

AUDIT AND INTERNAL CONTROL PANEL

ACTION

A meeting of the Audit and Internal Control Panel was held on Thursday 25 March 2010 commencing at 10.30 am in the Members Conference Room, Police Headquarters.

PRESENT	Mr Mike McGrory JP (Chair), Mr Peter Hadfield (Vice Chair), Councillor Caroline Barker, Mr Geoff Fell, Cllr Mary Lanigan, Councillor Victor Tumilty and Mr Peter Race MBE (ex officio)
ADDITIONAL MEMBERS	Councillor Ron Lowes.
OFFICIALS	Mrs Julie Leng, Mr Paul Kirkham and Mrs Caroline Llewellyn (CE). Mr Derek Bonnard, Mrs Ann Hall and Miss Kate Rowntree (CC).
AUDITORS	Mr Ian Wallace – Internal Auditor (RSM Tenon), Mr Paul Hepple – External Auditor (Audit Commission)

APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Chris Coombs and Councillor Dave McLuckie (ex officio)

DECLARATIONS OF INTERESTS

There were no declarations of interests.

MINUTES OF THE PREVIOUS MEETING HELD 20 January 2010

The minutes were agreed as a true and accurate record.

Members sought confirmation that staff had been reminded of the importance of keeping records (e.g addresses) up to date as detailed in the report on Payroll and Expenses. The Assistant Chief Officer advised Members that appropriate staff had received a reminder in writing and that this would continue to be addressed through the MPR process.

Members requested a further progress report to be submitted in 6 months time.

ACO(F&C)

OUTSTANDING RECOMMENDATIONS

ORDERED that:-

1. the Outstanding Recommendation was noted and updated to reflect that the briefing to be arranged in relation to the Code of Corporate Governance would now include Risk Management training and that this would take place by the end of April.

Executive Accountant

ANNUAL GOVERNANCE STATEMENT

The Executive Accountant advised Members on the requirement on Authorities including Police Authorities to prepare an Annual Governance Statement. The statement is published within the Annual Statement of Accounts, but it should also be considered and agreed as a separate document as it is about all corporate controls and not confined to financial issues. Guidance from CIPFA advises that the statement be reviewed by a Member group during the year (rather than just at year end) as an integral and indeed critical component of the review process

The Audit & Internal Control Panel has been tasked with this role in light of its other remits

The purpose of this report was firstly to update the panel on progress since January 2010 against significant governance issues, and the action points for improvement, identified in the 2008/2009 Statement (approved by the Police Authority Executive on the 4 June 2009).

Secondly it brought forward a further draft of the 2009/2010 Annual Governance Statement.

The purpose of the Annual Governance Statement process was to provide a continuous review of the effectiveness of an organisation's governance arrangements including internal control and risk management systems. This was intended to give assurance on their effectiveness or otherwise leading to an action plan to address identified weaknesses.

Paragraph 4.1 – Members asked if the training had commenced and if it had how far on were we and if not when would it start?

The Executive Accountant advised that Authority staff had undergone training but that was in need of refreshing. The training of Senior Officers within the Force and Stakeholders was still to be addressed.

Paragraph 4.3.1 – Members questioned how the CPA Business Plan would be monitored.

The Executive Account advised that following discussion with the Chairman of the Police Authority it had been agreed that the responsibility for monitoring the business plan would sit with the Leadership Panel.

ORDERED that:

1. the current progress against the significant governance issues and action points for 2009/10 identified in the 2008/2009 Annual Governance Statement be noted.
2. the current draft of the 2009/2010 Annual Governance

CLEVELAND POLICE AUTHORITY MONITORING OFFICER REPORT

The Monitoring Officer reminded Members of the role of the both the Monitoring Officer, and Deputy Monitoring Officer, to promote the ethical standards of Members and Officers, and maintenance of the Register of Interests, Gifts and Hospitality. This report monitored compliance with current codes and procedures, and reports the findings and any action taken to the Authority.

