Report to the PCC for Cleveland and the CC of Cleveland Police

23rd June 2016

Annual Report of the Cleveland Joint Audit Committee

Cleveland Joint Audit Committee

Annual Report

FOREWARD

The Purpose of this report is to provide assurance that the Joint Audit Committee is satisfactorily undertaking its role and responsibilities to enhance public trust and confidence in the governance of the Office of the Police & Crime Commissioner (PCC) and Cleveland Police. It provides an overview of the areas of work considered by the Committee during 2015/16 and details the areas that the Committee thought worthy of mention. It provides the PCC and CC with the assurance that the Committee has fulfilled its terms of reference and demonstrates the added value that has been delivered by the Independent Committee to both the PCC and Chief Constable (CC) and also the wider public throughout 2015/16.

1. INTRODUCTION

1.1 This annual report of the Cleveland Joint Audit Committee covers the period 1 April 2015 to 31 March 2016.

1.2 The Cleveland Joint Committee was established in 2012 and has a wide range of responsibilities that are captured within the annually reviewable Terms of Reference. The Terms of Reference in place throughout 2015-16 are reproduced at Appendix A for information.

1.3 The table below details last year's Committee members. The Committee would like to place on record its thanks to the Officers of the PCC and CC, and both the internal and external auditors who have supported its work throughout the year.

Members of the Joint Audit Committee

Member	Role
Ann O'Hanlon	Chair
Stan Irwin	Vice-Chair
Gerard Walsh	Member
Aslam Hanif	Member
Roman Pronyszyn	Member

1.4 Each Member of the Audit Committee has completed a Register of Interests form and has also signed up to a Code of Conduct based on the Seven Nolan Principles of Public Life.

1.5 Four meetings have been held during the 2015-16 financial year, all in public.

1.6 Given the broad range of members' responsibilities, members attended a number of induction and familiarisation sessions including:

- Crime Recording
- CIPFA training for Police Audit Committees
- And provided support to the development of Risk registers

2. EXTERNAL AUDIT

2.1 Mazars LLP have been the external auditors for the PCC Group throughout 2015/16. Mazars were appointed by the Audit Commission to audit the accounts of both the PCC and the CC, for 5 years, starting with the accounts produced for the year ended 31 March 2013.

Audits of the Statements of Accounts for 2014/15

2.2 The audit of the Statement of Accounts for 2014/15 resulted in an unqualified audit opinion. In the opinion of Mazars the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cleveland as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15

Annual Completion Report 2014/15

2.3 This was presented to the Committee by the external auditors in September 2015. The Report communicated the outcome of the audit for 2014/15 highlighting any issues that they are required to bring to our attention. Primarily all matters that arose as part of the audit were dealt with during the process and the report highlighted 3 matters as outstanding. These matters were concluded by the 30th September 2015 and a letter issued to that effect.

Value for Money Conclusion 2014/15

2.4 As part of the Annual Completion Report the External Auditors are required to report on the arrangements for Value for Money. They concluded that 'On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Cleveland put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

3. INTERNAL AUDIT

3.1 The PCC and CC's Internal Audit Service is delivered through a contract with Baker Tilly Risk Advisory Services LLP (now RSM) that began on the 1st April 2014 and will be in place for 3 years.

3.2 The Joint Audit Committee had input into both the process for this contract and the service specification. The contract was awarded following a restricted tender using the Government Framework.

3.3 The work of the Internal Audit service is directed by an assessment of the risk associated with the PCC and CC's various activities. The organisations' priorities identified within the Police and Crime Plan are the starting point in the development of the internal audit plan. The Joint Committee commented on, considered and endorsed the 2015-16 internal audit strategy at its meeting in March 2015.The Internal Audit Plan is co-ordinated with the external auditors' Audit and Inspection Plan so that reliance can be placed on each other's work and duplication avoided.

3.4 During the course of the year, the Committee has closely monitored progress against the objectives and programme of work set out in the Internal Audit Plan for 2015/16. 2015/16 has overall seen an improvement in the timeliness of the delivery of the Internal Audit Service, at the insistence of the Members of the Committee, in comparison to previous years. However there are still areas for improvement in ensuring that the terms of the Audit are fully understood by everyone involved and that quality assurance is fully undertaken prior to submission for management comments.

