



AN TÚDARÁS PÓILÍNEACHTA
POLICING AUTHORITY

Audit and Risk Committee

Annual Report 2017

February 2018

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Statement from the Chair of the Audit and Risk Committee

I am pleased to present the Annual Report of the Audit and Risk Committee for the first 18 months of the Committee's operation to 31st December 2017. This is the first Annual Report of the Authority's Audit and Risk Committee.

The Audit and Risk Committee was established by the Policing Authority In June 2016 to provide independent and objective advice on the adequacy of the systems of governance, internal control and risk management in the Authority, including through oversight of the work of the internal audit function. Our role is advisory rather than supervisory. We provide an independent view of the financial reporting process, risk management systems, governance, internal controls and audit functions of the Authority and provide assurance on the adequacy of and compliance with these systems to the Authority and the Accounting Officer.

It has been an eventful period for the Authority and for the Committee. As a new organisation, established on 1 January 2016, the Authority has been building its structures, staffing and systems over this period, while establishing and developing its oversight functions in a highly complex and fast moving environment. Likewise, the Committee has had to establish itself and oversee the development of appropriate structures for audit and risk. The first main task of the Committee was to make arrangements for Internal Audit, oversee the procurement of an outsourced Internal Audit function and prepare an Internal Audit Charter and 3-year work plan. The Authority has engaged with the Partner of the Internal Audit provider, Crowleys DFK, in relation to four audit assignments carried out during 2017 and with the C&AG in relation to the audit of the 2016 Appropriation Account for the Authority's Vote. The Committee has also overseen the establishment of a Risk Register by the Authority and advised on the risk management system.

On the basis of its considerations during the past year, the Audit and Risk Committee is satisfied that the controls in place in the Authority have been developed in a manner which addresses the range of financial, operational, reputational and strategic risks and that these controls are operating satisfactorily. The Committee is also satisfied that the Internal Audit function is making a valuable contribution to the overall control environment through its evaluation and recommendations for improvement of controls across the Authority, that the Committee and the Authority can rely on the independent assurance that they provide and that its recommendations are appropriately addressed by management.

The Committee recognises the nascent nature of the Authority in 2016 and 2017 and acknowledges the early stage of development of its activities, which means that many aspects of its policies and systems were and, in some cases, are still under development. The Committee will continue to oversee the development and adequacy of the Authority's internal control systems as levels of activity and expenditure increase.

Crowleys DFK have been appointed as the internal auditors to audit the activities of the Authority and have undertaken 4 audits in 2017 and a review of internal controls in January 2018. They have reported that all recommendations arising have been ranked as "Medium" or "Low", with no "High" risk findings that may result in a material financial loss or operational disruption to the Authority. Their audit conclusion is that overall the Authority has established reasonable systems and controls for the management and mitigation of key risks and, apart from the recommendations noted in their reports these systems and controls operated effectively during the year ended 31 December 2017. The external Auditor reported a similar level of assurance from their audit of the 2016 Appropriation Account, noting a small number of matters ranked 'Medium' and 'Low' and no 'High' ranked issues.

Based on:

- the assurance provided by internal and external audit;
- the Committee's own work in the oversight and review of financial, control, risk and governance matters; and
- engagement with the Executive during 2017

the Committee's opinion is that there were adequate risk management and internal control systems in place in the Authority for 2017 which can be relied on to give assurance to the Authority and the Accounting Officer.

The Committee recognises and extends its thanks for the extensive and high-quality support provided by the Executive.

Dr Moling Ryan

Chair of Audit and Risk Committee

20 February 2018

1. Introduction

This is the first annual report of the Audit and Risk Committee ('ARC') of the Policing Authority and is prepared in accordance with the Audit and Risk Committee Charter and the requirements of the Code of Practice for the Governance of State Bodies ('the Code').

2. Membership, Meetings and Support

The members of the Audit Committee are:

Member	Position	Meetings attended in 2017
Dr Moling Ryan	Chair	5
Ms Melanie Pine	External Member	5
Mr Ronan Nolan	External Member	5

The Audit and Risk Committee held five meetings in 2017, on the following dates:

- 9th February 2017;
- 9th May 2017;
- 18th July 2017;
- 10th October 2017; and
- 14th December 2017.

The Committee was supported by the Executive throughout the year. Mr. David Murphy was Secretary to the Committee in 2017.

3. Role and Functions of the Audit and Risk Committee

The Audit and Risk Committee is part of the Policing Authority control environment, tasked with providing independent advice to the Accounting Officer and the Authority and supporting them in their responsibilities for issues of risk, internal control and governance. In so doing the Committee reviews the comprehensiveness, reliability and integrity of assurances to the Authority and the Accounting Officer, including the suitability and robustness of the organisation's internal control, internal audit, risk management and governance systems and procedures. The Committee may make any recommendations to the Authority and the Accounting Officer it deems appropriate on any area within its remit where action or improvement is needed.

