



**JOINT INDEPENDENT AUDIT COMMITTEE  
18 OCTOBER 2016  
1.30pm – 4.25pm**

**PRESENT:**

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

**Apologies:** Mr M Clarkson (Internal Audit - Mazars), Mr J Machej (External Audit – KPMG)

**OPCC Officers:** Ms J Flint (Chief Finance Officer), Mr A Williams (Research and Performance Officer), Mr J King (Corporate Administration Officer)

**Force Officers:** Mr Gary Knighton (Deputy Chief Constable), Mrs G Holder (Acting Force Chief Finance Officer)

**Also in Attendance:** Mr B Welch and Mr D Hoose (Internal Audit – Mazars), Mr A Cordoza (External Audit – KPMG),

**23/16. WELCOME**

The Chairman and Members welcomed Mr Hoose (Internal Audit – Mazars) to his first Committee meeting.

**24/16. DECLARATIONS OF PERSONAL AND/OR PREJUDICIAL INTERESTS**

The Chairman declared a personal interest as Mr Hoose (Internal Audit – Mazars) was known to him.

**25/16. MINUTES – 27 JULY 2016**

The Chairman stated that draft copies of Committee minutes had to be circulated to Members for comment prior to being finalised. The aim should also be to circulate draft minutes within two weeks of a meeting.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That:	
1. the minutes of the meeting held on the 27 July 2016 be taken as read and signed by the Chairman as a correct record;	-
2. the force Anti Fraud and Corruption policy include reference to the Anti-Fraud and Corruption Group;	RPO
3. minutes of Committee meetings be drafted and circulated within 10 working days, where possible;	CCPA/CAO
4. copies of the draft Committee minutes be circulated to Members for comment prior to being finalised.	SSS/CAO

## 26/16. SUMMARY ACTION LOG

**Ref 155:** In noting the figure for the number of people that had completed the mandatory Counter Corruption Strategy training module, Members queried how many people had not completed the module.

**Ref 159 (4):** The Deputy Chief Constable (DCC) confirmed that the Committee's definition of 'Terminate' would be applied to the Force Risk Management Strategy.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That	
1. the Summary Action Log be noted.	-
2. the number of people who had not completed the mandatory Counter Corruption Strategy training module be reported to the Committee.	DCC

## 27/16. EXTERNAL AUDIT ANNUAL AUDIT LETTER

Members welcomed the unqualified conclusions issued by External Audit on the Police and Crime Commissioner and Chief Constable's 2015/16 financial statements and on their arrangements for securing value for money.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That the Annual Audit Letter at Appendix A be noted.	-

## 28.16. APPOINTMENT OF EXTERNAL AUDITORS FOR 2018/19 AUDIT

In noting the options set out in the report for appointing an external auditor by 31 December 2017, Members queried whether all options had been explored. The Acting Force Chief Finance Officer (A/FCFO) acknowledged that the East Midlands region presented a potential alternative procurement route, however the option was unlikely to be progressed. The Chief Finance Officer (CFO) suggested that the Police and Crime Commissioner (PCC) was inclined to opt into a sector-led body such as the Public Sector Audit Appointments (PSAA), subject to the Committee's feedback. This would prove a cost effective solution and negate the need for an Auditor Panel.

The Committee suggested that the pros/cons of each of the available options be identified to assist the PCC in making his decision and to provide an audit trail. Members were also concerned to ensure that whichever vehicle was used for making the appointment, a balance was achieved between cost and quality of service. The CFO assured Members that the PSAA (successor body to the Audit Commission) had significant experience in appointing auditors to the public sector. It was agreed that a draft copy of the PCC's decision notice would be circulated to Members for consideration prior to being signed-off.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That:  1. the plan be noted; 2. a copy of the draft Decision notice be circulated for consideration by Members prior to being signed-off by the PCC.	- DCFO

## 29/16. REVIEW/TAKE STOCK OF ACCOUNTS PROCESS AND PREPARATION FOR 2016/17

Members queried whether External Audit had been consulted on the appointment of Bruton Knowles as the new valuers. The FCFO assured the Committee that the appointment had been made following a full tender process however a view would be sought from the Auditors.

