The Police and Crime Commissioner for Lincolnshire

**JOINT INDEPENDENT AUDIT COMMITTEE**
**28 March 2014**
**11.00am – 2.57pm**

**PRESENT:**

**Members:** Mr D Finch (Chairman), Mr J Evans, Mr J Cawdell, Mr J Gallagher, Mr I Haldenby

**Apologies:** None

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

**Force Officers:** Mr N Rhodes (Chief Constable) for agenda item 13, Mr K Smy (Deputy Chief Constable), Mr A Tomlinson (Force Chief Finance Officer), Miss K Judge (Service Improvement Manager) for agenda item 9, Mr J Schopp (Risk, Policy and Review Officer) for agenda item 18

**G4S Officers:** Mr S Quint (Principal Accountant)

**Also in Attendance:** Mr M Jones (Internal Audit – Baker Tilly), Mrs S Sunderland (External Audit – KPMG), Mrs H Brookes (External Audit – KPMG)

## 01/14 DECLARATIONS OF PERSONAL AND/OR PREJUDICIAL INTERESTS

- David Finch declared a personal interest in agenda item 8 as a member of Lincolnshire County Council's Audit Committee.

- Ian Haldenby declared a personal interest having worked at the Home Office in a corporate services capacity, which may have involved working with members of the Home Office finance community the Chief Constable and Police and Crime Commissioner in a funding capacity. He further declared that he had not had any contact in that capacity since joining the Committee.

## 02/14 MINUTES – 29 NOVEMBER 2013

| **Resolved:** | **Responsible Officer:** |
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| 1. That the minutes of the meeting held on the 29 November 2013 be taken as read and signed by the Chairman as a correct record. | - |

## 03/14. SUMMARY ACTION LOG

| **Resolved:**<br><br>That | **Responsible Officer:** |
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| 1. the Summary Action Log be noted;<br>2. a written update on the implementation of recommendations from the Independent Review of PCSO Remuneration be provided at the September 2014 meeting (minute 33/13 refers). | -<br>FCFO |

## 04/14. INTERNAL AUDIT PLAN 2014-15

The Internal Auditor invited Members to consider whether the Internal Audit Plan 2014/15 covered the organisation's key risks as recognised by the Committee.

Members highlighted Data Security as a key area of Force activity for which the Committee would benefit from receiving more information. The Internal Auditor confirmed that the Committee would receive the detailed findings of the audit of Data Security planned for 2014-15. A further follow-up review could be scheduled under the 2015-16 Plan if required. The Deputy Chief Constable offered to prepare a briefing paper providing an overview of data security management within the Force. He offered to include any other issues Members wanted to raise around information security assurance and extended an invitation to the Committee to visit the Force's Information Management Unit.

In noting the Audit Plan, Members requested that the number of days allocated to each of the proposed audits be provided in addition to charges.

| **Resolved:**<br><br>That | **Responsible Officer:** |
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| 1. the Internal Audit Plan 2014-15 be noted;<br>2. a briefing paper be prepared for the next meeting of the Committee providing an overview of the | -<br>DCC |

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| management of data security by the Force;<br>3. Members be contacted to ascertain what further information security matters they would like covered in the briefing paper;<br>4. An invitation be extended to Members to visit the Force Information Management Unit;<br>5. The Audit Plan include the number of days allocated to each of the proposed audits for 2014-15. | <br>RPO<br><br>RPO<br><br>Internal Auditor |

**05/14. INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor provided an update on progress with the 2013-14 Internal Audit Plan. The Committee was also briefed on the process for tracking audit recommendations through to implementation.

| **Resolved:** | **Responsible Officer:** |
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| That | |
| 1. the Internal Audit Progress Report for 2013-14 be noted; | - |
| 2. the Change Control table be amended to make it easier to understand. | Internal Auditor |

**06/14. INTERNAL AUDIT REPORTS – IMPLEMENTATION PROGRESS**

The Deputy Chief Constable invited the Committee to consider progress made with the implementation of recommendations contained in Internal Audit reports.

The Committee identified a significant amount of duplication between both the Internal Audit progress and implementation reports. Members queried whether it would be possible for information from both reports to be drawn together. In addition, Members noted that a number of recommendations had exceeded their original completion dates. The Deputy Chief Constable acknowledged that a degree of pragmatism and realism was needed by managers when setting deadlines however slippages were sometimes out of the control of the Force where inputs were required from external organisations such as the Home Office or College of Policing. Members suggested that in such cases a brief explanatory note be included to explain the slippage along with a revised completion date.

