



## AGENDA ITEM 8

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE CONSTABULARY

#### JOINT INDEPENDENT AUDIT COMMITTEE

24 JUNE 2015

<b>REPORT BY</b>	Chair of the Joint Independent Audit Committee
<b>SUBJECT</b>	Annual Report 2014-15
<b>RECOMMENDATION</b>	To approve the report and to submit it to the Police and Crime Commissioner and Chief Constable

#### 1. Role of the Committee

This is the second annual report of the Joint Independent Audit Committee (JIAC) created under the Home Office Financial Code of Practice for Police Services.

The purpose of the Committee is to support the Police and Crime Commissioner and the Chief Constable to discharge their responsibilities by providing independent assurance on the adequacy of their corporate governance, risk management arrangements and the associated control environments, treasury management and the integrity of financial statements and reporting. The full responsibilities of the JIAC are contained in its terms of reference.

This audit committee became operational in November 2012.

#### 2. Committee membership

Membership of the Committee during the financial year was:

<b>Name</b>	<b>Appointment</b>	<b>Qualifications</b>
John Beckerleg (chair)	Appointed 1 October 2014	MA, CIPFA, MBA, SSA
Jackie Haynes	Resigned 30 November 2014	
Tony Knivett	Appointed December 2013	CQSW
Gill Newton (chair)	Resigned 30 September 2014	CBE
Martin Pettitt	Appointed December 2013	CIPFA
Gill Scoular	Appointed 1 December 2014	

### **3. How the Committee discharges its responsibilities**

The Committee has established terms of reference derived from the CIPFA best practice model. These drive the work programme.

There is a well established approach to agenda planning.

The Committee held 4 formal meetings in the year. The meetings were open to the public with only a small minority of items being considered in private. Attendance at meetings was as follows:

<b>Name</b>	<b>Attendance / Possible attendance</b>
John Beckerleg (chair)	2/2
Jackie Haynes	2/2
Tony Knivett	4/4
Gill Newton (chair)	2/2
Martin Pettit	4/4
Gill Scoular	2/2

The Committee's meetings have been supported effectively by officers from both the Force and OPCC. In addition representatives of the Internal Auditor and the External Auditor attended the meeting.

To enable the Committee members to be effective, they need to understand the plans, priorities, programmes and issues facing the Force and OPCC. So, during the year the formal arrangements have been supplemented by a developing programme of workshops which have allowed officers to brief the Committee members on a range of topics. Areas covered have included:

- The major transformation programme (ASPIRE);
- Emerging estates strategy;
- Corporate Services review;
- Risk management, risk register and assurance mapping; and
- Medium term financial strategy.

### **4. Assessment of the Audit Committee's performance against its plan and terms of reference**

The Committee is keen to be effective and in particular make a positive and constructive contribution to the work of the Force / OPCC and the achievement of their strategic priorities. The Committee has continued to make progress towards this aim in 2014-15 but there is more to be done.

The Committee has undertaken its responsibilities as set out within the agreed terms of reference including consideration of the:

- Assurance framework and the operation of risk management;
- Treasury Management policy and ongoing monitoring;
- 2013/14 Accounts, the Annual Governance statements (including follow up) and the external auditor's report; and

- Internal Audit Plan 2015/16, specific internal audit reports (recommendations and follow up) and the internal auditor's Annual Report for 2013/14.

The Committee has begun to consider how to discharge its responsibility regarding value for money and counter-fraud.

In the previous Annual Report the Committee set out its aims and objectives for 2014/15. These are described in Appendix A. In a number of areas (such as communications, relationships, prompt sign off of plans) which were highlighted in the previous Annual Report performance has improved significantly and this provides a better platform for the Committee's work. But some aspects require further work before the Committee will conclude that it is as effective as it could be.

The Committee has recently reviewed its effectiveness against the Chartered Institute of Public Finance and Accountancy's guidance: '*Self-Assessment of Good Practice*'. This concluded:

*There are some aspects of the work of the Committee which are still developing. This will continue and will improve the Committee's effectiveness. A critical issue continues to be whether the JIAC, in undertaking its work, is making a beneficial impact on the work of the Force and OPCC.*

*Following the self assessment work described, there are some specific aspects which the Committee will wish to take forward in 2015-16, including:*

- *Exploring how the Committee is held to account by the Force and OPCC;*
- *Undertaking a skills audit and following this through with planned training as required;*
- *Assessing possible steps to promote effective public reporting;*
- *Seeking involvement with partner audit committees;*
- *Planning to review the effectiveness of internal and external auditors;*
- *Seeking reports on the effectiveness of internal controls: and*
- *Planning work around the JIAC responsibility on counter fraud.*

## **5. Identification of key issues**

Risk management – The risk management processes are well established and regularly monitored.

Assurance Framework - One area of focus for the Committee has been understanding the assurance framework which exists for both the force and the OPCC. Building on work done to establish the two separate risk registers, a methodology based on the HM Treasury model of 'three lines of defence' is being explored (both for internal work but also collaboration). This work will be ongoing and possibly involve exploring in depth one or two discrete areas to examine the way in which the three levels operate in practice.

