

# 2018/19 ANNUAL REPORT OF THE NPCC AUDIT AND ASSURANCE BOARD

## 1.00 INTRODUCTION

1.01 The purpose of this report is to report formally on the activity of the Audit and Assurance Board (AAB) during the period 1<sup>st</sup> August 2018 to 31<sup>st</sup> July 2019 and to set out how the Board has met its responsibilities in relation to its terms of reference and key priorities.

1.02 The AAB's Terms of Reference require it to report annually outlining the work it has undertaken during the year and where necessary, highlighting any areas of concern.

## 2.00 CHANGES IN PERSONNEL AND BOARD MEMBERS

2.01 This year has brought several changes to NPCC personnel and AAB Board membership:

- In March 2019, Sara Thornton stood down from her position as Chair of NPCC, having served her full four-year term. A successful appointment process resulted in the appointment of Martin Hewitt, who commenced his role as Chair of NPCC on 1<sup>st</sup> April 2019.;
- Richard Cooper resigned from his post of as Chief of Staff in June 2019 and was succeeded by Charmaine Laurencin in July 2019;
- Alun Michael, Police and Crime Commissioner for South Wales, stood down from the AAB board in May 2019 and was replaced by Mark Burns-Williamson, Police and Crime Commissioner for West Yorkshire.
- Matthew Ellis, Police and Crime Commissioner for Staffordshire stood down from the AAB Board in May 2019 and was replaced by John Campion, Police and Crime Commissioner for West Mercia

2.06 Inevitably, the work of the NPCC and Board has been impacted by these changes.

## 3.00 CYCLE OF BUSINESS

3.01 The AAB agenda is derived from its annual cycle of business which in turn is determined by its terms of reference. Each year a forward work plan is agreed, reviewed and approved by the Board.

3.02 A programme of internal audits is agreed jointly by the Executive and the AAB each year and is focused on areas of perceived highest risk, linked to the NPCC risk register. The AAB receives the final reports of these audits and tracks the implementation of recommendations at each of its meetings.

3.03 The Board convened in June 2019 for its annual planning meeting. The main purpose of this meeting is to forward plan, identify the key priorities for the coming year and examine our audit and assurance processes. Significant progress was made with internal audit in agreeing the basis of future work. A full one-year audit plan of work was agreed, and further work will produce a

three-year outline plan. During this meeting the Board also assesses its own performance and how, as a Board we can improve our effectiveness in the way we work.

#### 4.00 FINANCIAL ACCOUNTABILITY

4.01 The Board received and considered quarterly financial reports from the NPCC. The 2018-19 year end position was reported to AAB in May 2019, detailing an approximate £23k underspend against annual budget. This underspend was transferred to NPCC reserves and represents less than 2% of the annual budget (including miscellaneous income). As such, it has been noted that a review of NPCC reserves including reserve strategies, planning and usage should be undertaken as part of ongoing work to review NPCC financial management practices (see below).

Income & Expenditure	Year End
Funding 2018/19 inc Misc Income	1,437,985
Expenditure	1,414,025
<b>Total</b>	<b>-23,959</b>

(As reported May 2019, 'Audit & Assurance Board Finance and Budget Update – Q4 2018/19')

4.02 There were several difficulties experienced in the year with the quality of financial information, provided through the hosted SLA with MOPAC. The main issue relates to coding allocation and consistency of financial processes, work is ongoing to improve the effectiveness of NPCC financial management practices including clearer standard operating procedures and governance of NPCC's financial operating model. Work is also underway to review the finance model in place, with change improvements to be implemented and consideration of moving to a full accruals-based management and reporting model. Work in this area has progressed more slowly than anticipated due to the internal NPCC staffing changes, however clear requirements for progress have been documented within the AAB reporting and actions log, this has also been reflected within the NPCC central office risk management framework.

#### 5.00 INTERNAL AUDIT

5.01 The Directorate of Audit, Risk and Assurance (DARA) of the Mayor's Office for Policing and Crime (MOPAC), provides internal audit services to the NPCC. DARA provides an independent and objective opinion on the degree to which risk management, control and governance support the achievement of the NPCC objectives.

##### 5.02 **2018/19 Internal Audit Activity and Outcome**

At the request of the AAB, DARA carried out a review of recruitment to the specialist capabilities programme. This focussed on three areas:

- The role and responsibilities of the AAB in the oversight of the programme
- Compliance with recruitment policies and procedures
- Record keeping of decision making

Seven recommendations were made to improve the control framework, including clear definition and documentation of programme governance and decisions and alignment of recruitment processes to host force procedures. Management have devised an action plan to address the issues raised, implementation of which will be overseen by the AAB.

An audit of Risk Management was planned but this has not yet been carried out due to the NPCC staff changes / availability. Now the Strategic Planning and Risk Manager is in post, it will be completed in Q1 2019/20.

