3

JOINT INDEPENDENT AUDIT COMMITTEE
16 April 2019
1.30pm to 3.45pm

PRESENT:

Members: Mr D Forbes (Chair), Mr J Gallagher, Mr I Haldenby, Mr D Matthew, Mrs T Latham-Green

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

Force Officers: Mr C Naylor (Deputy Chief Constable), Ms S Clark (Force Chief Finance Officer)

Also in Attendance: Mr B Welch (Internal Audit – Mazars), Neil Harris (External Audit – Ernst & Young), Mr C Hewitt (External Audit – Ernst & Young)

01/19 ANNOUNCEMENT

The Chair announced that it would be the last Committee meeting attended by Deputy Chief Constable Craig Naylor before he took-up a new post. Members thanked him for his contribution at past meetings.

02/19 DECLARATIONS OF PERSONAL AND/OR PREJUDICIAL INTERESTS

None.

03/19 APOLOGIES

None.

04/19 MINUTES OF THE 23 JANUARY 2019

Resolved:	Responsible officer:
That the Minutes of the meeting held on 23 January 2019 be taken as read and signed by the Chairman as a correct record.	-

05/19 SUMMARY ACTION LOG

Ref 282: The Deputy Chief Finance Officer (DCFO) confirmed that the Financial, Contract and Procurement regulations would be updated to reflect the practice of updating the Medium Term Financial Strategy at points throughout the year.

Resolved:	Responsible Officer:
That the Summary Action Log be noted.	-

06/19 INTERNAL AUDIT: PROGRESS REPORT 2018/19 AND DRAFT INTERNAL AUDIT STRATEGY/PLAN 2019/20

The Committee received the final progress report for the year and noted that the Annual report would be presented at the next meeting. The Internal Auditor advised that the 2018/19 Collaboration audit plan had also largely been completed, following circulation of the draft report on Projected Underspend. He undertook to ensure that regional DCCs had sight of the report in light of recent concerns.

Following consideration of the summary report for Income & Debtors, Members queried the management response for rec 2, which stated that Payroll was not responsible for checking 100% of expenses claims to ensure they were correct to receipts. It was explained that during the audit, a small number of expense claims within the sample size did not have receipts. Staff would be reminded of the need to ensure that expense claims were submitted accurately.

The Committee recognised the considerable financial pressure that forces within the East Midlands were operating under and the impact of this on collaborative budget setting. Members queried whether there were robust arrangements in place for reducing the funding of regional projects in-year. The Chief Finance Officer (CFO) reminded the Committee that regional collaboration was underpinned by a series of agreements made in pursuant of Section 22A of the Police Act 1996. However such agreements had limited enforceability, relying on the on-going participation of forces. This made long term planning not only critical but also extremely challenging.

In noting the Internal Audit Strategy and Plan for 2019/20, Members queried whether IT reviews would normally be undertaken on an annual basis. Whilst the Internal Auditor acknowledged that a series of such reviews had been conducted in recent years, he confirmed that there was no requirement for them to be performed each year. However, he advised that in light of the organisation's increasing dependency on IT, a review had been scheduled as part of the 3 year audit plan.

The Chair suggested that the forthcoming Data Quality audit might shine a light on some of the improvements and developments that were being made by the Force following the 2018 Crime Data Integrity Inspection. The Internal Auditor dampened expectations, stating that the audit would primarily focus on existing systems, processes and controls. Whilst there would be some level of testing, the sample size would be quite small. However, the outcome of the audit would add to the findings of the Independent Panel previously established by the Police and Crime Commissioner (PCC) thus providing a good level of assurance for the Committee.

It was noted that the governance arrangements around the strategic partnership with G4S were due to be audited in 2019/20, towards the end of the current 10 year contract. Members queried the timing of the audit and whether any subsequent recommendations would come too late for consideration. The Deputy Chief Constable (DCC) was comfortable with the timing of the audit and assured Members that the findings would be fed into the programme of work. The Committee sought to understand how it would receive assurance at key points in the outsourcing process. Members were advised that there would be a range of sources of assurance for the Committee and the PCC, including internal audits of relevant business areas and outputs from the project.

Resolved: That: 1. the Internal Audit Progress Report for 2018/19 be noted; 2. the draft Internal Audit Strategy 2019/20 – 2021/22 and 2019/20 Internal Audit Plan be noted.	**Responsible Officer:** - -

07/19 INTERNAL AUDIT REPORTS: IMPLEMENTATION PROGRESS

A progress update on the implementation of recommendations from Internal Audit reports was received.