Internal Audit reports

3.5 The audit work for the year to the 31 March 2016 involved 19 separate reviews, 3 of these were advisory pieces of work, 1 were following up work from a previous year and the remaining 15 received audit assurance. These assurance levels are as follows:

- Substantial assurance: Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.
- Reasonable assurance: Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).
- Partial assurance: Taking account of the issues identified, the Board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).
- No assurance: Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).

3.6 Of the 10 audits that received assurances during the 2015/16 audit the assurance levels were as follows:

Assurance Level	No. of Audits
Substantial	6
Reasonable	2
Some	2
None	0

3.7 These 10 audits generated 29 actions that were agreed by management with the exception of 1 action, one 'medium' recommendation made as part of the Collaborations – Force report was not accepted however not agreeing this action did not impact on the assurance provided as part of that audit. The actions are graded High, Medium and Low depending on the urgency and priority with which they need to be addressed. The 29 actions were split as follows:

- High – 2
- Medium – 14
- Low - 13

3.8 Those actions in respect of the Force are monitored via the Risk Audit and Inspection Monitoring Board (RAIMB) which is chaired by the Deputy Chief Constable which was established to effectively manage, monitor and discharge recommendations arising from internal audit and other 'inspectorate and audit' functions.

3.9 A monitoring report on the implementation of audit recommendations is submitted to the Committee every six months. The last report was received in March 2016 and showed 36 outstanding internal audit recommendations (compared to 38 as at March 2015) at the following levels:

- High – 5
- Medium – 11
- Low – 12
- None - 8

The Head of Audit's annual report

3.10 The Head of Audit's annual report was received by the Committee in June 2016 relating to the work carried out primarily in the financial year 2015/16. The report concluded that:

Office of the Cleveland Police and Crime Commissioner
For the 12 months ended 31 March 2016, the head of internal audit opinion for the Office of the Police and Crime Commissioner for Cleveland is as follows:

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Office of the Cleveland Chief Constable.
For the 12 months ended 31 March 2016, the head of internal audit opinion for the Office of the Chief Constable for Cleveland is as follows:

The organisation has an adequate and effective framework for risk management, governance and internal control.

4. CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

4.1 The June 2015 meeting of the Committee considered both the PCC and CC's Annual Governance Statements; the Committee recommended that both the PCC and CC adopt the documents presented. The draft versions of both documents for 2015/16 were considered by the Committee in March 2016, feedback was provided by Members and the final version of the 2015/16 Statement will be discussed in June.

4.2 In addition to the review of the Annual Governance Statements the Committee has also received and endorsed, in June 2015, the changes required to the Contract Standing Orders for the organisation which incorporated the Public Contracts Regulations 2015 which implement the 2014 EU Public Sector Procurement Directive and some reforms, recommended by Lord Young of Graffham. They aim to make public procurement more accessible to small businesses.

5. RISK MANAGEMENT

5.1 The Committee has an important role in ensuring that both the PCC and CC has effective arrangements for the identification, assessment, mitigation, management and monitoring of risk.

5.2 During the year the Committee has considered the strategic risk registers of both the PCC and CC on 2 separate occasions each. A Member of the

Committee has provided separate input, outside of the normal meeting structure, to help develop and improve the risk registers of both the PCC and CC.

5.3 In March 2016 the Committee received an advisory report in relation to the Risk Maturity where Internal Audit examined the current processes and systems for the identification, recording, assessment, controls/ mitigations, assurance, monitoring and reporting of risk with the Police and Crime Commissioner for Cleveland (PCC) and Cleveland Police.

5.4 There was one minor area for improvement and overall risk management was well embedded within organisation processes and procedures. Internal Audit assessed the organisation and confirmed the status of the organisation in relation to Risk Maturity as “Maturing” to “Enabled” on the Risk Maturity Scale. This gives an indication of the significant improvement made in this area over the last 4 years.

