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11 January 2013

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT AND STANDARDS COMMITTEE

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE

A Meeting of the Joint Audit & Standards Committee will take place on **Thursday 7 February 2013** in **OPCC Meeting Room**, Police Headquarters, Carleton Hall, Penrith, at **11.00 am**.

S Edwards
Chief Executive

Note: Members are advised that allocated car parking for the meeting is available in the Visitors Car Park to the left of the main Headquarters building.

COMMITTEE MEMBERSHIP

Mr Patrick Everingham (Chair)
Mrs Fiona Daley
Mr Andy Hampshire
Mr John Jones

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. DISCLOSURE OF PERSONAL INTERESTS

Members are invited to disclose any personal/prejudicial interest which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual member should not participate in a discussion of the matter and must withdraw from the meeting room unless a dispensation has previously been obtained.

4. MINUTES OF MEETING

To confirm as a correct record the Minutes of the Audit & Standards Committee meeting held on 14 December 2012 (copy enclosed).

5. JOINT AUDIT & STANDARDS COMMITTEE RISK REGISTER

To discuss the potential development and maintenance of a risk register for the Audit & Standards Committee

Agenda Item No 4**CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY****JOINT AUDIT & STANDARDS COMMITTEE**

Minutes of a Meeting of the Joint Audit & Standards Committee held on
Friday 14 December 2012 in Conference Room 2, Police Headquarters,
Carleton Hall, Penrith, at 10:00 am

PRESENT

Mr Patrick Everingham (Chair)
Mrs Fiona Daley
Mr Andy Hampshire
Mr John Jones

Also present:

OPCC Chief Finance Officer (Ruth Hunter)
Audit Manager, Management Audit Unit, Cumbria County Council (Emma Toyne)
Engagement Lead, Grant Thornton UK (Gina Martlew)
T/Deputy Chief Constable (Michelle Skeer)
Constabulary Chief Finance Officer (Roger Marshall)
Budget & Finance Assistant (Dawn Cowperthwaite)
Governance Manager (Joanne Head)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

The Chair introduced himself and welcomed everyone to the first meeting of the Joint Audit and Standards Committee. He acknowledged that not everyone would know the people attending the meeting and therefore everyone present introduced themselves and what their roles were.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Richard McGahon.

2. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

There were no items of urgent business to be discussed by the committee or any items which required any press or public to be excluded from the meeting whilst being discussed.

3. DISCLOSURE OF PERSONAL INTERESTS

There were no disclosures of any personal interest relating to any item on the Agenda.

4. STANDING ORDERS

The members considered the proposed standing orders for the Joint Committee and the Chair asked for any comments. It was discussed whether future meetings should be held on a particular day of the week and it was agreed that as the next three meetings had already been set up that this would be taken into consideration for the future.

With regard to Standing Order 16, section 3 a member asked whether following “..... husband and wife.....” the words ‘or partner’ be inserted as although some people may not be married they were in a very similar relationship to that of husband and wife.

A member asked whether or not possible delegation of the committee’s work to a sub committee or working group should be included. The delegation would be to look at a particular area of work to inform a decision of the committee or to allow the committee’s work to continue if a meeting were not quorate. The Office of the Police & Crime Commissioner (OPCC) Chief Finance Officer advised that this may prevent effective scrutiny by the committee and raise a question of their ability to objectively scrutinise audits if they had had some involvement in the area of work. She advised that if any areas of business were of cause of concern to the committee then this should be raised with the Internal Auditors who could undertake a review and then report back to the committee on their findings. It was agreed that if it was recognised that a programmed meeting would not be quorate then the meeting could be deferred to a more suitable date.

RESOLVED, that, the standing orders for the regulation of the business of the Audit and Standards Committee be approved and adopted with the amendment to the wording in Standing Order 16, section 3, to include partner within the list of relevant relationships.

5. TERMS OF REFERENCE

Proposed terms of reference for the committee were presented to the members to consider including a breakdown of how they would relate to the proposed audit activity to be undertaken.