The Committee reiterated previous concerns about unrealistic timescales being set for the completion of recommendations, leading to dates being regularly revised. Members also noted a number of examples where the narrative for a 'completed' action did not appear to tie-up with the actual recommendation. It was agreed that clarification around a number completed actions would be progressed outside of the meeting.

The Chair noted that the HR Recruit to Reward (Rec 4.2) had not been resolved and sought an update on the current position. The DCC informed the Committee that the Chief Constable had provided the Office of the Police and Crime Commissioner (OPCC) with his rationale for the payment but had been asked to provide more detail. The Chief Constable was seeking legal advice, including considerations around the General Data Protection Regulation (GDPR), before providing a written response to the OPCC. The CFO understood that the Force considered the current level of delegation in respect of ex-gratia payments to be inappropriate and a proposal for amending the current delegated levels for making ex-gratia payments would come forward from the Force. Members queried whether the proposed pro-forma for approving ex-gratia payments had been developed as per the previous Management update. The Force CFO considered a pro-forma to be unnecessary as the circumstances leading up to the payment had been unique and therefore highly unlikely to occur again. Members queried what elements of the GDPR were considered to apply in relation to ex-gratia payments and requested a briefing on this aspect once the Chief Constable had received legal advice and responded to the OPCC.

Resolved:	**Responsible Officer:**
That: 1. progress with implementing recommendations contained in Internal Audit reports be noted 2. the Committee receive a briefing on those elements of the GDPR that apply to ex-gratia payments.	- DCC

08/19 REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS

The Committee sought more details about an attempted mandate fraud detailed in the report. The CFO explained that after 'hacking' a 3rd sector partner, the perpetrators had submitted a change of bank account request to the Force. However the attempted fraud had been quickly uncovered and referred to the Economic Crime Unit.

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

09/19 CODES OF CORPORATE GOVERNANCE

Resolved:	**Responsible Officer:**
That the Codes of Corporate Governance be noted.	

10/19 EXTERNAL AUDIT PLAN 2018/19 UPDATE

Members were reminded that they had received a written update on progress with the Audit Plan at their last meeting. Further work had been undertaken on key issue areas, including financial resilience, with no particular issues arising.

The External Auditor briefed the Committee on resourcing challenges that Ernst & Young were currently managing. He intended to meet with the Force's Finance team to explain the position prior to a paper being brought to the Committee. He assured Members that the quality of audits/audit opinion would not be compromised, nor would it impact on the production of Accounts within the statutory deadline. A further update would be provided at the forthcoming Committee workshop scheduled for May 2019.

Resolved:	**Responsible Officer:**
That the oral update be noted.	-

11/19 EXTERNAL AUDIT INQUIRIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Following a number of questions and comments from Members, the proposed response to the External Auditor was noted.

The Chair sought more information about the £1.8m special grant application that had recently been submitted to the Home Office by the PCC. The CFO explained that the purpose of the special grant scheme was to provide financial compensation for unexpected and exceptional events. Special grant funding could be used to help alleviate the potential financial burden of such events so that forces could continue to function normally.

Resolved:	**Responsible Officer:**
That: 1. consideration be given to including the recent attempted mandate fraud within the proposed response to demonstrate the effectiveness of internal controls;	FCFO

2. clarification be sought as to whether the PCC, CC, CFO and FCFO should be required to answer the same question put to the Monitoring Officer at paragraph 3.3 of the Monitoring Officer draft response document.	EA

12/19 FINANCE REVIEW

The CFO reported that both she and the FCFO had attended the formal launch of the CIPFA Achieving Finance Excellence in Policing programme held earlier in the month. She confirmed that both the OPCC/Force would be signing-up to the programme, which would necessitate a refresh of the Finance review. A paper would be prepared for the Committee in the autumn.

Resolved:	**Responsible Officer:**
That the oral update be noted.	-

13/19 PCC RISK REGISTER & CC/PCC RISK MANAGEMENT STRATEGIES

The Committee was invited to consider and review the current iteration of the PCC's Risk Register.

Members highlighted risk C040 (Failure to plan for and deliver effective transition from current commercial contract arrangements) and requested that a one page summary sheet be prepared detailing some of the key dates and milestones ahead. The CFO advised that the inaugural meeting of the Partnership Futures Project Board had been held and that she expected a decision in principle to be made by the autumn.

