



AN TÚDARÁS PÓILÍNEACHTA
POLICING AUTHORITY

Audit and Risk Committee

Annual Report 2018

March 2019

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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 of the Policing Authority ('the Authority') for 2018. This is the second Annual Report of the Authority's Audit and Risk Committee and it covers the second full year of the Committee's operation.

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, internal control and risk management systems, governance 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.

The Authority, in its third year of operation, continued to develop its oversight functions in a highly complex and fast moving environment. Likewise, the Committee continued during the year to oversee the development in the Authority of appropriate structures for audit and risk.

Key tasks for the Committee in 2018 were to engage with the partner of the outsourced Internal Audit provider, Crowleys DFK, with the Office of the Comptroller and Auditor General (C&AG) and to oversee and advise on the development of a comprehensive risk management policy and revision of the Authority's Risk Register.

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 address the range of financial, operational, reputational and strategic risks facing the Authority 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.

Crowleys DFK have been appointed as the internal auditors to audit the activities of the Authority and have undertaken four audits in 2018 and a review of internal controls in January 2019. They have reported that all recommendations arising from their review of internal controls have been ranked as "Low", with no "Medium" or "High" rated findings that may result in a material financial loss or operational disruption to the Authority.

Their audit conclusion is that internal control systems adopted by the Policing Authority appear to be planned and well designed. Apart from the generally minor recommendations noted in their reports, they found that the controls tested operated effectively during 2018 and were satisfied that significant assurance could be placed on the sufficiency and operation of internal controls to mitigate and/or manage key risks.

The external auditor provided a similar level of assurance from their audit of the 2017 Appropriation Account for the Authority's Vote, noting three matters which were rated as 'Low' and no 'Medium' or 'High' ranked issues.

The Committee also notes the timely implementation by management of the recommendations of both internal and external audit.

The Committee is satisfied that, 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;
- engagement with management during 2018; and
- the assurance provided in relation to the internal control systems in place in other organisations which provide financial, payroll, HR and ICT services on behalf of the Authority, including where available, independent internal audit reports,

there were adequate risk management and internal control systems in place in the Authority for 2018 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 during the year.

Dr Moling Ryan

Chair of Audit and Risk Committee

19 March 2019

1. Introduction

This Annual Report of the Audit and Risk Committee ('ARC') of the Policing Authority for 2018 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 and Risk Committee and their attendance at meetings in 2018 are shown in Table 1.

Table 1: Membership of Audit and Risk Committee 2018		
Member	Position	Meetings attended in 2018
Dr Moling Ryan	Chair	5
Ms Melanie Pine	External Member	5
Mr Ronan Nolan	External Member	3

The Audit and Risk Committee held five meetings in 2018, on the following dates:

- 13 February 2018;
- 27 March 2018;
- 1 May 2018;
- 18 September 2018;
- 4 December 2018.

The Committee was supported by the Executive throughout the year. Ms. Clare Kelly was Secretary to the Committee.

3. Role and Functions of the Audit and Risk Committee

The Audit and Risk Committee is part of the Policing Authority's control environment, tasked with providing independent advice to the Accounting Officer and the Authority and supporting them in their responsibilities for matters of internal control, risk 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 Control and Risk Management Systems;
- Financial Reporting;
- Compliance with laws, regulations and codes;
- Internal Audit;
- External Audit;
- Protected Disclosures; and
- Governance.

4. Audit Committee Charter

The [Audit and Risk Committee Charter](#) was reviewed by the Committee during 2018 and no changes were considered necessary for recommendation to the Authority. In accordance with the Charter, the Committee confirms 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 2018

The following matters were considered by the Committee as part of its work plan in 2018 under the general headings of Governance, Audit and Risk:

Governance

- The Authority's Corporate Priorities were kept under review with a particular emphasis on risk;
- The Authority's self-assessment evaluation was considered and the Chair of the Committee reported on the outcome to the Authority. The implementation of recommendations arising were monitored.
- The Charter for the Audit and Risk Committee, in addition to the Committee's membership, performance and Annual report were reviewed;
- The Chairperson's Statement of Internal Controls for inclusion in the Authority's Annual Report to the Minister for Justice and Equality, was reviewed in compliance with the Code;
- The Authority's preparedness for the General Data Protection Regulation (GDPR), which came into effect on 25 May 2018, was monitored; and
- The Authority's correspondence processes and guidelines for staff

Audit

- The adequacy of the Authority's annual financial provision and monthly Financial Reports; Management provided reports on the following expenditure areas for the Committee's consideration:

- Travel & Subsistence; and
- Legal Expenses, including the procurement of legal services;
- Transition to the NSSO shared services for payroll and expenses and associated risks;
- Draft Appropriation Account 2017 for the Authority's Vote;
- The three-year internal audit work plan 2016-2018 was reviewed and updated to reflect organisational requirements;
- Consideration of reports of Internal Audit (see Section 7 below) and quarterly meetings with the Audit Partner to discuss the Internal Audit reports and the issues raised;
- Consideration of the outcome of the audit and the Management letter from the C&AG in relation to the external audit of the Authority's Appropriation Account 2017 (See Section 8 below) and meeting with the C&AG Senior Auditor to discuss matters arising from the audit;
- Internal Audit Annual Report for 2017 to the Audit and Risk Committee and evaluation of the effectiveness of the Internal Auditors; and
- Review of the status of implementation of audit recommendations.