Concern was raised that the committee would not review Treasury Management between September and March and the members asked if they could have oversight on a quarterly basis. The OPCC Chief Finance Officer stated that as Treasury Management was reviewed on a quarterly basis by both the Constabulary and the OPCC then this would not present a problem. The Treasury Management Strategy was reviewed on an annual basis by CIPFA and advice was taken from Arlingclose in developing the strategy, who were the OPCC and Constabulary’s treasury management advisors.

CIPFA training was discussed and the OPCC Chief Finance Officer proposed that prior to committee meetings the members had a 1 hour seminar where they could receive training or be briefed on identified issues or areas of work. It was suggested that prior to the March

committee meeting that the members have a session on treasury management with Arlingclose, to provide an opportunity to better understand the strategy and approach.

The OPCC Chief Finance Officer advised that previously the Police Authority had been benchmarked as risk adverse and when reviewing future Treasury Management a broader range of options would be considered which could include different investment options, although these could bear greater risks. Assessment of financial options would need to include a balance of risks and benefits to the organisation and security of assets would be paramount in accordance with CIPFA guidance. The Chair asked that committee members be emailed with a copy of the CIPFA code of practice for Treasury Management.

With regard to Audit Activity a member asked whether approval of the annual audit plan was for either the internal or external audit. The OPCC Chief Finance Officer advised that the Committee would approve (but not direct) the internal audit plan, in accordance with the CIPFA guidelines. They would also receive a report from the external auditors in respect of external audit work. The terms of reference were agreed to be amended to reflect the CIPFA wording. Also to be included in the terms of reference was that the committee would meet with the auditors; the committee would have the ability to call officers to attend their meetings; and that they would have the ability to review and determine the terms of reference of the work being carried out by the Internal Auditors on behalf of the OPCC and the Constabulary.

The OPCC Chief Finance officer stated that as part of the agenda the agreed terms of reference would be included so that members always had a copy of them.

A member asked whether or not the committee would have its own risk register. Members were advised that the committee would have the ability to have their own risk register in addition to reviewing the OPCC and Constabulary strategic risk registers should they wish to do this.

Another member asked what, if any, provisions were made for performance management reviews. The OPCC Chief Finance Officer advised that the committee would only review performance in relation to internal controls reviewed by the Internal Auditors or by external audits and inspections. The audit plan incorporated a number of audits on performance systems and the quality of performance data. It was the responsibility of the Police & Crime Panel to hold the Police & Crime Commissioner to account for the performance of the Constabulary. The Annual Governance Statement would include an action plan and where appropriate identify any performance issues in so far as they relate to governance and internal control.

It was agreed that as part of the committee meetings the members would receive a short briefing on any current issues of relevance. This session could also include any issues raised by the Police & Crime Panel in their scrutiny of the Police & Crime Commissioner.

With regard to the audit activity detailed within the terms of reference it was acknowledged that seminars could be held prior to the meetings to help inform members of the committee.

- RESOLVED,** that, the
- (i) terms of reference for the committee be approved and adopted subject to the above amendments; and
 - (ii) committee members receive a copy of the Treasury Management Code of Practice.

6. WORK PROGRAMME

A copy of the committee's future work programme had been circulated to all members prior to the meeting. The programme had been developed to ensure that each of the committee meetings focused on a significant theme, whilst covering the core cyclical audit work. It was noted that with the exception of December the work to be undertaken during meetings was to some extent dictated by external issues.

RESOLVED, that, the work programme be approved.

7. EXTERNAL AUDITORS – GRANT THORNTON UK

The Engagement Lead from Grant Thornton provided a briefing for the members on the transition from the Audit Commission to Grant Thornton on 1 November 2012. Over 40% of their work was for policing bodies with 15 out of 23 police bodies using Grant Thornton as external auditors.

She advised that with the Police & Crime Commissioner and the Chief Constable becoming 2 corporation soles that three sets of accounts would be required to be produced. One from each organisation with a third set bringing them together.