6. REGULATORY FRAMEWORK AND COMPLAINTS

6.1 The Committee has considered reports detailing any contracts that have been entered into that have not been subject to the approved contract standing orders and the reasoning for this.

6.2 The Committee has not had any issues referred to it by the Statutory Officers of either the PCC or CC during 2015/16 and has not been required to consider any Freedom of Information appeals.

6.3 In relation to ‘Complaints’ received against the Police Force, the Committee has maintained an overview of this process throughout the year. The Committee continues to be encouraged by the small number of complaints received. The numbers of complaints recorded in the context of the wider activity of the Force are shown below for the period 1st December 2014 to 31st May 2015:

- 106,418 calls for service were received
- 10,033 arrests were made (9.43% of total incidents)
- 417 complaints were recorded (0.4% of total incidents)

6.4 The Committee also received a report showing no formal complaints against the Office of the PCC or the PCC were received for financial year 2014/15. A report covering complaints in 2015/16 is due to be received in September 2016.

7. HEALTH AND SAFETY

7.1 The Committee received the Annual Health and Safety Report from the Chief Constable in June 2015, covering the 2014/15 financial year. This showed a continued upward trend in relation to the number of injuries on duty that reached its lowest recorded number in 2012/13. The 2015/16 report is expected in June 2016, with initial indications showing that this upward trend has now been reversed.

7.2 The Committee will continue to give this area focus and will report further on the 2015/16 position in next year's report.

8. INSURANCE AND CIVIL CLAIMS

8.1 The Committee receives a report every 6 months on the area of Civil Claims, reports were received in September 2015 and March 2016. The 12 month period covered by these 2 reports showed overall claims, received during the period, were up from 107 to 114, with small reductions in Employer's Liability and Public Liability and an increase in Motor Liability claims.

9. OTHER MATTERS ADDRESSED BY THE COMMITTEE

9.1 The Committee also considered the Annual report of the Chief Constable in relation to Equality and Diversity and how the Force has complied with the Equality Act 2010 and the Committee has also been made aware of the continued work and development of the Ethics Committee.

10. DEVELOPING THE COMMITTEE

10.1 Members are keen to develop and strengthen the role of the Committee and therefore over the coming year opportunities will be explored to provide training and/or information sessions to aid all Members in delivering against the terms of reference of the Committee.

APPENDIX A

AUDIT COMMITTEE - TERMS OF REFERENCE

Composition of the Committee

The Audit Committee comprises 5 members who are independent of the Office of the PCC and Cleveland Police. The executive of the Office of the PCC and the Command Team of the Police Force are required to be represented at each meeting of the Committee.

Quorum of the Committee

No business shall be transacted at the meeting of the Audit Committee unless at least 3 Members of the Committee are present.

Press and Public

The Public shall be admitted to all meetings of the Audit Committee unless excluded by resolution in accordance with the provisions of the Local Government Act 1972 (Schedule 12a), as amended by the Local Government (Access to Information) Act 1985.

A member of the public will not be permitted to speak or ask questions at the meeting except with the consent of the meeting chair.

Exclusion of Public Access

The public must be excluded from meetings whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that confidential information would be disclosed.

Confidential information means information given to the PCC or CC by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

- Items will be considered **'Below the Line'** or 'not for publication' when they contain exempt information as defined by schedule 12 of the Local Government Act 1972.

Purpose

The Audit Committee is responsible for enhancing public trust and confidence in the governance of the Office of the PCC and Cleveland Police. It also assists the PCC in discharging statutory responsibilities in holding the Police Force to account. This is achieved by;

- Advising the OPCC and Chief Constable of Cleveland Police according to good governance principles
- Providing independent assurance on the adequacy and effectiveness of the OPCC and Cleveland Police internal control environment and risk management framework.
- Overseeing the effectiveness of the framework in place for ensuring compliance with statutory requirements (and in particular those in respect of health and safety and equalities and diversity.)
- Independently scrutinising financial and non-financial performance to the extent that it affect the OPCC and Cleveland Police exposure to risks and weakens the internal control environment
- Overseeing governance and monitoring of governance within the organisation.
- Overseeing the financial reporting process

To aid the Committee in delivering its purpose and objectives the PCC will make available funds for the Committee to take independent legal and financial advice where the Committee deems it is reasonably necessary to do so. Where the Committee deems this

advice is necessary it should be discussed and coordinated with the PCCs Monitoring Officer and the Chief Finance Officer's of the PCC and CC.

