

JOINT INDEPENDENT AUDIT COMMITTEE

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

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 2017.
- 1.4. The Terms of Reference for the JIAC that were in place during the year are available from this [link](#). In March the JIAC 2017 formally considered a revised Terms of Reference and recommended those for approval to the PCC and CC. The JIAC terms of reference were also within the scope of a wider review of the JIAC.
- 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
 - Steven Hawsworth Member
 - Max Thomas Member

NOT PROTECTIVELY MARKED

- 2.2. One former member, Howard Cutler, resigned before any sittings of JIAC during the reporting period.
- 2.3. Each member of the JIAC has completed Police Vetting and completed a declaration of interest form.
- 2.4. As reported in the last annual report the quorum of the JIAC was reviewed in order to ensure that the JIAC can discharge its responsibilities effectively. As was the case in 2015-16 quoracy of the JIAC has been an ongoing issue.

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 was 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 organisations are subject.
- 4.2. The PCC and the CC continue to 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.

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 2016 in relation to their audit activity during 2015/16.

5.2. Audits of the Financial Statements for the year ended 31 March 2016

5.2.1. The audit of the Statement of Accounts for 2015/16 resulted in an unqualified audit opinion, without modification. The opinion of Mazars was that the financial statements:

- Gave a true and fair view of the financial position of the Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- Had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

5.3. Annual Completion Reports

5.3.1. Mazars presented the Annual Completion Reports for the year ended 31 March 2016 to the JIAC in September 2016. 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 2016 Mazars concluded that both had put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

5.5. External Audit Appointment from 2018 / 2019

5.5.1. At the JIAC meeting in December 2016 the JIAC endorsed the recommendation that the PCC and CC accept the invitation to “opt in” to the Public Sector Audit Appointments Limited (PSAA) scheme in order to appoint an external auditor when the contract with Mazars expires.

6. INTERNAL AUDIT

6.1. The Internal Audit services to the PCC and CC have been provided by RSM during the year.

6.2. 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. 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 2017/18 was prepared by RSM and considered by the JIAC at its March 2017 meeting.

- 6.3. During the course of the year the JIAC has closely monitored the progress against the 2016/17 plan. The JIAC has also received reports on completion of activity and monitored implementation of accepted Internal Audit recommendations.
- 6.4. Exception based reports pertaining to Internal Audit recommendations are considered at each JIAC meeting.
- 6.5. RSM have four levels of assurance that can be assigned during their audit work. These levels are:
 1. **Substantial assurance** – Taking account of the issues identified, the PCC & CC can take substantial assurance that the controls upon which the organisations rely to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.
 2. **Reasonable assurance** – Taking account of the issues identified, the PCC & CC 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).
 3. **Partial assurance** – Taking account of the issues identified, the PCC & CC 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).
 4. **No assurance** – Taking account of the issues identified, the PCC & CC cannot take assurance that the controls upon which the organisations rely 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).
- 6.6. There were twelve pieces of audit work undertaken in 2016/17 that had assurance levels assigned to them. Four resulted in an assessment of substantial assurance and six resulted in an assessment of reasonable assurance. There were two reports that had an assessment of partial assurance which RSM advised could be considered when completing the Joint Annual Governance Statement for 2016/17.
- 6.7. RSM's opinion based on the work completed in the reporting period 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 2016 meeting of the JIAC considered a draft of the Joint Annual Governance Statement that accompanied the Financial Statements for the year ended 31 March 2016. The final version was considered in September 2016 and recommended for adoption.
- 7.2. Throughout the year ended 31 March 2017 the JIAC has considered progress reports in relation to the Areas of Development as detailed in the Joint Annual Governance Statement. The JIAC also received updates and noted the progress made in relation to the significant governance issue contained in that AGS.

8. REVIEW OF WIDER GOVERNANCE ARRANGEMENTS

- 8.1. Whilst undertaking a general review and refresh of governance arrangements in place for the PCC and CC, the Acting Chief Executive and Deputy Chief Constable also assessed the efficiency and effectiveness of the JIAC. At the same time, the Commissioner undertook discussions with current and past members of the JIAC. As a result of this work, a small number of risks were highlighted and identified and the action below was proposed:
 - 8.1.1. The JIAC Terms of Reference are refreshed in light of the above feedback
 - 8.1.2. Membership of the JIAC, including Chair, is re-advertised, with a four-year maximum term implemented, or shorter if significant governance changes are required.
 - 8.1.3. Honorarium for the Chair of £1,500 per year, paid in £375 quarterly instalments, plus expenses.
 - 8.1.4. Support and administration of the JIAC is formally reviewed and improved.
 - 8.1.5. That JIAC's recent review of its own effectiveness considered at the September 2016 meeting is revisited and progressed as necessary with a timeframe that spans the current and following administration of the PCC.

8.2. As their current term of office comes to an end the JIAC Chair and Members endorse the proposed changes and offer their support in the implementation phase.

9. JIAC MEMBER DEVELOPMENT

9.1. During the year one or more Members attended the following updates and workshops:

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- Police Audit Committee Conference (Grant Thornton)
- North Yorkshire Governance Forum (Mazars) (x2)
- CIPFA Internal Audit Conference
- JIAC Workshop following Self-Assessment exercise
- CIPFA Development Day for Police Audit Committees

9.2 In addition, in connection with their membership of and involvement with North Yorkshire County Council's Audit Committee, two Members of the JIAC have attended NYCC's training and update events for NYCC Audit Committee members.

David Portlock
Chair of JIAC
June 2017