The approach to external audit would be similar as to that provided to the police authority as Grant Thornton would be required to undertake a similar role. A detailed plan was currently being developed and this would be brought to the next committee meeting in March.

The Chair asked that with the splitting of the organisation into 2 corporate soles whether this would have an impact upon the work which the external auditors would require the internal auditors to carry out. At present all work was carried out under the control of the Police & Crime Commissioner, until this changed it was not easy to pin point where changes would need to be made. A meeting had been arranged between the OPCC Chief Finance Officer, internal auditor and external auditor to look at work plans going forward.

In response to a member's question the Engagement Lead advised that previous year's figures would be detailed within the accounts to provide the committee with comparative information. The Annual Governance Statement would also highlight any issues previously raised which needed to be brought forward. Another member asked whether there were any issues which were previously flagged to the police authority which the committee should be made aware of. The Engagement Lead stated that the level of reserves had been raised with the police authority, however with their being 2 corporate soles in the future this may become divided.

The OPCC Chief Finance Officer advised that at present it was business as usual in relation to treasury management, corporation tax, etc. A decision had been taken by the Constabulary not to set up additional arrangements during the current financial year until the implications of separate financial arrangements were clearer. After 31 March 2013 the Police & Crime Commissioner and the Chief Constable would need to consider any staff or asset transfers.

RESOLVED, that the briefing be noted.

8. MONITORING OF AUDIT, INTERNAL AUDIT & OTHER RECOMMENDATIONS AND ACTION PLANS

The OPCC Chief Finance Officer presented a report which outlined how internal audit recommendations were monitored and showing progress against the original timeline. Updates had been received regarding outstanding actions and it was hoped that many of these would be completed by March 2013.

Any future recommendations identified by audit would be included within the monitoring process and members were advised that they would have the ability to call officers or staff to their meetings to discuss any areas for concern.

A member asked what the process was for following up recommendations. The Internal Auditor advised that any Grade 1 recommendations would be followed up accordingly. Any Grade 2 or Grade 3 recommendations would be followed up as part of the next audit process for that area of work.

RESOLVED, that, the report be noted.

9. INTERNAL AUDIT – PROGRESS REPORT

The Internal Auditor presented a report which summarised that 38% of the total internal audit work had been completed within the first eight months of the plan. It was recognised that any financial audits were carried out towards the end of the financial year. Timescales had been agreed with the Constabulary and some audits were already underway.

As part of the transition process from the police authority to the Office of the Police & Crime Commissioner time had been set aside in the internal audit work plan to accommodate any emerging or reactive work. As this was not required the time would be used to review the data quality of selected measures reported in the Policing Plan. The OPCC Chief Finance Officer confirmed that this had been agreed with the Chair of the Police Authority's Governance Committee. It was noted that within a year there would be unallocated time for the internal audit and that the committee may consider any audits to support their assurance function. -.

Provided within the report was a summary of the work completed with one Grade 1 recommendation being made in relation to the internal audit review of Management of Change

Costs. The Constabulary's Chief Finance Officer confirmed that procedures had been implemented and processes tightened to comply with the recommendation.

A member asked with regard to Treasury Management the internal audit had stated that 'generally' there was compliance and asked what this meant. The OPCC Chief Finance advised that there had been Grade 2 recommendations following the audit which was in relation to two areas of business, these being seized cash and indicators for borrowing. Therefore a higher graded commentary could not be given.

RESOLVED, that, the report be noted.

(NOTE: There was a break from 11.05 am to 11.15 am when the same officers and members were present.)

10. ANNUAL REVIEW OF GOVERNANCE

The OPCC Chief Finance Officer provided an overview of why all the governance documents were being reviewed and advised that there had been a short period of time in which to change them. National templates had been used and the documents were in accordance with CIPFA guidelines. Heads of service had been given to the end of January 2013 to review the documents and provide feedback. The Police and Crime Commissioner had approved the documents upon coming into office. The Constabulary would be developing its own documents but the intention is for these to be closely aligned as some staff will work for both organisations.