Cleveland Police Authority has systems in place to identify issues and to ensure that Members, Officers and the public are aware of how to raise concerns. The Authority is committed to high standards and to being proactive in providing as much information as possible on its website. This continues to evolve as the website is updated and developed. The Authority is committed to ensuring that its members are trained in Governance and the annual training programme would continue to be developed taking needs identified from annual appraisals, changes in legislation and expectations.

Members questioned the fact that no entries of gifts and hospitality had been recorded and sought clarification around when and when not they should make registrations. The Monitoring Officer reminded Members that it was their responsibility to report any gifts and hospitality. Although it was normal practice that this should occur when it is over the value of £25.00, Cleveland Police Authority policy is that any gift or hospitality should be recorded (even offers of gifts and hospitality that were not accepted). This did not include any hospitality received whilst attending a meeting or conference for example. Members are reminded annually of their responsibility to report.

Members sought assurances that staff were aware of the whistleblowing policy and that it was accessible. It was confirmed that the CPA whistleblowing policy is accessible through the website and that all staff were advised of the policy through an administrator message.

The Deputy Chief Constable explained the arrangements the Force had through the confidential e-mail system and confirmed all cases been dealt with in accordance with Force procedures.

ORDERED that:

1. the completion of the annual review of Members Register of Interests, Gifts and Hospitality in accordance with the Members Code of Conduct be formally acknowledged.
2. there have been no confidential reporting issues during

3. Cleveland Police Authority's Publication Scheme which is accessible through its website and that the Police Authority has received and responded to 13 Freedom of Information request over the past year be noted.
4. 20 documents were signed and sealed in accordance with procedure over the period 2009/10 be noted.
5. no complaints were received against Members during 2009/10 be noted.
6. in future this annual review would be completed by the Standards Committee and reported to the Police Authority Executive be agreed.

**Monitoring
Officer**

POLICE AUTHORITY RISK REGISTER MARCH 2010

The Executive Accountant provided Members with the opportunity to review the Cleveland Police Authority Risk Register and Action Plan.

The 2007 CIPFA/APA Guidance for Police Authorities "Delivering Good Governance in Local Government Framework" recommended that an effective risk management system be put in place and that decision be subject to effective scrutiny and the management of risk. In addition it recommended that the authority should ensure that risk management is embedded into the culture of the organisation, with members and managers at all levels recognizing that risk management is part of their job.

Cleveland Police Authority's Risk Register (attached at Appendix A to the report) had been updated after scrutiny by the Joint Risk Management Group. The CPA Risk Register is in the process of migrating onto the new *4Risk* software, alongside the Force Strategic Risk Register and the Service Unit Risk Registers. The Action Plan to mitigate risks was set out at Appendix B to the report for Members to review.

The risk of Fraud had been the subject, along with the risk of Corruption, of strategies over a number of years to mitigate the probability of it occurring to the extent that it has not previously been considered sufficiently material for inclusion in the corporate Cleveland Police Authority risk register. However, both Internal and External Audit have commented on this omission within the context of asserting the Authority's and Force's policing on Counter Fraud and Corruption. It was now detailed at PA8 in both appendices.

This report is part of an ongoing process within both the Authority and Force to embed risk management in every aspect of the business.

Members raised a concern about the apparent absence of Project I from the Risk Register. The Executive Accountant explained that Project I was on the Emerging Risks Register

where it was being evaluated subject to the decision of the CPA to proceed or not. The Deputy Chief Constable advised Members that the Project I was similarly being addressed in the Force's risk management processes. The Project I bidders are considering their risk responsibilities as part of the process.

Appendix B – PA5 – Members sought an explanations about why this target had not been met, and asked when this would be rectified. The Executive Account explained that due to a long term absence of a member of staff this had fallen behind but it was something that would be looked at in conjunction with the Force and Stakeholders and an updated timeframe would be put in place.

Members asked who would have responsibility for the ongoing monitoring of the Risk Register. They were advised by the Executive Accountant that this would be monitored by the Leadership Panel at its quarterly meeting.