In response to concerns expressed about the amount of detail contained in the report, the Deputy Chief Constable suggested that a slimmed down version could be prepared based on the summary of recommendations set out at Appendix A with a brief commentary to explain slippages and any associated risks.

| Resolved: | Responsible Officer: |
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| That<br><br>1. Internal Audit Reports – Implementation Progress be noted;<br>2. consideration be given to the future presentation of information contained within the Internal Audit progress / implementation reports in line with Member comments. | <br><br>-<br><br>DCC/CFO/Internal Auditor |

**07/14. EXTERNAL AUDIT PLAN 2013-14**

| Resolved: | Responsible Officer: |
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| 1. That the External Audit Plan 2013-14 be noted. | - |

**08/14. HMIC UPDATE REPORT**

The Committee was advised of HMIC inspections of Lincolnshire Police and progress with recommendations affecting risk, internal and corporate controls.

In terms of assurance, Members requested that future reports be limited to providing the number of recommendations and completion dates with commentary to explain non-compliance where recommendations have not been accepted.

| Resolved: | Responsible Officer: |
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| That<br><br>1. the report be noted;<br>2. the format of the report be altered in line with Member comments. | <br><br>-<br>SIM |

## 09/14. STATEMENTS OF ACCOUNT FOR 2013/14

The Force Chief Finance Officer invited the Committee to comment on three issues relating to the production of the Statements of Account:

The first concerned the future format of the Statements of Account to promote greater transparency and engagement. The report detailed a number of proposed changes that would also be reflected in the Chief Constable's Accounts, where applicable. In noting the proposed changes, Members requested that graphs used to display data be clear and straightforward. The External Auditor advised that she would be providing separate feedback on the proposals.

The Committee was invited to comment on the 2013/14 accounting policies and proposed accounting methodology. Members noted inconsistencies within the policies in relation to the de minimis level for the PCC and suggested that such errors could be minimised if just one set of policies was applied to both Statements of Account. The Chief Finance Officer explained that only those accounting policies relevant to the Chief Constable had been duplicated.

Following a number of further comments and observations both the accounting policies and methodology were noted.

Finally, the Committee was invited to review and comment upon the suitability of the assumptions used by Hymans Robertson actuary when valuing the pension assets and liabilities. These were accepted.

| **Resolved:** | **Responsible Officer:** |
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| That | |
| 1. the proposals for improving the presentation of the Statements of Account be noted; | - |
| 2. the different disclosures made in the group accounts as a consequence of changes made to the 2013/14 Code of Practice be noted; | - |
| 3. progress on the accounting policies attached at appendices 1-5 be noted; | - |
| 4. the accounting policies be re-reviewed to ensure consistency; | CFO/FCFO |
| 5. a definition of 'Authority' referred to at Appendix B (1) line 2 be provided; | CFO/FCFO |
| 6. the format (i.e. indexing, paragraph numbering, etc) of the accounting policies be reviewed; | CFO/FCFO |
| 7. a definition of 'Material' be provided in relation to material assets; | CFO/FCFO |
| 8. the proposed accounting methodology for the 2013/14 accounts as described at section 6 be noted; | - |
| 9. the assumptions used by Hymans Robertson for the Local Government Pension Scheme be noted; | - |
| 10. the general approach being used by Hymans Robertson for the Police Pension Scheme be noted. | - |

[The Chairman adjourned the meeting at 12.55pm for lunch. The meeting was reconvened at 1.15pm]

## 10/14. CODES OF CORPORATE GOVERNANCE

The Force Chief Finance Officer presented codes of corporate governance for the Police and Crime Commissioner (PCC) and the Chief Constable for consideration and comment. It was explained that the original intention had been to combine the two codes into a single document however it had been decided that they should be kept separate to reflect the legal identities of the PCC and Chief Constable and their specific individual responsibilities. However it was acknowledged that as both codes were based on the same principles they were very similar.

| **Resolved:** | **Responsible Officer:** |
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| 1. That the codes of corporate governance be noted. | - |

## 11/14. SCHEME OF GOVERNANCE

The Chief Finance Officer sought the Committee's comments and observations on the draft Scheme of Governance. It was explained that a new framework had been developed to reflect the transfer of the majority of police staff from the Police and Crime Commissioner (PCC) to the employ of the Chief Constable under Stage 2 Transfers. Alongside the transfer of staff, the PCC had also decided to hold all assets and liabilities and to remain the sole contracting body for Lincolnshire Police.

Members noted that under 'Delegated Limits' in the Financial Regulations, the Chief Finance Officer (CFO) had been given a delegated authority limit of 'No Limit'. It was explained that the proposed model of delegation imposed constraints on G4S Finance officers in areas such as Treasury Management, requiring approvals from the CFO and/or Force CFO. It was acknowledged that the term 'No Limit' should be more accurately described as 'No Limit in accordance with Financial Regulations'.