In June 2019 DARA facilitated a session for AAB members designed to determine audit priorities for inclusion in a dynamic three-year internal audit plan, utilising the risk-based approach to audit planning which identifies key risks to achievement of strategic objectives. A proposed three-year plan was due to be presented at the July 2019 meeting of the AAB with the intention of quarterly review to ensure it remains relevant to the NPCC's risk landscape.

Work has continued to improve the risk management framework including a revised risk register format, regular management monitoring and improved AAB oversight. The forthcoming audit aims to provide assurance that processes to standardise and integrate processes between strategic and operational risk activities and that risk escalation and reporting mechanisms are operating effectively.

#### 5.04 **2019/20 Forward Look**

DARA will continue to be an independent source of assurance to the NPCC and AAB, providing professional advice and assistance and helping to improve the effectiveness of the NPCC internal control environment. Key DARA objectives for the coming year include:

- Ongoing development and delivery of the internal audit plan and follow up on actions agreed by management in previous audit reviews.
- Continued development of the relationship with the AAB through regular attendance at meetings and liaison with members as appropriate.
- Enhancing the level of engagement with the NPCC through regular liaison and engagement with the new management team to ensure audit activity continues to be aligned with objectives and risks to the NPCC, evaluating the effectiveness of the internal control framework, providing independent assurance and identifying areas of improvement.

### 6.00 **EXTERNAL AUDIT**

The NPCC is not required to produce full formal accounts nor to have its financial statements audited by an external auditor. For this reason, in 2018 the AAB concluded that external verification of the statement of accounts would be repeated on a three-yearly basis. It was agreed that this would provide a proportionate level of assurance and transparency, particularly given that NPCC financial transactions and statements are straightforward. As a result, no external audit was conducted in 2018/2019. Annual assurances are provided by internal audit work on the financial systems at MOPAC and NPCC.

### 7.00 **WORK OF THE AAB**

7.01 The Board is satisfied it has fulfilled its responsibilities in relation to the Terms of Reference and that the work of the Board was conducted effectively during this period. However, owing to Staff changes, staff sickness and changes to Board membership, work has not progressed at the pace the board expected.

7.02 In May 2019, AAB members agreed to cancel the scheduled quarterly meeting. Due to an unprecedented number of staff changes, within and external to NPCC, the AAB experienced a sudden change of membership and significant scheduling conflicts. Several alternative dates were explored, however, the AAB was not able to convene the minimum attendance volumes or suitable representation (as mandated by the AAB Terms of Reference, TOR). Consideration was given to individual commitments, reporting requirements and the proximity of any alternative dates to other meetings in the AAB schedule, including the annual away day. AAB members were consulted and agreement was reached to cancel the meeting.

7.02 Now that board membership and NPCC staffing is once again stable, a full programme of work for the coming year was agreed at the June workshop.

## **8.00 FUTURE PLANNING**

### **8.01 Business Cycle/Forward Agenda Planning:**

The board agreed that future dates for the AAB board meetings currently do not line up effectively with when the NPCC needs to make key financial decisions. As a priority, work will be done to map these dates across to the AAB meeting cycle in order to create a new Annual AAB meeting schedule for the coming year. Where possible this should be more effectively spaced throughout the year. Consideration will also be given to other key meeting dates in London to try and maximise efficiency of travel.

### **8.02 Terms of Reference Review:**

Following the annual review of our terms of reference, Members agreed the work should be done to ensure that the AAB's TOR should focus on scrutinising what NPCC is delivering from the centre. The AAB also agreed that our TOR should fully reflect our purpose and ensure that public money is being safeguarded and used properly to deliver against the AAB objectives. This work will look at good practice re. TORs in other public sector organisations and draft an updated TOR for the AAB to review. Other key points that the TOR will include the AAB's review and monitoring role; reputational risk; clarifying non-exec roles; continuity/succession planning of AAB members; and process for appointing chairs.

### **8.03 Support for the Board**

The board has agreed arrangements for the Association of Police and Crime Commissioners (APCC) central office to take minutes at AAB board meetings. Wider secretariat duties and service will remain with the NPCC

### **8.04 Coordination Committee Oversight**

There are proposals to reorganise the NPCC Coordination Committees. The first scrutiny and assurance point for the AAB will be an oversight of these proposals and establish whether this proposed new approach is fit for purpose.

### **8.05 Financial Controls**

Work on the NPCC's finances including the current financial deficit and level of financial support would be completed as part of a final financial report in September. The receipt of overall key financial information in the future will enable the AAB to better ascertain and provide assurance that public money is being spent properly and NPCC objectives are being achieved.

Members felt that a review may needed to look at additional resource for further internal audit reviews if greater assurance is needed on specific issues.

### **8.06 Board Continuity**

The issue of the continuity and consistency of AAB membership was evident this year and with PCC Elections next year. With more than a half of the board membership changing in the last few months, the board agreed that the term of two Non-Executive Members will be extended for a further year to eliminate further disruption to the work of the board and to stabilise its continuity. Moving forward the term of Non-Executive members will be staggered. The board also agree that eligible Members should appoint a 'nominated deputy' when unable to attend, to also assist continuity.

