

# Annual Report of the Joint Independent Audit Committee (JIAC) for the Police and Crime Commissioner and Chief Constable of Northumbria.

Financial Year 2014 – 2015

## **1. Introduction:**

The Joint Independent Audit Committee (the Committee) provides independent assurance to the Police and Crime Commissioner (PCC) and the Chief Constable (CC) on the adequacy of:

- the risk management framework and the associated control environment
- independent scrutiny of both organisations financial and non-financial performance to the extent that it affects the exposure to risk and weakens the control environment
- the financial reporting processes.

The committee is established under the requirements of the Home Office Financial Management Code of Practice for the Police Service of England and Wales, meeting the requirements of Section 39A(5) of the Police Act 1996 and Section 17 (6) of the Police Reform and Social Responsibility Act 2011.

The Code states that ‘ the Audit Committee should establish formal terms of reference, covering its core functions, which should be formally adopted and reviewed on an annual basis. Best practice principles should be considered in determining of the Audit Committee’ (the Committee).

This is the second Annual Report of the JIAC.

This annual report sets out how the committee has fulfilled its responsibilities.

The Committee meets four (4) times a year and was quorate on each occasion. The attendance record is at Appendix 1.

Each meeting of the Committee is attended by the Chief Executive of the PCC, ACO Northumbria Police, Joint Chief Finance Officer, Internal and External Audit Managers and Corporate Development Manager Northumbria Police. Other persons may be called to attend as required.

Secretarial and Administrative support is provided by the Office of the PCC.

## **2. Membership:**

John Cooke, Chair: Neil Mundy, Vice Chair: Philip Angier: Jill Remnant (resigned December 2015); Mrs Eleanor Haywood (resigned March 2015).

Mrs Haywood and Mrs Remnant have been replaced by Mr Kushil Amalani and Mr Peter Wood (June 2015). We are confident that with the recent appointments, the Committee has the people with the right mix of skills and experience and that it

operates effectively in support of the PCC, CC and their respective senior leadership teams.

Members of the committee have the necessary qualifications and experience within the Public, Private, Voluntary and Community sectors.

### **3. External Audit**

External audit is contracted to Mazars LLP for both the Office of PCC and the CC. The Committee has established an effective working relationship with Mazars and the external audit team who attend the meetings of the JIAC.

The Committee has reviewed the work and findings of the external audit and considered the implications and management responses to their work. Key actions have included:

- reviewing external audit reports, including agreement of the Annual Audit Letter
- undertaking a review during the year of the independence, objectivity and effectiveness of external audit.

The Committee has concluded that the performance of the External Auditors had been to a satisfactory standard in terms of independence, objectivity and effectiveness.

### **4. Internal Audit:**

The Committee has ensured that there is an effective Internal Audit function that meets the Internal Audit standards and provides appropriate independent assurance. This has been achieved by:

- review, input to and approval of the Internal Audit Strategy, annual operational plan, detailed work programmes and the Internal Audit Annual Report.
- Undertaking regular review of the independence, objectivity and effectiveness of the Internal Audit
- Consideration of the major findings of internal audit work including continued emphasis on securing and improving assurance.

### **5. Risk Management:**

The Corporate Development Manager presents to each meeting an update on the management of strategic risk as detailed in the Joint Strategic Risk Register. The Committee ensures that all identified risks are assigned to a Chief Officer within the force or the Office of the PCC who have responsibility for the management of controls and the implementation of any new controls where necessary. During the year the JIAC has been provided with an overview of new risks as well as being updated where risks have been removed from the register.

## **6. External Inspection Reports:**

The Corporate Development Manager updates the Committee on all HMIC inspection reports, relevant National Audit Office reports and the Committee monitors the completion of any improvement/action plans.

## **7. Scrutiny of the CC and PCC's Financial and Non-Financial Performance.**

### **7.1 Audit Activity:**

Internal audit is contracted out to Gateshead Council for both the OPCC and the CC. The annual internal audit plan is based on risk assessments and is agreed by the Committee. In addition the Committee have the facility to commission additional internal audit work should they deem it necessary.

During the year 25 audits were planned with 24 being completed or underway at the end of the financial year. One (1) audit was deferred until a new IT system was in place. Each quarter the Committee receives updates on all audits completed and on any outstanding recommendations. This year no audit concluded that systems or procedures contained significant weakness; 16 audits concluded that systems and procedures were operating well with 8 concluded to be operating satisfactorily. During the year the Committee were pleased to note that all recommendations had been implemented within the agreed timescales.

Prior to each meeting of the Committee the Chairman meets privately with the Head of Internal Audit to discuss findings.

External audit is contracted to Mazars for both the Office of the PCC and the CC. The Audit Manager attends all meetings of the Committee. The external auditors meet also privately with the Committee to discuss their report. The external audit strategy is presented to the Committee annually together with their conclusions.

### **7.2 Regulatory Framework:**

The Committee approved the Governance Statements to be included in the Annual Accounts for both the PCC and the CC taking into account compliance with best practice and published standards and controls.

## **8. Financial Reporting:**

The Committee have reviewed the process for completing the Annual Statement of Accounts for both the PCC and the CC including the choice of accounting policies. The Committee also reviewed the External Auditor's value for money report, audit findings report and we anticipate an unqualified audit opinion.

The Committee has also reviewed the assurance process and governance arrangements that were included in the Annual Governance Statements and will ensure that the best practice points raised will be implemented in due course.

The Committee has also reviewed and agreed the Medium Term Financial Strategy (MTFS), which details the borrowing and investment strategy to be adopted by the PCC.

## **9. Plans for 2015/16:**

The Committee plans to meet 4 times in the coming year at which it will review the following:

- Reports of the External Auditors
- Internal Audit Reports together with progress reports where there are findings
- The independence, objectivity and effectiveness of internal and external audit.
- Oversight of the Joint Strategic Risk Register
- Scrutiny of the Medium Term Financial Plan
- Review of Treasury Management
- Reports of significant projects
- The Annual Governance Statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
- Reviewing of HMIC and other statutory body reports on matters pertaining to the PCC and CC
- Ensuring that our own Terms of Reference are up to date, effective and relevant.

## **10. Conclusion:**

The Committee has reviewed its own performance against the good practice identified by CIPFA and where areas of improvement have been identified these will be addressed in future training sessions.

The Committee recognises the significant challenges facing the PCC and CC in the continuing requirements to make cost savings in the coming years and we look forward to making a constructive contribution.

**John Cooke MBE**

**Chair of the Joint Independent Audit Committee for the Police and Crime Commissioner and the Chief Constable of Northumbria**

**30<sup>th</sup> August 2015**

## Appendix 1 – Record of Attendance at JIAC 2014/15:

Members	16 <sup>th</sup> June 2014	15 <sup>th</sup> September 2014	8 <sup>th</sup> December 2014	23 <sup>rd</sup> February 2015
John Cooke (Chair)	✓	✓	✓	✓
Ms Jill Remnant	✓	x	✓	x
Philip Angier:	✓	✓	✓	x
Mrs E Haywood	✓	✓	x	✓
Neil Mundy	✓	✓	✓	✓