ORDERED that;

1. the report be noted.