



AN TÚDARÁS PÓILÍNEACHTA  
POLICING AUTHORITY

## **Audit and Risk Committee**

### **Annual Report 2019**

**25 February 2020**

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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 2019. This is the third Annual Report of the Authority's Audit and Risk Committee and it covers the third 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 2019 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, the Accounting Officer and the Authority can rely on the independent assurance that they provide and that its recommendations are appropriately addressed by management.

Crowleys DFK continued to provide internal audit services by auditing the activities of the Authority and have undertaken five audits in 2019 and a review of internal controls in January 2020. 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 a proper and functional system of internal controls have been adopted by the Policing Authority.

Apart from the generally minor recommendations noted in their reports, they found that the controls tested operated effectively during 2019 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 2018 Appropriation Account for the Authority's Vote, noting two matters, one rated as 'Low', one rated as 'Medium' and no matters rated as 'High', acknowledging that the medium rated finding was due to the small number of staff in the Authority.

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 2019; 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 2019 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**

**25 March 2020**

## 1. Introduction

This Annual Report of the Audit and Risk Committee ('ARC') of the Policing Authority for 2019 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 2019 are shown in Table 1.

Table 1: Membership of Audit and Risk Committee 2019		
Member	Position	Meetings attended in 2019
Dr Moling Ryan	Chair	4
Ms Melanie Pine	External Member	4
Mr Ronan Nolan	External Member	4

The Audit and Risk Committee held four meetings in 2019, on the following dates:

- 19 March 2019;
- 11 June 2019;
- 17 September 2019;
- 3 December 2019.

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 2019 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 2019**

The following matters were considered by the Committee as part of its work plan in 2019 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 Committee's Self-Assessment of Performance in 2019 was considered by the Committee;
- The Committee recommended that all Authority Committees undertake a self-assessment and considered the reports of these assessments;
- 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; and
- The membership of the Committee was considered. The Authority decided, in light of the proposed establishment of a new oversight body in 2021, to reappoint the members of the Committee for a further term.

## Audit

- The adequacy of the Authority's annual financial provision and monthly Financial Reports;
- Draft Appropriation Account 2018 for the Authority's Vote;
- The internal audit workplans for 2019 and 2020 were reviewed and updated to reflect an appropriate audit coverage in light of areas of highest risk;
- 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 2018 (See Section 8 below) and meeting with the C&AG Senior Auditor to discuss matters arising from the audit;
- Internal Audit Annual Report for 2018 to the Audit and Risk Committee and evaluation of the effectiveness of the Internal Auditors;
- Internal Audit Standards for Government Departments and Offices 2018; and
- Review of the status of implementation of audit recommendations.

## Risk

- Risk management reports;
- Advice on the format of the evolving Risk Register as a living document; and
- Quarterly 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 and the Finance Officer 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 2019, 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:

- Review of Internal Controls
- Review of FOI and Protected Disclosures
- Review of Human Resources processes and payroll controls

- Review of Communications processes
- Follow up on previous audit recommendations

The contract for internal audit services for Crowleys DFK was extended for a period of one year in accordance with the contract provisions.

Reports on two reviews above carried out in 2018 (risk management and data protection) were finalised during the year after consideration by the Committee. Of the five audits carried out during 2019 the completion of the final audit was carried over to 2020. The report of the final audit (follow up on previous audit recommendations) will be considered by the Committee in 2020.

In their year-end report to the Committee for 2018 which was presented in February/March 2019, the Internal Audit providers confirmed that they were satisfied that overall the Authority had established reasonable systems and controls for the management and mitigation of key risks and that these systems and controls operated effectively during 2018. The Internal Audit Provider will give a verbal update to the Committee in February 2020 in relation to the year 2019, to be followed afterwards by a written Internal Audit Annual Report for 2019.

It is anticipated that the year-end report to the Committee for 2019, to be presented in February 2020, by Internal Audit providers will re-iterate their reassurance.

The Committee has assessed the performance of internal audit during 2019. 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. Accordingly a decision was taken to extend the contract for internal audit for one further year under the terms of the existing contract.

## **8. Audit of the 2018 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 2018 Appropriation Account for the Authority's Vote in August 2019. The Authority's 2018 Appropriation Account was published in the C&AG Report in September 2019.

The C&AG management letter noted two recommendations which were ranked as medium and low, acknowledging that the medium ranked finding was due to the small number of staff in the organisation.

The C&AG Senior Auditor with responsibility for the audit presented his report to the Committee in December 2019 and confirmed satisfaction with the financial controls in place and the books of accounts maintained. The Internal Audit Partner was also in attendance at the meeting for the C&AG report. A clear audit certificate had been given as a result of the audit.

The Committee also noted that there was appropriate communication between the internal and external auditors and that External Audit were satisfied that they could place reliance on the work of Internal Audit.



## **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 2019 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:

- Training needs and other matters pertinent to the performance of the Committee to be considered formally at future committee meetings and included on the agenda for Committee meetings as a standing item.
- Refresher training to be provided in relation to the role of Audit and Risk Committees and financial reporting requirements for public sector bodies.

## **12. Priorities for 2020**

During 2020 the Committee will continue with the range of activities undertaken in 2019 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, staff turnover and resulting loss of corporate knowledge and matters related to the Government Programme for Policing Reform.