ORDERED that:-

1. "Fraud" be added to the Authority's Risk Register.
2. the Risk Register attached at Appendix A to the report and the Action Plan attached at Appendix B be accepted.

**Executive
Accountant**

**Executive
Accountant**

CLEVELAND POLICE AUTHORITY – RISK MANAGEMENT POLICY AND STRATEGY

The Executive Accountant asked Members to review and comment on the revised risk management policy and strategy for the Police Authority.

In 2005 the Police Authority and the Force agreed a joint Risk Management Strategy. This had been substantially in existence since then, subject to amendment as the arrangements for risk management have evolved within the Authority and across the Force. As part of the continuous review of governance it is now considered appropriate that the Authority establishes a separate Policy and Strategy, but one which remains aligned with that of the Force. This is in recognition that the Authority needs to manage its own risks while having oversight of management arrangements within the Force.

One consequence is the further emphasis in the Strategy of the involvement in risk management by all panels, not just the Audit & Internal Control Panel.

A suggested Policy and Strategy was attached at Appendix A to the report. This document had been prepared following research based on documents from other police authorities, particularly South Wales Police Authority and in house developmental work.

Because of the alignment of arrangements with the Force (for

example the use of common software, scoring etc) the charts attached to Appendix A, replicated those in the Force's documentation which was attached at Appendix B to the report.

This report was part of the ongoing process to improve governance, efficiency and effectiveness. The Executive Accountant advised members that he would look to arrange some additional member training in relation risk management.

The Internal Auditor stated that this was one of the better policies on risk management that he had seen and that the guidance clearly identified what was significant or not. This policy marked a step change in the Police Authority's approach to Risk Management.

ORDERED that:-

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| 1. | the Cleveland Police Authority Risk Management Policy and Strategy at Appendix A to the report be agreed. | Executive Accountant |
| 2. | the Force's Risk Management Strategy at Appendix B to the report, published as part of its Corporate Governance Framework be noted. | Deputy Chief Constable |

CLEVELAND POLICE AUTHORITY – REVISED CODE OF CORPORATE GOVERNANCE

The Executive Accountant advised Members of their role to review proposed changes to the Code of Corporate Governance, and to make recommendations thereon to the Police Authority Executive.

This new style of Code of Corporate Governance was accepted by the Police Authority at its meeting in December 2007 and became effective from 1 January 2008. It was agreed that there would be an annual review of the code, which would be brought to members for approval. Since the last update in June 2009 there had been important changes to the working documents and therefore it was an opportune time to bring these to the attention of Members and seek approval for their inclusion within the Code.

The main changes to the Code were detailed within the report.

Members had received Appendix A, which was a copy of the Code of Corporate Governance, on a disc, and were asked to note that it was also available upon request or by accessing the CPA website at www.clevelandpa.org.uk .

The Code of Corporate Governance had been updated in a timely manner in accordance with agreed procedures.

Paragraph 3.5 – b. – Members sought clarification around the arrangements for elected Mayors to sit on Police Authorities. The Deputy Monitoring Officer confirmed that this was included in the Statutory Instrument for Police Authorities entitled

“Community Engagement and Membership” which came into Force on 17 March 2010. This stated that an elected Mayor of a relevant council who indicated that they would like to be appointed to the Police Authority and were supported by their local authority, that they would be so appointed.

Members requested that in future ‘below the line’ documents be printed on a different colored paper (even if it was just the top sheet).

ORDERED that:-

1. the revised Code of Corporate Governance be reviewed and any recommendations for consideration by the full Police Authority Executive meeting in June 2010 be submitted.
2. below the line items be differentiated by use of coloured paper.

**Executive
Accountant**

**Deputy
Monitoring
Officer**

IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FOR LOCAL AUTHORITIES

The Assistant Chief Officer Finance and Commissioning updated Members on the requirement to adopt International Financial Reporting Standards (IFRS) for Local Authorities (including Police Authorities) financial statement from 2010/11.

These statements are to include comparators for 2009/10, together with an opening balance sheet at 1 April 2009.