Transformation – the transformation programme is very ambitious and challenging. The Committee has seen this as a major area for its attention in view on the incumbent risks, interdependencies between projects and the resource implications.

Value for money – The JIAC is responsible for considering VFM arrangements. These can take many forms: for example, within resource planning, as part of

programme management, everyday decision making. The Committee has been seeking to determine how to confirm the arrangements for value for money including using the conclusion of HMIC, internal audit and external audit.

Collaboration – there are many examples of collaborative working between forces involving Northamptonshire. The JIAC is seeking to reassure itself (and thereby the Chief Constable / Commissioner) on the underlying principles, governance arrangements and effectiveness of these arrangements. This area has not progressed as quickly as envisaged but more work involving the internal auditors and officers is planned.

## **6. Key issues highlighted to the Commissioner and Chief Constable**

The Committee has continued to provide feedback from its meetings to the Chief Constable and the Police and Crime Commissioner. This takes the form of points raised under three headings: 'Alert, Advise, and Assure'. This feedback is now made public.

Topics covered have included:

Alert	Need to establish a secure basis for the governance of collaborative working arrangements.
Advise	Review of Medium Term Financial Strategy but seeking more detail in due course
Assure	New arrangements in respect of transformation reflect progress and an improved cohesion of governance across the programme of change. Preparation of annual accounts, including Annual Governance Statements for the Force and OPCC. Progress made against Internal Audit recommendations Performance information presented to the Committee The risk registers of the OPCC and the force Update on treasury management

## **7. Assessment of Internal Audit**

Baker Tilly provided the internal audit service during 2014/15.

The internal audit plan for 2014/15 was approved by the Joint Independent Audit Committee in March 2014, and the Committee recommended the Commissioner and the Chief Constable to sign off the plan. This contained 15 planned audits including 1 relating to a shared IT implementation (Niche). One of these audits – relating to volunteers - was deferred since there was a separate review also being undertaken. Although some audits were not fully complete at 31 March 2015, all of the other audits will have been completed by May 2015.

It is appropriate to record here that the Force and OPCC have generally accepted the recommendations made in the internal audit reports (or explained why a particular recommendation has not been accepted). Managers have progressed the agreed

actions in most cases to the agreed timescale and the Committee continues to monitor progress until actions have been completed.

At the end of 2014/15 the chair of the Committee was involved in the regional procurement a new internal audit contract. Mazars were appointed to provide the internal audit service for the next 3 years.

## **8. Assessment of External Audit**

The external auditor is KPMG.

The Auditor has provided an update on the work in relation to the 2013/14 accounts which led to an unqualified report on the accounts.

In addition the Auditor has presented the External Audit Plan for 2014/15.

The Committee is satisfied about the effectiveness of the external audit process.

## **9. Looking forward**

Appendix B sets out the Aims and Priorities for the Committee for 2015/16.

## **10. Conclusion**

The Committee has continued to develop its approach over the past 12 months. A number of key elements – communications, relationships, Committee members' understanding – have improved and provide a good basis for moving forward.

The JIAC will continue to undertake the responsibilities assigned to it in the agreed terms of reference and seek to ensure it make a constructive contribution to achieving the agreed priorities.

It will also continue to assess its own effectiveness and how this can be further improved.

The Committee wishes to record its appreciation for the support it has received from the Force and OPCC, as well as the internal and external auditors.

J Beckerleg  
Chair of Joint  
Independent Audit Committee

<b>EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS</b>	None
<b>HUMAN RESOURCES IMPLICATIONS</b>	None
<b>ENVIRONMENTAL IMPLICATIONS</b>	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	None
<b>Author:</b>	J Beckerleg – Chair of Joint Independent Audit Committee
<b>Chief Officer Portfolio Holder:</b>	J Neilson – Director of Resources, Governance and Transformation , OPCC; G Jones Chief Finance Officer; Northamptonshire Police

## A Review of progress against the Joint Independent Audit Committee's – Aims and Objectives 2014/15

The JIAC set out its aims and objectives in its previous Annual Report. The following table provides an assessment by the Committee of progress in 2014/15.

Aims and objectives	Assessment
<p>The Committee agreed that a principal aim was to establish a clear, independent and effective role understood by the Force and the OPCC to ensure that public funds are managed appropriately.</p>	<p>In its work in formal meeting, workshops and individual discussions with officers, the members of the Committee have sought to develop and promote the role of the Committee. A shared understanding has been established which will be further enhanced over time.</p> <p>The Committee's agenda and papers are available on the Force website. Understanding of the JIAC role outside of those involved directly with the Committee is thought to be limited / non-existent and the Committee needs to decide what, if anything, further needs to be done.</p>
<p>The Commissioner is striving for the best for Northamptonshire at a time of budgetary pressures by introducing a range of innovative initiatives in the Transformation Programme. The Committee's key function as critical friend is particularly important regarding risks and pace in relation to this ambitious programme.</p>	<p>The JIAC is represented on the programme board and Committee members receive the meeting papers. The Committee has been briefed on the programme and was assured about the governance arrangements which were being developed. However, the scale of this programme is such that the Committee will wish to continue to monitor the programme to be confident about governance and risk management arrangements. The experience of the Committee members means that it is able to provide support as a 'critical friend'.</p>
<p>To gain assurance that there is good use of public funds/ value for money in the Transformation Programme and that risks are identified and managed</p>	<p>The involvement described above gives the JIAC the opportunity to gain assurance about the use of public funds / VFM.</p> <p>The Committee has been re-assured about the governance of the programme and has seen specific reports which have reviewed progress against the project objectives (e.g. on Specials).</p> <p>In other areas, the work is ongoing, for example, the Estates Strategy. A key aspect of the transformation programme is the reshaping of the properties of the Force/ OPCC so that are 'fit for the purpose'. The resulting estate programme also encompasses changes in the way employees work – agile</p>