Risk

- The development of a comprehensive Risk Management Policy and Risk Appetite Statement;
- Advice on the format of the evolving Risk Register as a living document; and
- Monitoring the risks and mitigations in the Authority's Risk Register.

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 Committee 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. Final audit reports are also provided to the Authority. 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, risks and the Authority's environment, with particular reference 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. Internal Audit

The Internal Audit providers carried out a number of audits and reviews during 2018, based on the multi-annual Internal Audit Plan, which was adjusted with the Committee's approval, to take account of the changing environment and risk since the plan was developed:

- High Level Review of the Effectiveness of Internal Controls;
- Review of Procurement and Purchase to Pay processes;

- Review of Risk Management Systems and Procedures; and
- Review of compliance with the General Data Protection Regulation.

Reports on the first two reviews above and of two audits carried out the previous year (the Authority's complaints process and a review of ICT), were finalised during the year after consideration by the Committee. A draft report of the audit of the risk management system was also considered by the Committee in 2018.

In their year-end report to the Committee for 2018, 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 that these systems and controls operated effectively during 2018.

The Committee has assessed the performance of internal audit during 2018. In the main, the Committee was satisfied at the quality of the work. This has been communicated to the Internal Audit Partner by the Committee.

8. Audit of the 2017 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 2017 Appropriation Account for the Authority's Vote in April 2018. The Authority's 2017 Appropriation Account was published in the C&AG Report in September 2018.

The C&AG management letter noted three recommendations which were ranked as low including for enhanced control systems to give sufficient assurance in relation to payroll costs, the fixed assets register and tagging of fixed assets and confirmation in the annual report that the financial information in the report is subject to external audit.

The C&AG Senior Auditor with responsibility for the audit presented his report to the Committee in December 2018 and confirmed satisfaction with the financial controls in place and the books of accounts maintained.

9. 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 routinely reviewed by the Committee.

10. Risk Management

The Authority has put a risk management system in place including a comprehensive Risk Management Policy, a Risk Appetite Statement and a Risk Register. This system, which includes regular ongoing identification, assessment, mitigation and management of risk by the Authority is monitored regularly by the Committee. The system was the subject of an Internal Audit review carried out during 2018 resulting in an assessment that the Authority has a well-defined risk management system in place.

The Committee noted during the year that risk is a standing item on Authority meeting agendas, consideration of risk is embedded in the Authority's consideration of matters and the Risk Management Report is considered by the Authority each month. The Committee reviews the Risk Register and Risk Management Report at each meeting and advises in relation to the identification, ranking and mitigation of risks in addition to the operation of the risk management system.

The Risk Register is regularly updated to add new risks identified by the Authority, Committees, the Senior Management Team and staff, including to consider the ranking and mitigation of risks and if appropriate to escalate particular risks in light of changing circumstances.

11. Self-Assessment of Audit and Risk Committee Effectiveness

The Committee assessed its performance during 2018 in compliance with the requirements of the Code of Practice for the Governance of State Bodies, including by completing the checklist for evaluation of the performance of Audit and risk Committees in the Code. Following consideration of the outcome of this evaluation, the Committee recommends that:

- A formal induction programme and materials be put in place for future new committee members; and
- An annual self-assessment of its performance be carried out by each Authority committee.

The membership and skills mix of the Committee was considered and it was agreed that it would be beneficial to the Committee to have an additional member.

12. Priorities for 2019

During 2019 the Committee will continue with the range of activities undertaken in 2018 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 controls. Particular attention will be given to the following areas of work as the Authority grows and develops its staffing complement, operations, activities and systems:

- Overseeing the work of internal and external audit in accordance with a risk based plan to give assurance regarding the adequacy and effectiveness of the internal control system;
- Examining new areas of expenditure, with particular regard to the processes and controls relating to procurement and risk;
- Continued focus on risk management policy and procedures and on-going detailed review of the risk register; and
- Monitoring key risks for the Authority and the internal control systems to mitigate against them including, but not limited to, potentially high staff turnover and matters related to the Government Programme for Policing Reform.