

**LEICESTERSHIRE POLICE AUTHORITY**

**ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE FULL AUTHORITY**

**Purpose**

1. This is the first Annual Report of the Audit Committee of the Leicestershire Police Authority. It is good practice to prepare such a report and for the full governance body to receive it. It covers the work of the Committee for the financial year ended 31 March 2010. The report is drawn from the contents of, discussions on and conclusions drawn from the reports it has considered and the work it has done during the year. The aim of the report is to provide a level of assurance to the Police Authority, its Chairman and the Chief Constable and Chief Executive who sign the Annual Governance Statement.

**The Audit Committee**

2. The Committee meets on four occasions each year and comprises six members. Over the last year the following members have served on the Committee:  
Mr David Prince (current)  
Mrs Wendy Martin (current)  
Dr Shofiqul Chowdhury (current)  
Mr David Bill (current)  
Mrs Adrienne Roberts (current)  
Mr David Snartt (current)  
Mr Tim Render  
Mr Paul Westley
3. Specific training is provided each year for committee members. The most recent event took place in Northampton in January 2010 and was conducted alongside members from Northamptonshire and Bedfordshire Police Authorities.

**Audit Committee Terms of reference**

The existing terms of reference appear below. They are subject to annual review by the Police Authority.

Referred Functions

- Monitor progress of implementation of audit report recommendations.
- Matters concerning the internal Audit Plan.
- Consideration of external and internal audit reports, and matters arising therefrom
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Seek assurances that action is being undertaken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
- Receive the annual report of the head of internal audit.
- Consider the reports of inspection agencies.

- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- Monitor annual governance statement and agree an assurance framework [min 08/08 F&GP]

### Delegated functions

- Set the internal Audit Plan for the year.
- Agree any changes to the internal Audit Plan within year.
- Agree the Authority's response to audit reports.

### **External Audit**

4. External audit is carried out on behalf of the Audit Commission by PricewaterhouseCoopers. They are required under the Audit Commission's Code of Audit Practice and Auditing Standards to issue an Annual Audit Letter on completion of their audit, demonstrating that the audit objectives in the Code have been addressed and summarising all issues of significance arising from their work.
5. The latest Letter was presented to the Audit Committee on 18 March 2010. It recorded that an unqualified opinion on the Authority's 2008-09 financial statements had been issued, no material weaknesses had been identified in the accounting and internal control systems, and that on use of resources the Authority was "exceeding minimum requirements – performing well". The auditors concluded that the arrangements for economy, efficiency and effectiveness were adequate and issued an unqualified opinion on the arrangements for Use of Resources.

### **Internal Audit**

6. The Accounts and Audit regulations of 2003 (as amended in 2006) state that "a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". This places the responsibility for internal audit with the authority.
7. The Chartered Institute of Public Finance and Accountancy (CIPFA) then issued a statement reflecting the unique position of the Chief Financial Officer in the police service. This document said "in order to ensure that the statutory duties are discharged effectively, the Treasurer should be able to control and influence both the work programme of the internal audit in support of those duties and the quantity and quality of staff made available to undertake the relevant internal audit projects and any other staff required to fulfil his/her duties".
8. CIPFA provide further advice in their *Code of Practice for Internal Audit in Local Government in the UK 2006* which also applies to Police Authorities. In terms of responsibility for internal audit plans the Code states that

“the Head of Internal Audit should consult stakeholders on the draft plan and revise the plan if appropriate.....once the planned work has been determined, this should be compared to resource availability. Where there is an imbalance between the two, the audit committee should be informed of proposed solutions. The audit committee should approve, but not direct, the internal audit plan”.

9. Internal audit for Leicestershire Police Authority has been outsourced to private sector firm RSM Tenon. The contract runs for five years from April 2009 and is a collaborative one with the other East Midlands authorities plus Bedfordshire. This provides the opportunity not only for a cost saving but also easier sharing of best practice.
10. The internal audit programme for the year is prepared by RSM Tenon having regard to the risks they perceive being faced by the Authority. That programme is then discussed with the Treasurer, Deputy Chief Constable and Finance Director before being presented to the Committee.
11. Each individual audit contributes to an overall assessment by the end of the year of the level of assurance that the Authority can take on the risk management, governance and control arrangements in place.
12. At the end of each year RSM Tenon produce an Annual Report, based upon its work and findings over the year. The Report for 2009-10 was presented to the Audit Committee on 18 May 2010 and confirmed that the Authority has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.
13. During the year a total of 20 audits were carried out. Four “Adequate Assurances” were recorded with the rest receiving “Substantial Assurance” or, in the case of Follow-up “Good Progress” and, in the case of Risk Maturity “Managed”, the latter rated four out of five and second only to the top rating of “Enabled”. There were no “Fundamental” recommendations.
14. Out of 73 recommendations made there were no “Fundamental” and 18 “Substantial”. The remaining recommendations were “Merits Attention”, the lowest category of importance. Seventy two of the recommendations were accepted and timescales for their implementation identified. The “Substantial” recommendations are subject to regular scrutiny by the Audit Committee until they are implemented. Similarly, recommendations from the external auditor and from the Annual Governance Statement review are checked for implementation.
15. By the end of the year one recommendation from 2008 was outstanding (IT disaster recovery planning), four from 2009 and one from 2010. In addition there were a number of IT related recommendations from external auditors where the agreed implementation date had not yet been reached.

### **Audit Committee Self Assessment**

16. On 24 June 2010 the Audit Committee assessed its performance against a checklist published by CIPFA.

### **Other Activity**

17. During the year the Committee has continued to refine and develop the Authority Risk Register, including the annual re-assessment of risk scores. All members of the Authority are invited to scrutinise the Register, a copy of which is annexed.
18. The Committee chair (or his nominee) attends the Force Strategic Organisational Risk Board. A strategic risk is examined in depth at each meeting.
19. The Committee also reviewed the Code of Corporate Governance so as to inform the Annual Governance Statement published with the Statement of Accounts.

### **Chairman's Meeting with Auditors**

20. In July 2009 the Chairman and Mrs Martin met privately with both external and internal auditors on conclusion of the annual accounts audit. A restricted note of the meeting was provided for Committee members and the treasurer. No significant items emerged from the meetings. A similar meeting will be held in 2010.

### **Conclusion**

21. This Report is intended to provide the Authority and others of the Audit Committee's substantive work during the year. It is a document placed in the public domain and it is hoped that it will assist those seeking information and assurance that the Authority receive sound advice on the topics that fall within the Committee's remit.