

## Lincolnshire Police & Crime Commissioner / Lincolnshire Police

### Joint Internal Audit Committee (JIAC)

#### Annual Report for 2019/20

The JIAC is charged with reporting to those responsible for governance within the Office of the Police and Crime Commissioner (OPCC) and Lincolnshire Police. In practice this is the Commissioner and the Chief Constable respectively. Specifically the JIAC is required to report on:

- The adequacy of the governance and risk management frameworks
- The internal control environment (including internal & external audit)
- Financial reporting arrangements; and thereby
- Helping to ensure efficient and effective assurance arrangements are in place.

The full responsibilities of the JIAC are contained within its published Terms of Reference. During the year the JIAC assumed additional responsibility for scrutiny of the treasury management activity of the OPCC/Force as well as the scrutiny of a number of financial governance matters relating to such activities as debt management, insurance and procurement. No concerns with regard to the operation of any of these activities were identified by the JIAC in their 2019/20 review activity.

The JIAC had four formal meetings over the year and a further workshop meeting to review the draft financial statements in detail. The Chairman met with the Commissioner and the Chief Constable following the release of the draft minutes for each of the formal meetings. These meetings afforded the Chairman the opportunity to raise matters of relevance with the two aforementioned individuals in relation to the remit of the JIAC.

In November 2019 the Chairman and one member of the JIAC attended a national briefing/update seminar on the current issues and challenges faced by JIAC's throughout the country. This additionally provided a useful networking opportunity with members from other JIAC's.

The JIAC periodically reviews its effectiveness and receives direct feedback from the PCC and Chief Constable on this aspect as part of the aforementioned regular meetings with the JIAC Chairman. No matters of concern have arisen over the year with regard to JIAC effectiveness.

During 2019/20 the OPCC/Force commissioned an independent review of financial management capability that included consideration of the effectiveness of current governance

arrangements in relation to financial management. In relation to the assessment question *'Is management supported by effective assurance arrangements, including internal audit, and an audit & risk committee'* the assessment was that current arrangements were *'strong'*.

In May 2019 the Chairman met individually with each member of the JIAC to discuss individual effectiveness in undertaking their role. No major issues of concern arose from these meetings from the perspective of the Chairman or individual members.

The year also marked the first year of EY being responsible for the external audit of the financial statements. This resulted in a number of issues and concerns for the JIAC that are outlined in more detail later in this report.

The JIAC approved the Internal Audit plan for the year in April 2019 and progress in delivering that plan has been good.

At the time of writing this report (March 2020), EY have not concluded their external audit of the 2018/19 financial statements. Timescales set by EY in their original, and revised, plans have not been met. It is the opinion of the JIAC that this unacceptable situation has been characterised by the following on the part of EY:

- A lack of robust audit planning, particularly in relation to staffing resources
- Inadequate and inexperienced resources on the ground
- Poor continuity of staff on the ground
- Poor client liaison and communication, particularly in the early stages of the audit

The above prompted the Chairman of the JIAC to write to the Chief Executive of Public Sector Audit Appointments (PSAA - who are the body appointing external auditors in this case) expressing the range of concerns noted above and seeking assurances regarding the robustness of the process under which EY were appointed. The Chairman subsequently had a direct conversation with the PSAA Chief Executive on this matter. The PSAA gave assurances regarding the robustness of the appointment process but agreed that the performance of EY in delivering the external audit was not in line with their expectations. However, the PSAA indicated the Lincolnshire situation was not unique in that a number of police external audits, delivered by a number of firms, were well behind schedule. PSAA indicated that nationally external auditors were facing staffing recruitment and retention issues at a point when timescales for completing the work were being compacted and an increasing range of technical matters were making the process more challenging for the firms concerned. The present situation is that whilst it is anticipated the position will improve in respect of the external audit of the 2019/20 financial statements, the work will not be completed until the autumn 2020 as opposed to the expected date of the end July 2020.

At the time of writing (March 2020) it is nevertheless expected that unqualified opinions on the 2018/19 financial statements together with an unqualified value for money opinion will be received from EY in due course, most likely at the JIAC meeting on 28<sup>th</sup> April 2020.

The JIAC held its customary joint private meeting with both internal and external audit as part of the July meeting. It was encouraging to note that, yet again, both sets of auditors felt their work was treated in an appropriate manner by both the staff of the OPCC and Chief Constable and, specifically, they received good levels of support and cooperation from both those parties. Neither auditor had any additional issues they felt they needed to raise with the JIAC in the private session.

The JIAC received strong positive assurance over the year in relation to such matters as the operation of the main financial systems, arrangements for counter fraud, and timely and constructive responses to internal audit reports. However, over the year a few issues arose which were of sufficient significance that they warranted specific discussion at the quarterly meeting of the JIAC Chairman with the PCC and the Chief Constable. These matters are summarised below.

- The issues with completion of the external audit of the 2018/19 financial statements as discussed earlier in this report.
- A follow up of the 2018/19 internal audit into the HR Recruit to Reward process still resulted in an opinion of limited assurance based on a number of breaches of the approved processes. Whilst a number of matters raised in the original review had been resolved one, in particular, remained outstanding. This related to the making of a specific single payment by the Force without the necessary approval by the OPCC. The resolution of this matter remains outstanding at the time of writing. However, this matter, together with a range of other governance matters of mutual concern to the OPCC and the Force are now within the remit of a specifically convened Governance Working Group under the chairmanship of the JIAC chairman. This Group includes independent members from the Ethics Committee and the Police and Crime Panel as well as representatives of the OPCC and the Force. This Group aims to complete its work during early 2020/21 and in so doing to resolve the outstanding issues from the aforementioned internal work.
- Financial planning over the medium to long term remains a concern to the JIAC. Nationally, in the absence of a spending review, the medium to long term funding intentions of the new Government remain unclear. Locally the aforementioned financial management capability review indicated that scope exists for developing a more effective and dynamic medium term financial plan. Planning work to address this matter is in train and resolution of the issue will be monitored by the JIAC in the year ahead.
- During 2018/19 the JIAC noted there were delays in completely updating the Joint Assurance Map as agreement could not be reached between the PCC Chief Executive

and the then DCC on whether the form and content of the evidence required to enable the map to be refreshed was adequate for that purpose. It is pleasing to note that with the support of the new DCC the reintroduction of a new joint assurance map has been agreed and it is anticipated it will be regularly reported to the JIAC from April 2020 onwards.

The JIAC continues to acknowledge the on-going uncertainty funding environment under which the service operates leading to a limited scope for service enhancement and innovation where the latter requires additional funding.

Taking all the above into account the JIAC is of the view that, although further action needs to be taken in certain areas, there is a broadly effective governance and control regime in place within the Office of the OPCC and the Force. Specifically, the JIAC believe that the current arrangements for internal audit remain constructive and effective. Significant improvements are required in the delivery of the external audit service by EY going forward to ensure a timely completion of the external audit of the financial statements. The JIAC continues to give this matter close attention.

The JIAC wishes to record its appreciation of the support received from the OPCC and the Force over the last year.

David C Forbes

Chairman – Joint Internal Audit Committee

April 2020

Members: Tracey Latham Green  
Jim Gallagher  
Ian Haldenby  
Douglas Matthew