The Police and Crime Commissioner for Lincolnshire

INTERIM INDEPENDENT AUDIT COMMITTEE
28 MARCH 2013
10.00AM – 11.55AM

PRESENT:

Members: Mr A Dezonie (Chairman), Mr J Cooke, Mrs A Crowe JP, Mr D Finch, Mr F Mann

Apologies: None.

OPCC: Ms J Flint (Chief Finance Officer), Mr J King (Corporate Administration Officer), Miss G Mason (Research and Performance Officer)

Force Officers: Mr K Smy (A/Deputy Chief Constable), Mr A Jones (Interim Force Chief Finance Officer), Miss P Harris (Policy and Strategic Support Officer)

G4S Officers: Mr S Quint (Principal Management Accountant)

Also in Attendance: Mr M Jones (Internal Auditor – RSM Tenon), Mr T Crawley (Director – KPMG), Mr M Wood (External Auditor – KPMG)

09/12. ANNOUNCEMENT

The Chairman welcomed Mr John Cooke and Mr David Finch to their first meeting since being co-opted onto the interim Committee.

10/12 DECLARATIONS OF PERSONAL AND/OR PREJUDICIAL INTERESTS

None.

11/12 MINUTES – 15 FEBRUARY 2013

Resolved:	**Responsible Officer:**
That the minutes of the meeting held on the 15 February 2013 be taken as read and signed by the Chairman as a correct record subject to Mr T Crawley's title being changed from 'District Auditor' to 'Director'.	CAO

12/12. AUDIT COMMITTEE GOVERNANCE

The Corporate Administration Officer presented proposals for updating the existing Terms of Reference for the Committee to provide for the better regulation of proceedings around notice of meetings, admission of press and public, quorum, chairing, voting and minutes. In addition, members were invited to adopt a proposed Code of Conduct based on the Nolan principles of public life.

Resolved:	**Responsible Officer:**
That	
1. the Terms of Reference attached at Appendix A be approved;	-
2. the Code of Conduct attached at Appendix B be adopted.	-

13/12. AUDIT COMMITTEE SELF ASSESSMENT

The Research and Performance Officer presented the findings of an initial self assessment checklist devised by CIPFA for determining the effectiveness of Audit Committees. Members were invited to review the findings and agree actions as required.

It was noted that the Committee was expected to hold separate, private meetings with both Internal and External Audit. It was agreed that such meetings would be diarised at least once a year.

Resolved:	**Responsible Officer:**
That	
1. the findings of the initial assessment be noted;	-
2. meetings between the Committee and Internal / External Audit be diarised at least once a year.	CAO

14/12. AUDIT COMMITTEE WORK PLAN 2013/14

The Research and Performance Officer presented progress with the Audit Committee Workplan for 2013/14.

Members sought clarification on their role in overseeing Value for Money (VfM) work. The Chief Finance Officer advised that the VfM Strategy including service delivery arrangements would be presented to the Committee with members being briefed on key issues or concerns.

Resolved:	**Responsible Officer:**
That 1. progress with the Work Plan 2013/14 be noted; 2. the Committee receive a briefing to explain its oversight role in relation to VfM.	 - CFO

15/12. EXTERNAL AUDIT PLAN

The External Auditor presented the External Audit Plan 2012/13, setting out how work on the financial statements would be delivered for both the Police and Crime Commissioner and the Chief Constable. The document further set out the approach that would be taken to VfM work for 2012/13.

The Chairman noted that KPMG made use of off-shore services to undertake certain basic audit tasks and sought an assurance that data would be kept secure. The External Auditor confirmed that data would not leave the UK nor could it be accessed remotely. However, KPMG was acutely aware of the sensitivities around accessibility and use of police data, for which further guidance was being developed.

Members were advised that following government reforms to the audit sector, the emphasis was on organisations having adequate arrangements in place for securing financial resilience and for challenging how they secured economy, efficiency and effectiveness. It was a matter for individual organisations to drive further improvements in the area of VfM.

Resolved:	**Responsible Officer:**
1. That the External Audit Plan 2012/13 be approved.	-

16/12. INTERNAL AUDIT: STRATEGY 2013/14 – 2015/16 / AUDIT PLAN 2013/14 AND PROGRESS REPORT

The Internal Auditor invited the Committee to consider the Internal Audit Strategy 2013/14 to 2015/16 and Audit Plan 2013/14 and presented an update on progress with the Audit Plan 2012/13.

Members noted that under Appendix 'A' to the Internal Audit Strategy, regional collaboration had been identified as an issue affecting the Office of the Police and Crime Commissioner (OPCC) but not Lincolnshire Police. The Chief Finance Officer explained that the OPCC was responsible for the governance of collaboration, including risk management, planning and financial strategy, whereas there were no particular issues to highlight from an operational perspective. Members suggested that there was a clear risk around the delivery of operational benefits from regional collaboration. The Chief Finance Officer assured the Committee that this had been captured within the Strategy.

It was highlighted that some of the auditable areas identified as 'Red' risks, such as Business Continuity, would not be audited until 2015/16. The Internal Auditor explained that with a finite level of resources, it was necessary for less critical areas to be moved into 2015/16. However he reminded members that Business Continuity had previously been audited as part of the 2012/13 Audit Plan and would be reviewed again in 2015/16. Members requested that where an area had previously been audited this be highlighted in the Strategy.

The Internal Auditor emphasised that the Audit Plan was not set in stone, and had flexibility to be changed to reflect new and emerging risks, particularly in years 2 and 3.