The main functions of the Committee are set out in the Audit and Risk Committee Charter and cover

the following areas:

- Internal Controls and risk management systems
- Financial Reporting
- Compliance with laws, regulations and codes
- Internal Audit
- External Audit
- Protected Disclosures
- Governance

4. Audit Committee Charter

The [Audit and Risk Committee Charter](#) was reviewed by the Committee during 2017 and draft revisions to incorporate the requirements of the revised Code of Practice for the Governance of State Bodies recommended to and approved by the Authority.

In accordance with the Charter, I confirm that:

- the functions outlined in the Charter; and
- a review of the Committee's performance

have been carried out.

5. Work of the Committee in 2017

The following matters were considered by the Committee during 2017:

- The Charter for the Audit and Risk Committee was reviewed during 2017 and updated to reflect the requirements of the revised Code and any other matters which the Committee and the Authority required to be included;
- The Authority's draft Corporate priorities were kept under review with a particular emphasis on risk;
- The appointment of the Internal Auditors after the conclusion of a procurement process;
- The preparation and approval of a three-year internal audit work plan;
- Review of the Chairperson's Statement of Internal Controls for inclusion in the Authority's Annual Report to the Minister for Justice and Equality, in compliance with the Code;

- Preparations for the conduct of the Authority's self-assessment evaluation , reporting and consideration of the outcome of that evaluation and monitoring follow up actions arising;
- Consideration of a report on the governance of the Scottish Policing Authority and comparison with the Authority and identification of issues of interest;
- Oversight of the development of the Authority's risk management process and the evolution of the systems to manage risk;
- Advising on the format and monitoring the risks identified and contained in the Authority's Risk Register and the on-going monitoring of risk;
- Considered reports of the internal auditors (see Section 6 below) and quarterly meetings with the Audit Engagement Partner to discuss the Internal Audit reports and the issues raised;
- Considered the outcome of the audit and the Management letter from the C&AG in relation to the external audit of the Authority's first Appropriation Account for 2016 (See Section 7 below) and met with the C&AG Senior Auditor, without the Executive present, to discuss matters arising from the audit; and
- In light of the serious control weakness arising from the fact that the Authority did not have sufficient and direct access to shared service HR management and payroll systems the Committee Chair wrote to the National Shared Service Office to request that the matter be addressed as a matter of urgency.

Matters discussed by the Committee in relation to all items under its remit are communicated by the Chair to the Authority in an update from the ARC at monthly Authority meetings. Approved minutes of Committee meetings are circulated to the Authority and published on the Authority's website as a matter of normal practice. In addition, the Committee retains a log of actions arising from its meetings and the status of these actions is updated on an ongoing basis and monitored by the Committee.

6. Senior Management Updates

The Chief Executive updated the Committee on a number of occasions in relation to the Authority's main activities and in relation to progress on achieving the Authority's Corporate Priorities. The Head of Governance and Corporate Services briefed the Committee in relation to the financial position of the Authority and other relevant matters.

7. Governance

During 2017, the Committee kept the governance of the Authority under review and considered the following matters:

- Code of Practice for the Governance of State Bodies. The revised Code was discussed and matters relevant to the Authority under the remit of the Committee were considered;
- Authority self-assessment evaluation of effectiveness for 2016 - The Committee agreed the questionnaire for Members based on the Code which was adapted to meet specific unique situations pertaining to the Authority, a facilitator was sourced to manage the survey of Members, analyse responses, facilitate a workshop with Members and report to the Audit and Risk Committee and the Chairperson of the Authority. The Chair of the Committee reported on the outcome of the evaluation which was considered by the Committee. The implementation of recommendations arising were monitored by the Committee during the year;
- Code of Conduct - It was noted that the Authority's Code of Conduct had been recently revised and the Committee members signed up to the Code;
- Audit Committee Charter – The Charter was revised and the proposed updates approved by the Authority;
- Complaints Processes – The committee reviewed the appropriateness of the Authority's complaints procedures;
- Scottish Police Authority (SPA) 'Review of Governance in Policing' – The Chair presented a review of this report in light of the similar role of the SPA to the Authority;
- Authority self-assessment evaluation of effectiveness for 2017 - In light of the fact that the Authority was undertaking a review of the Authority's effectiveness in accordance with Section 62.O(2) of the Garda Síochána Act 2005, it was agreed that this would meet the Code of Practice requirement to undertake an annual self-assessment evaluation of the Authority and its Committees for 2017. It was agreed that Members should complete the self-assessment questionnaire in order to compile longitudinal data on its effectiveness;
- Preparation of Committee Work Plan for 2018;

8. Financial Matters

The Committee reviewed financial reports for the Authority and examined expenditure against budgets throughout the year. The annual Estimates provision for 2018 was discussed and the adequacy of the provision discussed. The Appropriation Account prepared by the Accounting Officer and the Statement of Internal Controls were noted and considered.