Discussions with the Home Office will be taking place to request a Home Office representative from the HO Policing Directorate to come onto the AAB to provide an informed, wider policing perspective.

### **8.07 NPCC Audit Cycle**

The MPS Directorate of Audit, Risk and Assurance (DARA) updated members on their future internal audit work for the AAB. The AAB felt that NPCC's key risks that would most benefit from a review included:

- Performance and risk management of annual plan deliverables
- Clarity/assurance of financial controls
- Legal jeopardy issues such as IT management/security governance
- Current structure/corporate governance mechanism
- Policing reputation/National policing gaps
- Financial resource management/low reserves

### **8.09 Constitutional design of NPCC and Relationships**

The new NPCC Chair will be conducting a review the work of the NPCC including the Coordination Committees which will generate an overarching strategic plan of what the NPCC will aim to achieve moving forward. The AAB will have a key role to play in scrutiny and oversight of this.

### **9.00 SUMMARY**

- 9.01 Whilst work of the board has not progressed as planned, I am confident that now NPCC staffing and Board membership is once again stable, rapid progress will be made in the areas prioritised by the board. We will continue to seek greater assurance and to improve the quality of information that comes to the Board. With our renewed membership, focus and commitment, I am confident that we will build on the work of the last two years and continue to provide an effective and meaningful challenge to the NPCC, and provide assurance to all stakeholders in future years.
- 9.02 In making this statement, AAB members acknowledge the support given to it by management, the Executive Assistant to NPCC Chair and by the internal auditors.
- 9.03 During 2019-20, the AAB will continue to review its working arrangements and ensure it continues to develop its practice to improve its own effectiveness.

**Barbara Scott**  
**Chair of the Audit and Assurance Board**  
**AUGUST 2019**

## APPENDIX 1

### AAB MEMBERSHIP AND MEETINGS

In line with the S22A agreement the AAB comprises of:

- Three independent Non-Executive Members (NEMs), one of which is appointed by the Board as Chair.
- NPCC Chair
- Three Police and Crime Commissioners (nominated by the APCC) Currently:
  - Police & Crime Commissioner for Staffordshire to May 2019
  - Police & Crime Commissioner for Dorset
  - Police & Crime Commissioner for South Wales to May 2019
  - Police & Crime Commissioner for West Mercia from May 2019
  - Police & Crime Commissioner for West Yorkshire from May 2019
- One nominee of the Chief Police Officers' Staff Association
- 1 nominee of the Home Office

The Board has invited the following to attend meetings of the Board. These are non-voting members and are present to assist Board Members in their work:

- CEO of the APCC, supported by a Staff Member from APCC
- NPCC Strategic Planning and Risk Manager
- NPCC Chief of Staff
- The NPCC's Internal Auditors

During the period 01 August 2018 to 31st July 2019 the AAB met seven times on the following dates:

- 14<sup>th</sup> November 2018 - Board Meeting
- 20<sup>th</sup> February 2019 - Board Meeting
- 29<sup>th</sup> May 2019 - Board Meeting
- 25<sup>h</sup> June 2019 - Annual Workshop
- 31<sup>st</sup> July 2019 - Board Meeting - CANCELLED

The table below details the membership and attendance of Committee members during the period 1<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018

Register of Members attendance at AAB meetings for the period 1 <sup>st</sup> August 2018 to 31 <sup>st</sup> July 2019						
	Nov	Feb	May	June	July	Total Attended
NEM - Barbara Scott (Chair)	✓	✓	✓	✓	Cancelled	4 of 4
NEM - Lizzie Peers	✓	✓	✓	✓	Cancelled	4 of 4
NEM - Janice Shardlow	✓	✓	✓	✓	Cancelled	4 of 4
NPCC Chair - Sara Thornton	✓	✓			Cancelled	2 of 2
NPCC Chair – Martin Hewitt			✓	✓	Cancelled	2 of 2
PCC - Matthew Ellis	P	✓	✓		Cancelled	3 of 3

PCC - John Campion				✓	Cancelled	1 of 1
PCC - Martin Underhill	P	✓	✓	✓	Cancelled	4 of 4
PCC - Alun Michael	✓	P			Cancelled	2 of 2
PCC - Mark Burns-Williamson			✓	✓	Cancelled	2 of 2
Home Office - Richard Hornby	X	X	✓	X	Cancelled	1 of 4
Chair of CPOSA CC Andy Rhodes	✓	X	X	X	Cancelled	1 of 4

✓ = Attended    X = Did not attend    P = Attendance by phone    S = Substitute representative

(in accordance with the S22A 4.2.2 - Each AAB member (other than the NEMs) may nominate a named substitute member to attend any AAB meeting in their place provided this is an individual of appropriate seniority and subject to appropriate notification having been given in advance to the Audit and Assurance Chair)