

**JOINT INDEPENDENT AUDIT COMMITTEE**

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2016**

**REPORT OF THE JOINT INDEPENDENT AUDIT COMMITTEE**

1. INTRODUCTION

- 1.1. The Joint Independent Audit Committee (JIAC) provides independent assurance on the adequacy of the corporate governance and risk management arrangements in place for the Police and Crime Commissioner for North Yorkshire (PCC) and the Chief Constable of North Yorkshire Police (CC). It jointly advises the PCC and CC according to good governance and proper practices. This is the second Annual Report of the Joint Independent Audit Committee (JIAC).
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to help ensure that Audit Committees are operating effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities.
- 1.3. The purpose of this report is to provide the PCC and CC with a summary of the areas of work considered by the JIAC during the year ended 31 March 2016. It also seeks to provide assurance to the PCC and CC that the JIAC has fulfilled its terms of reference and has added value to the overall governance arrangements that were in place across both corporations sole during the year.
- 1.4. The Terms of Reference for the JIAC that were in place during the year are [available from this link]. A review of the Terms of Reference has concluded and at its sitting in March the JIAC formally recommended a revised Terms of Reference to the PCC and CC. It is intended that these will be considered and approved by the Executive Board at its June 2016 meeting.
- 1.5. The JIAC wishes to record its thanks to the officers of the PCC and CC along with the Internal Auditors and External Auditors who have supported its work during the year.

2. COMMITTEE MEMBERSHIP

- 2.1. The Membership of the JIAC during the year is set out below:
  - David Portlock                      Chairman
  - Howard Cutler                      Member
  - Steven Hawksworth              Member

## NOT PROTECTIVELY MARKED

- 2.2. Discussions have taken place about the appointment of a new member. At the March meeting the JIAC recommended the appointment of Max Thomas as a JIAC member. This appointment was approved during May 2016.
- 2.3. Each member of the JIAC (including the newly recruited member) has completed Police Vetting and completed a declaration of interest form.
- 2.4. The quorum of the JIAC has been reviewed in order to ensure that the JIAC can discharge its responsibilities effectively. As was the case in 2014-15 there were occasions during 2015-16 when the JIAC has not been quorate.

### 3. MEETINGS

- 3.1. The JIAC convened on four occasions during the year. The public are welcome to attend JIAC meetings.
- 3.2. The Chairman also meets with officers of the PCC and CC, Internal Auditors and External Auditors to keep abreast of their work programmes insofar as they are relevant to the work of the JIAC. It is also routine for the Chairman to have discussions with the Statutory Officers about emerging issues.

### 4. RISK MANAGEMENT

- 4.1. The JIAC has a role in ensuring that the PCC and CC have in place effective arrangements for the identification and proportionate management of risk. The JIAC has continued to receive regular reports from the Joint Corporate Risk Group (JCRG). The JCRG is jointly chaired by the PCC Chief Executive Officer and the Deputy Chief Constable (DCC). The reports received during the year have related to the range of assurance activity that is undertaken by both corporations sole including but not restricted to:
  - 4.1.1. Risk Management (risk register developments)
  - 4.1.2. Business Continuity
  - 4.1.3. Progress on accepted Internal Audit recommendations (by exception)
  - 4.1.4. The range of internal and external inspection activity (for example by Her Majesty's Inspectorate of Constabulary (HMIC)) to which the organisation is subject.
- 4.2. The JIAC complimented the PCC and CC on the outcome of the Risk Maturity report which was compiled by the newly appointed Internal Auditors, RSM. Overall RSM confirmed that Risk Maturity can be described as "Developing" to "Mature" on the RSM risk maturity scale. A particular strength was identified in relation to the Internal Audit opinion of "risk identification" processes.

NOT PROTECTIVELY MARKED

- 4.3. The PCC and the CC have the support of the JIAC in not implementing recommendations arising from inspection activity that, in the view of the PCC and CC, do not assist in managing local risk or servicing the needs of local communities. The JIAC notes that based on the information reported during the year few recommendations have not been progressed but recognise that the pressure on the resources of the PCC and CC could lead to a more frequent decisions to rejection of recommendations that do not manage local risk.

## 5. EXTERNAL AUDIT

- 5.1. Mazars LLP were the external auditors for the PCC and the CC during the year. This appointment was made by the Audit Commission for a five year term and commenced with the Financial Statements for the year ended 31 March 2013. Mazars reported the following in September 2015 in relation to their audit activity during 2014/15.
- 5.2. Audits of the Financial Statements for the year ended 31 March 2015
- 5.2.1. The audit of the Statement of Accounts for 2014/15 resulted in an unqualified audit opinion, without modification. The opinion of Mazars was that the financial statements:
- 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.
- 5.3. Annual Completion Reports
- 5.3.1. Mazars presented the Annual Completion Reports for the year ended 31 March 2015 to the JIAC in September 2015. The report set out the outcome of the audit and highlighted any issues that Mazars were required to bring to our attention. Any matters that arose as part of the audit were resolved during the process and the reports confirmed that there were no additional matters to report in relation to the oversight of the financial reporting process.
- 5.4. Value for Money Conclusions
- 5.4.1. External auditors are required to come to a Value for Money conclusion in respect of both corporations sole. For the year ended 31 March 2015 Mazars concluded that both had put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