The DCC referred to risk C037 (Resilience & instability in Force Chief Officer team) and confirmed that his post had been advertised.

The Research and Performance Officer (RPO) briefed on the development of a revised performance monitoring/reporting framework under risk C044 (failure of the Force to deliver operational effectiveness), which would be formally considered at the forthcoming meeting of the Police and Crime Strategic Board scheduled for mid-May 2019. Members noted with concern the rising trend of recorded crime in the County. The DCC stated that the increase was in line with what other forces were experiencing as a consequence the approach adopted by Her Majesty's Inspector of Constabulary (HMIC) to crime recording.

Resolved:	Responsible Officer:
That: 1. the PCC Risk Register be noted; 2. Members be provided with a summary of the key points/milestones in the Partnership Futures project.	- ACO

14/19 POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE'S ASSURANCE MAP

The RPO recognised that some of the content within the Assurance Map needed to be refreshed, including splitting-out some functions that were implied as being together such as IT and the Information Management Unit. Going forward, he confirmed that it was the OPCC's intention to continue using, updating and developing the current Assurance Map, whilst the Force would be developing its own version. The DCC explained that he was seeking to develop an alternative risk-based approach to assurance and was hopeful that a prototype of the new model would be ready for presentation at the next Committee meeting.

Resolved:	Responsible Officer:
That: 1. the Joint Assurance Map be noted; 2. a prototype of the new Force assurance model be presented at the next Committee meeting.	- DCC

[The Chair adjourned the meeting at 3.02pm. The meeting was reconvened at 3.07pm]

15/19 VALUE FOR MONEY & EFFICIENCY PLAN

In noting the report, Members queried whether there was a mechanism to facilitate the sharing of ideas/examples of good practice at both a local and regional level. The FCFO advised that meetings of the PCC's Resources Board and Regional CFO's/Finance Directors provided opportunities for sharing thoughts and ideas, although she recognised that more could be done in this area. The CFO stated that the College of Policing also had a key role in disseminating good practice.

The Committee suggested that the introduction of technological solutions such as 'Book on, Book off' and the new Command and Control system could have an impact on police officers by reducing labour related costs such as overtime.

Members queried whether this might affect the future viability of the role. The DCC suggested that the opposite was probably true for Lincolnshire, with a stretched workforce likely to welcome a reduction in overtime.

Resolved:	**Responsible Officer:**
That the arrangements to secure value for money and their effectiveness be noted.	-

16/19 AUDIT COMMITTEE EFFECTIVENESS

(a) Forward Plan

Resolved:	**Responsible Officer:**
That the Forward Plan be noted.	-

(b) Action Plan

The DCFO confirmed that the JIAC Annual Report would be published on the PCC's website.

Resolved:	**Responsible Officer:**
That: 1. progress with the Action Plan be noted; 2. The Committee's Annual Report be published on the PCC's website.	 - DCFO

EXCLUSION OF THE PRESS AND PUBLIC

17/19 HMICFRS AREAS FOR IMPROVEMENT

The Committee noted that the Force was ahead of schedule in terms of completing its Force Management Statement (FMS) for publication by May 2019. The document would also form the basis of financial planning for the following year's budget. The DCC shared the view expressed by the Home Office that Lincolnshire was one of the better forces in terms of recognising the value of the FMS to the organisation.

Resolved:	Responsible Officer:
That the report be noted.	-

18/19 LINCOLNSHIRE POLICE RISK REGISTER

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

Following questions and comments from Members in relation to Brexit, Cyber Security and Force staffing levels, the Risk Register was noted.

Resolved:	Responsible Officer:
That the Lincolnshire Police Force Risk Register be noted.	-

19/19 PCC DRAFT FRAUD RISK REGISTER

The Chair queried why the Force had decided not to adopt the Fraud Risk Register. The DCC explained that the risks identified within the document needed to be more clearly articulated. Without that clarity, it was difficult to see what added value there would be to the Force.

Members welcomed the initial draft of the Register, but accepted that some further work would be needed to identify specific risks and associated actions, particularly in relation to those risks that had been rated as 'Amber'. The RPO welcomed the feedback that had been provided, which would be used to further develop the document.

Resolved:	Responsible Officer:
That the PCC's Fraud Risk Register be noted.	-

CHAIRMAN