In recent years there had been a move towards bringing local government accounts more in line with the private sector. The Statement of Accounts was produced in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Its application led to major changes to the Statement of Accounts for 2006/07 and these were reported to the Police Authority at that time. The differences between the budget and UK GAAP were reconciled in the Statement of Movement on the General Fund Balance.

The introduction of IFRS will mean that the Statement of Accounts will move even further away from the budget and Precept set by the Authority in accordance with statutory and non-statutory proper practices. It is against this budget that the Authority monitors financial performance and is held accountable to local taxpayers for the Precept it sets.

It is generally accepted that although the Statement of Accounts satisfies legal and technical requirements it will not clearly communicate the Authority's financial position to non-technical readers. For this reason it is important that the Authority considers how this will be best undertaken for the future given that the Statement of Accounts will be even more of a technical document than it has been in the past. A summary of the financial statement is produced by many

Authorities and this report recommends that the Authority progresses this work.

A significant amount of work has already taken place within the Corporate Finance Department to ensure that all of the required changes as a result of adopting IFRSs are incorporated into the Statement of Accounts in line with the requirements of the timetable for Local Government.

Paragraph 3.15 – Members queried the carry forward of Overtime and Time of in Lieu (TOIL) and how this is accounted for on the balance sheet in relation to annual increments and promotion of the staff concerned. The Assistant Chief Officer Finance and Commissioning explained that this liability is valued and recorded as if it were to be paid in cash at the current rate and is reviewed on an annual basis. This is the case with every Force across the Country, however, Cleveland, have put in place processes to try to encourage time to be taken within a set time, but this has to be carefully managed. Members had received a report and a briefing in relation to TOIL and the proposals to reduce the amount of time owing and asked if they could receive a progress report which the Deputy Chief Constable confirmed he would be happy to add to the Outline Schedule of Reports.

Paragraph 2.3 – members requested further information on the consultation proposal and how this would be managed and if there was a detailed timetable. The Deputy Chief Constable agreed that the consultation process would have to be carefully managed and that they would promote the work done to ensure improvements to the front line, for example the changes in the shift pattern, increase in Police Officer and PCSO numbers.

The Assistant Chief Officer Finance and Commissioning informed members that a four monthly update report on proposal would be provided (one of which would be at the end of the financial year) and gave reassurances that any problems would be reported as they arose.

ORDERED that:-

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| 1. | the progress made in implementing IFRS for Local Authorities in respect of the Police Authority be noted. | ACO(F&C) |
| 2. | progress be reported to the Panel at 4 monthly intervals be agreed. | ACO(F&C) |
| 3. | initial proposals for summary financial statements are brought to the appropriate panel on a timetable which allows for subsequent consultation on the content and format probably through the vehicle of the local authorities citizens panels be agreed. | ACO(F&C)
Executive
Accountant |
| 4. | a progress report on management of TOIL be added to the Schedule of reports. | DCC |

INTERNAL AUDIT SERVICES – ANNUAL REVIEW 2009/2010

The Executive Accountant informed Members of the requirement to review the effectiveness of the Internal Audit Service on an annual basis. This report was intended to allow Members to discharge that responsibility.

The Panel were asked to consider the submission and assure itself about the effectiveness, or otherwise, of the Internal Audit Service.

Under the terms of the Internal Audit Contract RSM Tenon are required to provide assurances about compliance with key items of legislation and also to confirm business continuity arrangements. The assurances for 2009/2010 were contained within Appendix D to the report.

The Head of Internal Audit confirmed that it was his intention to discuss the survey of auditees with the Authority and the Force.

Members sought clarification around a number of items detailed within Appendix B to the report.

NB: An amended Appendix C was circulated to all Members in advance.

ORDERED that:-

1. the following documents were reviewed by Members in their role to review the effectiveness of the Internal Audit Service:-
 - Cleveland Police Authority specific analysis at Appendix A to the report.
 - The corporate self assessment from RSM Tenon at Appendix B to the report.
 - Summary of questionnaires returned by auditees as detailed at Appendix C of the report.
 - The Operational Plan Performance 2009/10 contained in the Head of Internal Audit's progress report elsewhere on today's agenda in assessing the effectiveness of the Internal Audit Service.