Objectives

The Audit Committee meets at least four times a year (March, June, September, December) and in effectively discharging its function is responsible for:

Internal Control Environment

- Satisfying itself as to the effectiveness of the internal control framework in operation within the Office of the PCC and Cleveland Police and advising the PCC and Chief Constable of Cleveland Police as appropriate.

- Considering the Annual Governance Statement for publication with the annual accounts, together with associated action plans for addressing areas of improvement and advising the PCC as appropriate.

Corporate Risk Management

- Approving the Office of the PCC and Cleveland Police corporate risk management strategy and framework; ensuring that an appropriate framework is in place for assessing and managing key risks to the Office of the PCC and Cleveland Police.

- Considering the financial risks to which the Office of the PCC and Cleveland Police are exposed and approving measures to reduce or eliminate them or to insure against them.

- Providing assurance to the PCC and Chief Constable of Cleveland Police as appropriate on the effectiveness of the risk management framework in operation.

- Provide oversight and scrutiny of the risk registers of both the PCC and Chief Constable

Regulatory Framework

- Maintain an overview of the governance framework in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

- Maintain an overview of the work of the Force's Professional Standards Department in relation to an overview of the number and types of complaints.

- To review any issue referred to it by the Statutory Officers of the PCC and Chief Constable and make recommendations as appropriate.

- To monitor the policies of both the PCC and Chief Constable on 'Raising Concerns at Work', anti-fraud and corruption strategy and complaints process.

Internal Audit

- Advising the PCC and Chief Constable of Cleveland Police on the appropriate arrangements for internal audit, the appointment of the Internal Auditors and approving the Internal Audit Strategy.
- Approving the internal audit annual programme.
- Overseeing and giving assurance to the PCC and Chief Constable of Cleveland Police on the provision of an adequate and effective internal audit service; receiving

progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.
- Considering the Head of Internal Audit Annual Report and annual opinion on the internal control environment for the Office of the PCC and Cleveland Police; ensuring appropriate action is taken to address any areas for improvement.
- Reviewing and monitoring the effectiveness of Office of the PCC and Cleveland Police on fraud, irregularity and corruption.

External Audit
- Advising the PCC and Chief Constable of Cleveland Police on the appointment of external auditors.
- Approving on behalf of the PCC and Chief Constable of Cleveland Police the external audit programme and associated fees
- Reviewing the external auditor's Annual Completion Report and any other reports; reporting on these to the PCC and Chief Constable of Cleveland Police as appropriate and including progress on the implementation of agreed recommendations.
- Reviewing District/External Auditor's Annual Audit Letter and making recommendations as appropriate to the PCC and Chief Constable of Cleveland Police.

Financial Reporting
- Reviewing the Annual Statement of Accounts and make recommendations, or bring to the attention of the PCC or CC, any concerns or issues.
- To consider whether appropriate accounting policies have been followed and any changes to them.

Inspection and Review
- Considering HMIC, external review agencies and any internal inspection reports that provide assurance on the internal control environment and/or may highlight governance issues for the Office of the PCC and/or Cleveland Police.

Complaints
- Maintain an overview of Force complaints including dip sampling.
- Maintain an overview of complaints against the Office of the Police and Crime Commissioner and its staff and act as the appeals body when required.

Freedom of Information
- Act as the review body for Freedom of Information appeals

Civil Claims
- Maintain an overview of Civil Claims

Information Governance
- Review Corporate Strategy, policies and procedures in relation to Information Governance for both the PCC and CC.
- Review reports from the Senior Information Risk Owner (SIRO), of both the PCC and CC, relating to the implementation of the corporate strategy, compliance with Data Protection Act and other information Governance related legislation.
- Consider any implications for governance and the annual governance statements of both the PCC and CC from issues in this area.