The OPCC Chief Finance Officer explained to the members the process for stage 1 and stage 2 transfers and that this would have implications for the governance arrangements. The Scheme of Delegation would become a scheme of Consent.

A member asked whether any work would be carried out regionally in relation to oversight of audit/ governance work. The OPCC Chief Finance Officer advised that other OPCC's levels of delegation would differ and may not be comparative. It was recognised that all the governance documents would be dynamic and that the committee would be provided with updates on any changes or reviews.

The OPCC Chief Finance Officer also advised that work was carried out as part of the Shared Audit Service with the County, Carlisle City and Copeland to look at audit and governance issues.

The Chair advised the meeting that members would have the opportunity to speak to the OPCC Chief Finance Officer following meeting to discuss in more detail issues with the governance documents.

(i) Local Code of Governance 2012-13

The members were advised that this had been based on the national framework and that to date the document reflected the arrangements that the Police & Crime Commissioner was required to have in place, some of which were still under development – for example the Commissioner had not issued a police and crime plan or priorities. The code would be presented to the committee in June as part of the Annual Governance Statement and would be updated to set out Governance arrangements developed between December and June. .

In response to a member's question the OPCC Chief Finance Officer advised that the 2 corporation soles would have separate codes as hierarchy in the two organisations would be different to avoid confusion and the statutory responsibilities were different. They would however be broadly similar but have unique elements for each organisation.

(ii) Scheme of Delegation

This document illustrated the key roles of the Police & Crime Commissioner and the functions that they would delegate to other officers. Appended to the report was a table which illustrated staff who worked solely for the Chief Constable and those who carried out work on behalf of both organisations.

(iii) Financial Regulations

The financial regulations set out the internal framework and procedures for financial administration and control within the Office of the Police and Crime Commissioner and anyone acting on their behalf.

With regard to money laundering a member asked whether there had ever been any suspicious deposits over £15k and whether the Constabulary or OPCC could refuse to accept the cash. The Constabulary's Chief Finance Officer stated that the source was always known for any deposits and also that fees and charges differed for the OPCC than other local authorities. Members were advised that there was a confidential reporting process which members of staff could use to raise issues.

(iv) Procurement Policy & Procedures/Contract Standing Orders

This document had been produced as a guide for staff and suppliers who were engaged in buying or providing goods and services to the organisation. A member raised concerns regarding the issue of dealing with late tenders and felt it would be better if this were not used and therefore prevent any straying from the guidelines. They asked that more clarity be provided on what was classed as a late tender and that a tighter process be ensured than was proposed.

(v) Anti-Fraud and Corruption Policy, Strategy and Procedure

This policy had been adopted by the OPCC and Constabulary to ensure effective procedures and responsibilities were in place to guard against fraud and corruption. The Chair asked that

any member who had not signed any of the documents, such as the codes of conduct undertaking, as illustrated in the policy should do so after the meeting.

(vi) Code of Conduct

A code of conduct was to identify the conduct expected of the Police & Crime Commissioner whilst carrying out their role. The code had been developed in accordance with national guidance and members were advised that there was no intention at present for the Police & Crime Commissioner to appoint a deputy.

(vii) Anti-discrimination Code of Conduct

This code had been produced to ensure that all OPCC staff and the Police & Crime Commissioner did not treat colleagues in a discriminatory way.

(viii) PCC/Officer Protocol

The protocol was to give clear guidance to officers and the Police & Crime Commissioner on their roles and expectations; promoting good working relationships with each other and providing guidance should things go wrong.

(ix) Complaints Policy

A complaints policy had been developed to provide clear guidance to members of the public who wished to make a complaint against police officers, police staff or members of the OPCC staff.

RESOLVED, that, the Governance documents be noted.

Following discussion it was agreed that there would be a 1 hour seminar prior to the next meeting starting at 10.00 am with the meeting commencing at 11.00 am.

Meeting ended at 11.50 am