Resolved: That 1. the Internal Audit Strategy 2013/14 – 2015/16 and Audit Plan 2013/14 at Appendix 'A' be approved; 2. the Internal Audit Progress Report for 2012/13 at Appendix 'B' be noted.	**Responsible Officer:** - -

17/12. REVIEW OF ACCOUNTING POLICIES

The Principal Management Accountant presented accounting policies for the 2012/13 financial statement, which had been updated to reflect the establishment of the Police and Crime Commissioner. The Committee also received a briefing on the statutory environment for 2012/13 accounting and was invited to consider a proposed format for the statements.

Referring to the proposed methodology for the 2012/13 accounts, Members sought clarification over the proposal for the group accounts to be produced first

and then disaggregated to form individual entity accounts for the Police and Crime Commissioner and Chief Constable. It was explained that disclosures needed to be made in the right place so whoever was the primary user of a particular resource would need to ensure that it was reflected in their accounts.

Members of the Committee queried why a de minimis level had not been set for capitalisation. It was explained that whilst this had no operational impact, it gave the Commissioner and the Force maximum flexibility when deciding what expenditure to treat at capital.

Resolved: That 1. progress on the accounting policies attached at appendices 1-4 be noted; 2. 'Approach A' from LAAP 95 be adopted as the basis for accounting during the transitional year; 3. The proposed accounting methodology for the 2012/13 accounts as described at section 5 be approved.	**Responsible Officer:** - - -

[The Chairman adjourned the meeting at 11.02am and reconvened at 11.12am]

18/12. BUSINESS CONTINUITY (INCLUDING THE AUDIT OF FCR RECOVERY ARRANGEMENTS)

The A/Deputy Chief Constable provided a brief overview of the current position in relation to the development of effective Business Continuity Management (BCM) arrangements and in relation to the implementation of the Action Plan arising out of the audit of BCM for Police Headquarters undertaken in April 2012.

The Chairman and members acknowledged the significant progress that had been made since the initial scrutiny of BCM by the former Police Authority in 2009.

Resolved: That 1. the position statement be noted; 2. the work to develop BCM arrangements continues to be regarded as a priority and receive appropriate investment and management support; 3. The positive progress around BCM arrangements be noted and that the Action Plan related to the 2012 Audit be regarded as complete;	**Responsible Officer:** - - -

4. the recommendations made in the 2013 RSM Tenon Audit Report of BCM arrangements in the FCR be accepted as valid but subjected to a feasibility study and cost benefit analysis before referral to BCM Board for a decision regarding whether each recommendation should be implemented.	ACC (PS)

19/12. INTERNAL AUDIT REPORTS – IMPLEMENTATION PROGRESS

The A/Deputy Chief Constable invited the Committee to consider progress with the implementation of recommendations from Internal Audit Reports. Members also received a short briefing on progress with the development of Restorative Justice.

Resolved:	**Responsible Officer:**
1. That progress made in implementing recommendations contained in Internal Audit reports be noted.	-

20/12. PCC RISK MANAGEMENT STRATEGY AND RISK REGISTER

The Research and Performance Officer invited the Committee to review the Police and Crime Commissioner's updated Risk Management Strategy and to consider the latest iteration of the Risk Register.

The Chairman was concerned that the risk description for C06 (lack of resilience of PCC) didn't fully articulate the consequences of planned or unplanned absences of the Commissioner, particularly the impact on public confidence and reputation. It was agreed that the description would be strengthened.

The Committee further agreed that the strict inequality symbols used under 'Confidence/Reputation' within the Risk Management Strategy were unnecessary.

Members queried why risk C08 (failure to deliver VfM in regional collaboration) had an overall risk score of 'Red 12'. The Chief Finance Officer explained that it had taken time to get recognition from operational areas that constraints on public spending needed to be considered not only from a local but a regional perspective. Developments around Regional efficiency reviews, strategic objectives, performance framework and Medium Term Financial Strategy were welcomed but more reassurance was needed around governance and delivery.

Members suggested that the Spending Review announcement expected in June 2013 might impact on risk C01 (failure to persuade government of Lincolnshire's case for a fairer share of national funding). The Chief Finance Officer advised

that whilst the existing methodology had been applied to the 2013/14 and 2014/15 settlements, the Home Office had commissioned a broad based review of the funding formula which would inform settlements for 2015/16 and beyond. Whilst the review was being conducted internally it would eventually be put out for consultation with stakeholders. The Force Chief Finance Officer suggested that the Home Office was now moving toward a fundamental review, which was unlikely to be completed by 2015/16.

Resolved: That 1. the Risk Management Strategy and Risk Register be noted; 2. the strict inequality symbols used under 'Confidence/Reputation' within the Risk Management Strategy be deleted; 3. the risk description for C06 (lack of resilience of PCC) be strengthened.	**Responsible Officer:** - RPO RPO

21/12 EXCLUSION OF PRESS AND PUBLIC

22/12 LINCOLNSHIRE POLICE RISK REGISTER

The A/Deputy Chief Constable paid tribute to Philippa Harris who was attending her final Committee meeting prior to taking up a new post outside the Force. The Chairman thanked Miss Harris and wished her well in her new role.

Following a number of questions and comments, the Committee considered whether future meetings of the Committee should receive both the Commissioner's Risk Register and Assurance Framework. It was agreed that both documents would be presented to the remaining meetings of the interim Committee scheduled for June and September 2013.

Resolved: That 1. the report be noted; 2. the Police and Crime Commissioner's Risk Register and Assurance Framework be presented to the June and September 2013 meetings of the interim Committee.	**Responsible Officer:** - RPO

CHAIRMAN