AUDIT PROGRESS – CLEVELAND POLICE AUTHORITY

The External Auditor updated Members on progress of the external audit of Cleveland Police Authority as of 12 March 2010. This report forms an important role in keeping Members of the Audit and Internal Control Panel informed on the progress of the audit.

The 2008/2009 audit had been completed and was now closed.

The External Audit was now in the process of undertaking the 2009/10 audit and had also begun to plan the 2010/11 audit.

The report also informed the Panel of other matters of interest, including promoting the national work undertaken by the Audit Commission, and focusing in on its potential value to the Authority.

The External Auditor advised members that the audit fee for the 2009/10 audit was set at £85,780 and this had been considered further but that it had been agreed that there was no change at this stage.

The key areas of work for the 2009/10 audit were:

- The opinion on the financial statements
- The use of resources assessment and the value for money conclusion.

ORDERED that the report be noted.

CLEVELAND POLICE AUTHORITY STRATEGY FOR INTERNAL AUDIT 2009/10 – 2013/14 (DRAFT)

The Head of Internal Audit presented the draft internal audit strategy for 2009/10 – 2013/14.

The Strategy for 2009/2014 was approved by the Audit and Internal Control Panel in May 2009. The purpose of this document was to update that strategy and to provide a more detailed internal audit plan for 2010/11.

Details of the proposed changes to the internal audit plan for 2010/11 were detailed within the report.

In line with the tender and subsequent engagement letter, the fee for internal audit services for 2010/11 would be £44,400. A breakdown of days input and a fee for each assignment was detailed in Appendix B to the report.

Members were asked to consider the following:-

- Does the detailed internal audit plan for the coming financial year as detailed in Appendix B reflect the areas that the Audit and Internal Control Panel believe should be covered as priority?
- Does the updated Strategy for Internal Audit (as set out at Appendix C) cover the organisation's key risks as they are recognised by the Audit and Internal Control Panel?
- Does the audit strategy include all those areas that the Audit and Internal Control Panel would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?
- Is the level of audit resource accepted by the Panel agreed as appropriate, given the level of assurance required?

A meeting with the Assistant Chief Officer Finance and Commissioning would take place as soon as diaries allowed and then a final report would be issued in June.

The Executive Accountant suggested it would be beneficial to have the plan agreed to commence from the beginning of the financial year in future.

ORDERED that:-

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| 1. | the draft plan be noted and subject to consultation with the Force that a final plan would be submitted in June 2010. | Head of
Internal
Audit
Chief Exec
ACO(F&C) |
| 2. | in future years the process should enable the plan to be agreed prior to the commencement of the financial year. | Head of
Internal |

SUBSTITUTE MEMBER

Mr Peter Hadfield had to leave the meeting and nominated Cllr Ron Lowes to be his substitute for the remainder of the meeting.

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.

INTERNAL AUDIT PROGRESS REPORT

The Internal Auditor presented this summary report on the outcome of work completed to date against the Internal Audit Plan which was approved by the Audit Panel on 28 May 2009. Appendix A to the report provided cumulative data in support of internal audit performance.

The Internal Auditor confirmed that three reports had been finalised since the last Panel meeting, these were:-

- Risk Maturity
- Purchasing and Payments
- Procurement Transformation Programme

There were no issues arising from the Internal Audit work for the year to date that would have a negative impact upon their opinion for 2009/10.

The table at Appendix A showed the work planned and undertaken to date for 2009/10. The Internal Auditor confirmed that the following audits were in the process of being completed:-

- Partnerships

- Business Continuity Planning
- Interned and E-mail
- Network Security
- Follow Up

There have been no changes to the audit plan since the last meeting.

Members sought clarification about the merits of considering the individual audit reports below the line and were advised that this was the subject of continued discussion.

Members sought clarification that the Plan would be delivered on time and questioned whether all the days would be used? The Internal Auditor advised that they had not used any of the 11 planned contingency days, but that these had been paid for so consideration needed to be given to how best to utilise those.