The decision by government to bring forward the existing audit dates for the 2017/18 accounts was noted by the Committee. The FCFO confirmed that a detailed draft closure of accounts timetable had been put in place and that lessons learned from the 2015/16 process would be used to further refine elements of the overall plan.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That the review of 2015/16 and the preparation for 2016/17 onwards be noted.	-

### 30/16. INTERNAL AUDIT – PROGRESS REPORT 2016/17

The CFO was disappointed to learn at the conclusion of the Covert Payments audit that an assurance opinion would not be given due to limited accessibility. She was clear that any potential barriers should be identified and resolved prior to the commencement of audits. Members queried whether they required further assurance given the limited nature of the audit work undertaken. The CFO agreed to broker a way forward prior to the next Committee meeting. The Internal Auditor reassured the Committee that he did not expect to encounter any similar difficulties in respect of the remaining audit work for 2016/17. Members welcomed the assurance and emphasised the critical importance of securing agreement on the terms of reference that applied to individual audits.

In noting the outcome of the Complaints Management audit, Members highlighted Recommendation (1) and queried how and when it had been discovered that the automated email function from the online complaint form had stopped functioning. The Committee also noted the management response to Recommendation (2) of the Seized and Found Property audit, and proposed the use of precision money counting scales to count cash seized under the Proceeds of Crime Act. The DCC undertook to pursue the suggestion with the force Economic Crime Unit.

Members were concerned to note that an assurance opinion had not been provided on the outcome of the PCC Board Governance audit. The Internal Auditor explained that as the Board was a non-system based process it followed that an audit opinion would not apply. The Chairman was clear that the Committee expected to receive an explicit assurance opinion and suggested that this be included in the 'Compliance with Governance Arrangements' report at the next meeting.

The Chairman queried whether there was a danger of overlap between the internal audit plan and programme of inspections conducted by Her Majesty's Inspector of Constabulary (HMIC). The Internal Auditor stated that it was highly unlikely that an audit would be undertaken on an area of activity that had previously been inspected by HMIC. Members proposed that a summary of inspections be used to inform the planning process for setting future audit plans.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That	
1. the Internal Audit Progress Report for 2016/17 be noted;	-
2. the CFO to consider a way forward in respect of the Covert payments audit;	CFO
3. the Committee receive clarification about how and when it had been discovered that the automated email function from the online complaint form had stopped functioning as per Rec (1) of the Complaints Management Audit;	IA
4. the timescale under Rec (2) of the Complaints Management Audit be changed to April 2017;	IA

5. an assurance opinion on the PCC Board Governance audit be included within the 'Compliance with Governance Arrangements' report presented at the next meeting of the Committee;	RPO/IA
6. the abbreviation N/A provided under the heading 'Assurance Opinion' be written in full to avoid confusion;	IA
7. a summary of HMIC Inspections be used to inform the planning process for setting future audit plans.	IA

### 31/16. INTERNAL AUDIT REPORTS: IMPLEMENTATION PROGRESS

The current status of Internal Audit recommendations was reviewed. The Chairman observed that some recommendations had been subsumed into other pieces of work, which had unnecessarily delayed their implementation whilst timescales for completing a number of other recommendations had been pushed back due to systems work. He was clear that such issues needed to be considered and accounted for within management responses.

Members also called for more rigour in the setting of timescales for implementing recommendations to ensure that they were realistic.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That progress made in implementing recommendations contained in Internal Audit reports be noted.	-

### 32/16. REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS

The Chief Finance Officer highlighted the significant governance issues that had occurred during the period under review.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That:	
1. the significant governance issues (11 May to 3 October 2016) be noted;	-
2. Web links be included in the report where material such as PCC Decision Notices have been published.	RPO

### 33/16. FINANCE REVIEW

The CFO reported that despite making significant progress on actions arising from the Finance Review there remained a number of areas where little or no progress had been made due to resourcing issues. An external consultant had been engaged to provide additional support and to assist with the development of an action plan and associated timescales. This would be presented at future meetings of the Committee for consideration.

<b>Resolved:</b>  That the report be noted.	<b>Responsible Officer:</b>  -
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### 34/16. HMIC AREAS FOR IMPROVEMENT

The DCC provided an overview of the action being taken by the force in response to areas for improvement and recommendations identified by HMIC following force level inspections and thematic inspections. HMIC had been criticised following a recent National Audit Office audit for not checking whether forces were delivering on 'live' recommendations within the required timescales. HMIC had requested information about recommendations made prior to 2014, but many of those replicated or were subordinate to more recent recommendations due to changes to systems and ways of working in recent years. Whilst the report to the Committee concentrated on outstanding actions from 2014 and 2015, work to assess the full picture of compliance was being progressed to ensure that all relevant recommendations were completed.