## 6. INTERNAL AUDIT

- 6.1. The Internal Audit service arrangements to the PCC and CC have altered during the year. From 1 April 2015 to 30 September 2015 the service was delivered by way of a collaboration agreement with the Police and Crime Commissioner for West Yorkshire. This agreement expired during 2015/16 and following an approach to the market RSM (formally Baker Tilly) were appointed to deliver the service from 1 October 2015.
- 6.2. As reported in the previous annual report the JIAC Chairman contributed to the development of the specification of requirements as part of the process to procure a new Internal Audit service. The JIAC Chairman subsequently declared an interest in relation to one of the suppliers who submitted a tender and recused himself from any further participation in the exercise.
- 6.3. The work of the Internal Audit is determined after an assessment of the risks associated with the various activities of the PCC and CC. The Annual Internal Audit plan is developed to support the Police and Crime Plan Priorities and complement the risk management framework co-ordinated and directed through the JCRG. This enables Internal Audit activity to take into account the work of External Audit as well as the other external inspection activity to which the PCC and CC are subject in order to avoid duplication. The Internal Audit Strategy for 2016/17 was prepared by RSM and considered by the JIAC at its March 2016 meeting.
- 6.4. During the course of the year the JIAC has closely monitored the progress against the 2015/16 plan. By necessity this was in two parts to accommodate the change in service provider. The JIAC has also received reports on completion of activity and monitored implementation of accepted Internal Audit recommendations.
- 6.5. There were seven pieces of audit work included in the audit plan for April 2015 to September 2015 and carried out under the arrangement with the PCC for West Yorkshire. The various assurance levels which can be assigned by those Internal Auditors are:
  1. **Reasonable assurance and good practice** - the main risks considered are being effectively managed; action may still enhance the management of risk in a small number of areas. In addition Internal Audit has identified that the approach taken to address risk as representing good practice in this area.
  2. **Reasonable assurance** - Limited management action may be required to address a small number of significant issues.
  3. **Limited assurance** - Significant management action is required to address some important weaknesses.

## NOT PROTECTIVELY MARKED

4. **Inadequate assurance** - Significant weaknesses have been identified in the risk management action, these are likely to involve major and prolonged intervention by management. These weaknesses are such that the objectives in this area are unlikely to be met.
  
- 6.6. Of the seven pieces of work undertaken, four resulted in an assessment of reasonable assurance. The remaining three pieces of work were assessed as having limited assurance.
  
- 6.7. The Internal Auditors provided an interim opinion based on the work completed in the period 1 April 2015 to 30 September 2015. Although this represented a slight deterioration from the previous year the movement was not deemed sufficient to change the overall opinion of reasonable assurance.
  
- 6.8. Exception based reports pertaining to Internal Audit recommendations are considered at each JIAC meeting. A development during 2015/16 is that these are reported in a consolidated report to the Committee. The report presented to JIAC in March 2016 showed that two recommendations had passed the prescribed recommendation implementation date however these did not present additional risk to the organisation.
  
- 6.9. RSM Audit Opinion report:  
RSM relied on five pieces of audit work that were carried out in the period October 2015 to March 2016 in forming an opinion. One of those pieces of work was subject to finalisation at the time of writing this report. The various assurance levels which can be assigned by RSM are:
  1. **Substantial assurance** – The organisation has an adequate and effective framework for risk management, governance and internal control.
  2. **Reasonable assurance** – 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.
  3. **Partial assurance** – There are weaknesses in the framework of governance, risk management and internal control such that it could be, or could become, inadequate and ineffective.
  4. **No assurance** – The organisation does not have an adequate framework of risk management, governance or internal control.
  
- 6.10. Of the five pieces of work undertaken, four had assurance levels assigned to them. Three resulted in an assessment of substantial assurance and one resulted in an assessment of reasonable assurance. The remaining piece of work was the Risk Maturity report that was referred to at 4.2 above.

NOT PROTECTIVELY MARKED

- 6.11 RSM's opinion based on the work completed in the period 1 October 2015 to 31 March 2016 for both the PCC and CC is:

*"The organisations have 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."*

## 7. CORPORATE GOVERNANCE

- 7.1. The June 2015 meeting of the JIAC considered a draft of the Joint Annual Governance Statement that accompanied the Financial Statements for the year ended 31 March 2015. The final version was considered in September 2015 and recommended for adoption.
- 7.2. Throughout the year ended 31 March 2016 the JIAC has considered progress reports in relation to the Areas of Development as detailed in the Joint Annual Governance Statement.

## 8. THE COMMITTEE SELF ASSESSMENT OF ACTIVITY DURING THE YEAR ENDED 31 MARCH 2016

- 8.1. Members are keen to develop the role of the Committee. As a means of doing so the Committee undertook a self-assessment exercise and will report the findings to the Commissioner and Chief Constable at the September 2016 meeting of the JIAC. As part of the exercise the assessment also incorporated the views of key stakeholders in each of the corporations sole as well as External and Internal Audit.
- 8.2. A Workshop was held on 25 May 2016 to consider the self-assessment and feedback referred to above. Areas for development have been identified and actions are being finalised for agreement with JIAC members before reporting to the Commissioner and Chief Constable at the September 2016 meeting of the JIAC.

## 9. JIAC MEMBER DEVELOPMENT

- 9.1. During the year one or more Members attended the following updates and workshops:
- CIPFA Police Audit Committee Update
  - Update for Chairs of Audit Committees (Grant Thornton)
  - Regional Procurement presentation
  - Police Audit Committee Workshop (Grant Thornton)
  - North Yorkshire Governance Forum (Mazars)