ORDERED that:-

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| 1. | the internal audit progress report March 2010 be noted. | Head of Internal Audit |
| 2. | the merits of considering individual audit reports below the line be the subject of a report to the Panel | Monitoring Officer |

INTERNAL AUDIT REPORT – RISK MATURITY

The Internal Auditor notified Members that this risk maturity review built on previous work by looking not just at the building blocks of the risk management framework, but how the Board and management views and uses risk and information relating to the risks facing the organisation in order to support Corporate Governance.

Risk Maturity is defined as: “the extent to which a robust risk management approach has been adopted and applied as planned by management across the organisation, to identify, assess, decide on responses to, and report on opportunities and threats that affect the achievement of the organisation’s objectives.”

The Internal Auditor had also considered not only the framework that was in place to identify, assess, record and monitor risks, but how that information was used within the organization.

The Internal Auditor reported that based on the work undertaken, their assessment of Cleveland Police Authority’s position on the risk maturity spectrum was ‘Risk Defined’. The following key findings from the review were:-

- The risk register was currently in the process of being updated and was therefore not complete;

- The Risk Management Policy and Strategy had not yet been finalised.

ORDERED that:-

1. the risk maturity report be accepted and noted.

INTERNAL AUDIT REPORT – PURCHASING & PAYMENTS

An audit of Purchasing & Payments had been undertaken as part of the approved internal audit periodic plan for 2009/10.

The Internal Auditor advised Members that the organisation had made a number of significant changes in its procurement processes, and these had been reviewed separately through the Procurement Transformation Project audit in December 2009.

The audit reviewed the processes in relation to raising and authorizing requisitions and purchase orders and also incorporated the analysis of accounts payable records through the audit software IDEA.

The audit concluded that the Authority could take substantial assurance that the controls upon which the organization relied to manage this risk/this area as currently laid down and operated, were effective.

The review had identified that appropriate systems and controls were in operation to provide assurances that all purchase transactions were raised and authorized appropriately, and subsequently paid accurately.

ORDERED that:-

1. the purchasing & payments report be accepted and noted.

INTERNAL AUDIT – PROCUREMENT TRANSFORMATION PROGRAMME

An audit of the Procurement Transformation Programme was undertaken as part of the approved internal audit periodic plan for 2009/10.

Following the review of Procurement practices by Enterprise Consulting, Redcap Associates were appointed to lead the transformation programme and fulfill the role of Interim Procurement Manager.

The purpose of the Programme was to realign the procurement function and process in keeping with modern best practice. As part of the Programme, the Contract Standing Orders and an overarching Procurement Strategy have been reviewed and revised and mapped alongside the Transformation Plan.

The report concluded that taking account of the issues identified within the report, the Internal Auditors were of the

opinion that Members could take substantial assurance that the controls upon which the organisation relies to manage this risk/this area as currently laid down and operated, are effective.

ORDERED that:-

1. the Procurement Transformation Programme report be accepted and noted.

CONTRACT STANDING ORDER NO. 9 – EXEMPTION FROM THE NORMAL REQUIREMENT TO TENDER

The Assistant Chief Officer Finance and Commissioning presented the report to Members. New contract standing orders were introduced on 1 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".

Details of each request were included in Appendix A.

Standing Orders reflect both the policies of Cleveland Police Authority and the requirements of current legislation. Their purpose was to provide help and guidance to all members of staff who were involved in supplier negotiations for the provision of goods and services. They are mandatory and as such must be complied with at all times.

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

The details of the exemption request attached at Appendix A not only comply with methodology approved by Members but represent the Force's ongoing commitment to greater efficiency and effectiveness.

Members robustly reviewed each of the exemptions.

ORDERED that:-

1. the exemptions in Appendix A to this report which satisfy the criteria for exemption from the normal requirement to tender set out in Contract Standing Order 9 be noted. **ACO(F&C)**
2. exemption to Contract Standing orders be granted on this occasion to items 6 to 10 (inclusive and item 12 **ACO(F&C)**