In noting the update, Members welcomed the overall rating of 'Good' that the force was expected to receive following HMIC's Efficiency inspection.

<b>Resolved:</b>  That the report be noted.	<b>Responsible Officer:</b>  -
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### 35/16. PCC RISK REGISTER

The Committee reviewed risk management processes with reference to the PCC Risk Register. Members highlighted the high impact score for Risk C06 (lack of resilience in the office of the PCC) but noted that the Deputy Chief Executive post remained vacant. The CFO explained that the post had been removed from the establishment and would not be filled. In addition, the Deputy CFO was currently covering the FCFO post following the recent retirement of the post holder. This coupled with a temporary reduction in the size of the corporate finance team meant that the overall level of assurance had reduced. Members requested that they be provided with an organisational chart to better understand the existing structure.

<b>Resolved:</b>  That: <ol style="list-style-type: none"> <li>1. the PCC's Risk Register be noted;</li> <li>2. Members of the Committee be provided with an organisational chart for the Office of the PCC.</li> </ol>	<b>Responsible Officer:</b>  - RPO
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### **36/16. POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE'S ASSURANCE MAP**

The Committee reviewed the Assurance Map, showing sources of assurance that strategic risks were being effectively managed.

The Chairman was concerned to note that a number of strategic risks had been removed from the Assurance Map and archived because they did not feature on the Risk Register. Without a completely visible framework, he argued that the Committee could not be fully assured. If it could be demonstrated that a strategic risk had been effectively controlled then he accepted that a case could be made for its removal from the Assurance Map. Members concurred emphasising the dynamic nature of the document and the importance of revisiting and refreshing it at regular intervals.

<b>Resolved:</b>  That: <ol style="list-style-type: none"> <li>1. the PCC and CC Assurance Map be noted;</li> <li>2. the current approach to maintaining the content of the Assurance Map be reviewed in light of Member comments.</li> </ol>	<b>Responsible Officer:</b>  - CFO/RPO
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### **37/16. AUDIT COMMITTEE FORWARD PLAN**

The Committee reviewed the Forward Plan.

<b>Resolved:</b>  That <ol style="list-style-type: none"> <li>1. the column referring to the previous Committee meeting be deleted;</li> <li>2. the Forward Plan be updated to include a preliminary view on potential issues for inclusion within the Annual Governance Statement in February 2017.</li> </ol>	<b>Responsible Officer:</b>  FCFO  FCFO
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## 38/16. TERMS OF REFERENCE AND CODE OF CONDUCT

The Committee reviewed the terms of reference for the Committee and the Member Code of Conduct.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That:	
1. point (18) of the terms of reference be amended to read:  <i>The committee will advise the PCC on the appointment of, and relationship with, the external auditor.</i>	CAO
2. the terms of reference make explicit the maximum number of terms that a Member can serve on the Committee.	CFO

[Mr David Hoose, Internal Audit – Mazars left the meeting at 3.50pm]

## EXCLUSION OF THE PRESS AND PUBLIC

## 39/16. LINCOLNSHIRE POLICE RISK REGISTER

The Committee reviewed risk management processes with reference to the Lincolnshire Police Risk Register.

Members requested an update on progress with implementing recommendations made by the Anti-Fraud and Corruption Working Group (AFCWG) at the next meeting. Further requests were made for the Committee to receive a briefing on lessons learned from Operation Argo and for this to be reflected on the Confidential Assurance Map in relation to potential reputational damage.

<b>Resolved:</b>	<b>Responsible Officer:</b>
That:	
1. the Lincolnshire Police Force Risk Register be noted	-
2. an update be provided at the next meeting of the Committee on progress with implementing recommendations made by the AFCWG;	CFO
3. a paper detailing lessons learned from Operation Argo be presented to the Committee when	DCC



concluded;	
4. an entry be made on the Confidential Assurance Map to reflect potential reputational damage following Operation Argo;	RPO/RPRO
5. the column marked 'Assurance Sufficient' on the Confidential Assurance Map be fully populated.	RPO/RPRO

#### 40/16. FEEDBACK ON MEETING

The Chair invited Members and officers to provide feedback on the meeting and to identify any issues of concern and/or suggest improvements going forward.

<b>Resolved:</b>  That feedback be noted.	<b>Responsible Officer:</b>  -
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**CHAIRMAN**