The Chief Constable congratulated the CFO and Force CFO and their respective teams for the work undertaken in drawing up the revised Scheme of Governance. However, there remained a small number of areas of contention that he believed needed to be addressed before the new framework came into effect on 1 April 2014. Members queried whether there would be sufficient time for the necessary work to be completed prior to the 1 April. The CFO assured the Committee that the current Scheme of Governance would still be in operation whilst further discussions took place between the PCC and Chief Constable, so there would be no risk to the organisation in the interim. The Chief Constable emphasised the importance of resolving the outstanding issues as quickly as possible. The

Committee would seek assurance from Internal Audit that the finalised version of the framework was fit for purpose and consistent with good practice.

The Chairman noted that the role of Internal Audit in providing independent assurance had not been referenced under section FR24 within the Financial Regulations. He also considered that references made to the role of the Joint Independent Audit Committee at FR24.8 had been over simplified. The CFO undertook to review and update FR24 in light of the Chairman's comments.

| **Resolved:**<br><br>That<br><br>1. the term 'No Limit' under 'Delegated Limits' within the Financial Regulations be changed to read 'No Limit in accordance with Financial Regulations';<br>2. the Procurement flow chart provided at page 47 of the Procurement and Contract Regulations be completed;<br>3. Section FR24 within the Financial Regulations be reviewed and amended in line with member comments;<br>4. Members receive an update on the finalised Scheme of Governance at the next meeting of the Committee, including a briefing on how the framework will be communicated to employees. | **Responsible Officer:**<br><br><br>CFO/FCFO<br><br>CFO/FCFO<br><br>CFO/FCFO<br><br>CFO/FCFO |
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## 12/14. REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS

| **Resolved:**<br><br>1. That the report be noted. | **Responsible Officer:**<br><br>- |
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## 13/14. VALUE FOR MONEY PLAN 2014/15

| **Resolved:**<br><br>1. That the Value for Money Plan be noted. | **Responsible Officer:**<br><br>- |
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## 14/14. PCC RISK REGISTER, RISK MANAGEMENT STRATEGY AND ASSURANCE MAP

The Research and Performance Officer (RPO) invited the Committee to consider the latest iteration of the Police and Crime Commissioner's Risk Register, Risk Management Strategy and progress with the development of an Assurance Map.

Members noted that there had been very little movement in risk scores over the last 3 to 4 months and queried whether critical risks 4 (failure to deliver and demonstrate value for money in regional collaboration) and 8 (lack of resilience of PCC) were as static as they appeared. The Chief Finance Officer assured Members that both critical and non critical risks were regularly reviewed at internal management meetings and that whilst risk scores might appear to be static there were regular movements between developing and existing controls.

The Chairman welcomed the latest iteration of the Assurance Map which provided a 'snapshot' of key strategic risks and the controls put in place to mitigate those risks. He suggested that consideration be given to an additional risk around the 'Failure to Maintain Resources and Infrastructure'. Members highlighted further risks around 'Financial Viability' and 'Good Governance'. The Deputy Chief Constable advised that the Force would not be producing its own version but would continue to have an input on the OPCC's Assurance Map.

The Chairman considered that the risks set out in both the PCC's and Chief Constable's risk registers should link through to the Strategic Objectives/Priorities on the Assurance Map. The Deputy Chief Constable highlighted the sensitive nature of some sources of assurance which might need to be considered during the restricted part of the meeting.

| **Resolved:**<br><br>That<br><br>1. the PCC's Risk Register be noted;<br>2. the PCC's Risk Management Strategy be noted;<br>3. the latest iteration of the Assurance Map be noted;<br>4. consideration be given to the inclusion of additional risks within the Assurance Map as highlighted by Members. | **Responsible Officer:**<br><br><br><br>-<br>-<br>-<br>RPO |
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## 15/14. AUDIT COMMITTEE FORWARD PLAN

| **Resolved:**<br><br>That<br><br>1. the Forward Plan be based on a full rolling year; | **Responsible Officer:**<br><br><br><br>RPO |
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| 2. Section 3 of the document be updated to include publication of the External Audit report issued prior to the audit opinion on the financial statements and the value for money opinion;<br>3. Section 5 be updated to include publication of the Annual Governance Statement in June 2014. | RPO<br><br><br><br>RPO |

**EXCLUSION OF PRESS AND PUBLIC**

**16/14. LINCOLNSHIRE POLICE RISK REGISTER**

The Risk, Policy and Review Officer updated Members on developments within the Force's risk management processes and Force Risk Register.

| **Resolved:** | **Responsible Officer:** |
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| 1. That the report be noted. | - |

**17/14 CHAIRMAN'S ANNOUNCEMENT**

The Chairman requested that an additional standing item be included on future agendas to enable Members and officers to review and feedback comments and observations on the meeting.

In addition, the Chairman reminded Members that questions or clarifications could be raised in relation to any items of business prior to the meetings.

| **Resolved:** | **Responsible Officer:** |
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| That:<br><br>1. an additional standing item be included on future agendas to enable Members and officers to review and feedback comments and observations on the meeting. | <br><br>CAO |

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**CHAIRMAN**