9. Internal Audit

The newly appointed Internal Audit providers developed a risk based Internal Audit work plan for the period 2017 to 2019 in February 2017 which was approved by the Committee.

In line with the work plan, the following audits were undertaken by the internal auditors during 2017:

- Review of Internal controls;
- Audit of ICT controls;
- Audit of the Appointments process for senior Garda appointments; and
- Review of Complaints process.

Reports of the audits on the internal controls and the Appointments process were considered by the Committee in 2017. A draft report of the ICT report was also considered, however the final field work of that audit had not been concluded by year end. The audit of the complaints process took place during Quarter 4 2017 but the report of the audit had not been completed by year end.

In their year-end report for 2017, the Internal Audit providers confirmed that they are satisfied that:

- overall the Authority has established reasonable systems and controls for the management and mitigation of key risks; and
- apart from the matters raised in Internal Audit reports these systems and controls operated effectively during the year ended 31 December 2017.

The Committee has assessed the performance of Internal audit during 2017. In the main, the Committee is satisfied at the quality of the work but noted concerns in relation to changes of staffing dealing with the Policing Authority and the consequent knowledge and understanding of the Authority's work and operations. This has been communicated to the Internal Audit Partner by the Committee.

10. Audit of the 2016 Appropriation Account by the External Auditor

The Controller and Auditor General (C&AG) is the Authority's external auditor and carried out their audit of the 2016 Appropriation Account for the Authority's Vote in February 2017. The Authority's 2016 Appropriation Account, covering its first year of operation, was published in the C&AG Report in September 2017.

The C&AG management letter noted a small number of recommendations which were ranked as medium including relating to the absence of an internal audit function and a risk register in 2016, both of which were put in place by the 2nd Quarter of 2017. A number of low ranked matters were also noted.

The C&AG Senior Auditor with responsibility for the audit presented his report to the Committee at a private meeting in October 2017 and in discussion with Committee members stated satisfaction with the financial controls in place and the books of accounts maintained.

11. Implementation of Audit Recommendations

The Executive maintains a register of audit recommendations from all internal and external audits and the status of the implementation of these recommendations is regularly updated and reviewed by the Committee.

12. Senior Management Updates

The Chief Executive updated the Committee on a number of occasions in relation to the Authority's main activities and in relation to progress on achieving the Authority's Corporate Priorities. The Head of Governance and Corporate Services briefed the Committee in relation to the financial position of the Authority and other relevant matters.

13. Risk Management

The Authority developed a risk management system and a Risk Register which was reviewed in detail by the Committee in advance of being approved by the Authority in June 2017. The Risk Register is reviewed by the Committee at each meeting. The Committee undertakes regular discussion in relation to the format and content of the register, high risks, additions to the register, risk ranking and reporting to the Authority and discussion of the Authority's responsibility for risk and consideration of risk by the Authority at its monthly meetings. The Committee noted during the year

that risk is a standing item on Authority meeting agendas and consideration of risk is embedded in the Authority's consideration of matters.

Risks identified by the Authority and the Senior Management Team and any requirement to escalate the ranking of particular risks in light of changing circumstances are notified to the Chief Risk Officer who updates the Risk Register and updates the Committee in relation to proposed changes.

14. Self-Assessment of Audit and Risk Committee Effectiveness

The Committee undertook an assessment of its effectiveness during 2017 and the following matters were noted:

- The membership and skills mix of the Committee was considered and no gaps were identified, however these matters will be kept under consideration;
- The skills, knowledge and experience of members are used to good effect and the atmosphere is open and constructive; and
- the opportunity for the members to meet at the beginning of each meeting without members of the executive present has been found to be useful.

The Committee agreed that it would undertake an annual self-assessment of its performance. Given that the Committee will be in existence for two years in mid-2018, it will be appropriate to use the questionnaire in the Code of Practice for the Governance of State Bodies to assess its effectiveness and compliance with the requirements of the Code.

15. Priorities for 2018

During 2018 the Committee will continue with the range of activities undertaken in 2017 to provide oversight of the governance, financial, audit and risk management arrangements in place in the Authority with a view to providing assurance to the Authority and the Accounting Officer with regard to the adequacy of and compliance with the system of internal control. Particular attention will be given to the following areas of work as the Authority grows and develops its staffing complement, operations, activities and systems:

- Encourage co-operation between internal and external audit so that the external auditor can place reliance on the work of internal audit;
- Development of enhanced expenditure management reporting systems and a greater focus by the Committee on examining expenditure, processes and controls in relation to specific budget areas;

- Further enhancement of risk management policy and procedures and detailed review of the risk register; and
- Monitoring of key risks for the Authority including, but not limited to, the recruitment of the Garda Commissioner and compliance with the requirements of GDPR.