	<p>working – which takes advantage of technological advances to minimise property costs. The first phase of the programme has been agreed; the second phase is under consideration with decisions expected mid-summer 2015. The Committee has not, until recently, felt sufficiently involved in the process to develop and implement the strategy. It is not the role of the Committee to be part of the decision making but it does have a role in exploring the governance of how decisions are made and considering the approach to securing value for money. Further briefings in 2015/16 are expected to help it to discharge these accountabilities.</p>
<p>To ensure that sufficient committee support is in place</p>	<p>Officer support for the formal meetings and the development of specific workshops has gone a long way to satisfy this objective. Whilst wanting to maintain a strategic oversight, the Committee would benefit from being included in significant briefings / updates on topics; these provide the context within which the JIAC operates. The Committee would appreciate officers being proactive in providing updates / briefings / information about topics which come within its terms of reference.</p>
<p>To ensure sufficient meeting time is allocated to audit reports and other sources of assurance in meetings</p>	<p>The Committee has an established and effective methodology to plan the agenda for future meetings. Its members have been able to allocate sufficient time to all topics but the number of agenda items is considerable. Two improvements are being examined: allocating specific topics to individual members who then lead at the formal Committee meetings and also trying to ensure the most important topics are placed earlier on the agenda and are given more time for discussion. The Committee tracks progress of any recommendations HMIC make</p>
<p>To clarify the role and contribution of Committee members at Transformation Programme meetings</p>	<p>This has been achieved (see above)</p>
<p>To establish effective scrutiny in support of good governance, including scrutiny of regional collaboration initiatives</p>	<p>This has not been achieved and remains an area of concern. The Force has agreed to collaborate with certain other police forces and other partner agencies to provide specific functions. Collaboration allows a sharing of expertise and frequently potential costs savings. However this partnership model introduces new governance arrangements and the</p>

	<p>Committee has yet to be re-assured that the arrangements are clearly defined and working well.</p> <p>Some work has been undertaken in 2014/15 by the internal auditor and further work in 2015/16 has been agreed (focussing on a particular collaboration and exploring governance related matters).</p>
To see further enhancement of the management of risk	<p>The Committee has received regular reports on the two risk registers and has considered the Force and NOPCC risk management policies.</p> <p>Work has been undertaken, as part of the development of an assurance map, to explore the measures in place to manage / monitor risk.</p> <p>Further work is required in relation to risk and regional collaboration.</p>
To gain oversight of counter fraud arrangements	<p>The Committee received a report on the Force's Professional Standards Department. Further work is required to achieve this objective in full.</p>
Agreement of new Terms of Reference (to be reviewed annually) and the Committee role	<p>To be considered by the Committee at their September 2015 meeting</p>
Treasury Management issues	<p>The Committee is responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.</p> <p>The JIAC reviewed and commented on the draft Treasury Management strategy in March 2015. Scrutiny against the strategy is programmed every 6 months.</p>
To further use external sources of assurance e.g. HMIC reports	<p>The Committee is regularly updated on the main conclusions of external reports such as those from HMIC. It has taken a particular interest in aspects such as 'Data Integrity' and the Value for money profiles. Work is ongoing to maximise the benefit of these reviews to compliment the work of the auditors.</p>
To ensure proper and timely signing off of accounts	<p>Achieved</p>
To support the OPCC and the Force in the resolution of any tensions.	<p>This has not been necessary / appropriate in 2014/15.</p>

### The Joint Independent Audit Committee's – Aims and Objectives 2015/16

The JIAC's proposed aims and objectives for 2015/16 are:

<b>Aims and objectives</b>
Continue to fulfil its accountabilities as set out in the agreed terms of reference, including communicating the role to a wider group of people and assessing possible steps to promote effective public reporting
Exploring how the Committee is held to account by the Force and OPCC
Further develop the approach to assurance mapping including examining the other potential sources of assurance (e.g. HMIC) and the extension to regional collaboration
Planning to review the effectiveness of internal and external auditor
Seeking reports on the effectiveness of internal controls
Undertake and more detailed self assessment, including a skills audit, and make appropriate changes including possible training and development
Understand the role of the Audit Committee in a) anti-fraud approaches, b) ethics and c) appointment of new external auditors
Pursue assurance in the areas of force collaboration
Seeking involvement with partner audit committees
Maintain an overview of the governance arrangements of the transformation programme
Develop its work in terms of considering the VFM arrangements