

# Lincolnshire Police & Crime Commissioner / Lincolnshire Police

## Joint Internal Audit Committee (JIAC)

### Annual Report for 2020/21

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. These Terms of Reference are reviewed by the JIAC on an annual basis. There were no material changes to them in the last year.

The Covid pandemic only really impacted on the timing, and not the substance, of the work of the Committee over the year. Formal meetings were reduced from four to three plus the usual workshop meeting to review the draft financial statements in detail. All three formal meetings were held virtually and recordings of these are available from the PCC website/YouTube. It is hoped to return to face to face meetings during 2021/22. The Chairman met with the Commissioner and the Chief Constable following the release of the draft minutes in respect of two 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 May 2020 the Chairman and two members of the JIAC attended a national briefing/update seminar on the current issues and challenges faced by JIAC's throughout the country. The Chairman also attended a further such seminar in October 2020. Both seminars were held virtually.

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. In addition, the Committee undertook a self assessment of its own effectiveness in December 2020. The exercise used a template developed by CIPFA for assessing the effectiveness of Police audit committees. The exercise concluded that the JIAC was effective and identified six areas for improvement to enhance this situation. Details of these are included in an action plan approved by the January 2021 JIAC meeting.

In December 2020 the Chairman participated in a virtual networking session, facilitated by internal audit (Mazars), with the Chairpersons of three other JIAC's in the region. This proved to be a mutually beneficial exercise and will be repeated every six months or so going forward. It was noteworthy that problems being experienced with external audit, discussed later in the report, were common, to some extent, amongst all JIAC's attending the session.

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 June 2020 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 JIAC approved the Internal Audit plan for the year in June 2020 and progress in delivering that plan has been good, especially given the challenges the pandemic has placed on the logistics of undertaking internal audit work.

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

At the time of writing this report (March 2021), EY have not concluded their external audit of either the 2018/19 or 2019/20 financial statements. This situation is, to some extent, a consequence of problems experienced by EY in the early stages of their tenure of this appointment. EY have acknowledged that audit planning, resourcing and communications were not up to their usual high standards during the first year of their appointment.

These features have improved somewhat in their second year (ie. 2020/21) but further problems of a technical nature have been identified by them delaying the conclusion of their audits of both the 2018/19 and 2019/20 financial statements. The impact on their work and that of the Force/PCC of the pandemic has also been a subsidiary factor in the delay. The technical issues relate to property valuations and pensions matters, resolution of which has been protracted, in part, related to the initial problems exhibited in the early stage of their tenure of this appointment. This situation is an on-going source of frustration to the JIAC. However, with one potential exception, the JIAC have not received any indication from officers or the external auditors that there are any fundamental issues, technical or otherwise, outstanding to prevent the issue of clean audit opinions on the financial statements for both years. The exception relates to a matter drawn to the attention of the JIAC in April 2021, after the period covered by this report. Specifically it relates to an internal audit review of a particular procurement exercise. At the time of writing that review is under consideration by the external auditors to assess whether there is any impact on their value for money conclusion in years for which they are still to give an opinion. The outcome of this will be documented in the next annual report in spring 2022.

The Government has acknowledged that the present timetable for public bodies to finalise their financial statements and have them audited is very demanding upon the resources of external auditors. They have proposed a range of initiatives to mitigate this situation that will apply for at least the next two financial years.

The JIAC did not hold its customary private meeting with internal and external audit during the last year. This was due to logistical difficulties arising from the pandemic. Such a session is now planned for April 2021.

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 periodic 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 and 2019/20 financial statements as discussed earlier in this report.
- As reported last year, 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, a further report on this matter from internal audit is expected to be presented to the JIAC in early 2021/22. During 2019/20 this matter, together with a range of other governance matters of mutual concern to the OPCC and the Force were placed 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 has not met during 2020/21, in part due to the impact of the pandemic on service priorities. The need for the continuance of this Group going forward will be considered in due course.
- Financial planning over the medium to long term still remains a concern to the JIAC. Nationally, in the absence of a medium term spending review, the medium to long term funding intentions of the new Government remain unclear. Locally a recent 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, whilst delayed by the pandemic, is in train and resolution of the issue will continue to be monitored by the JIAC in the year ahead.

- A number of internal audit recommendations in relation to regional collaboration projects raised over the past two years remain outstanding. Although some of these sit with regional partners to conclude, the JIAC are concerned that the delivery of such initiatives may be at risk as a consequence. A presentation is to be given to the JIAC in April 2021 that should address such concerns.
- In previous years 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 current DCC the reintroduction of a new joint assurance map has been agreed and is in the process of being rolled out to all operational areas of the Force. The new assurance map is now being reported regularly to the JIAC and is a welcome addition to the assurance regime.

A key issue for the JIAC in 2021/22 will be to seek assurances regarding the control and risk management processes in place to deal with the end of the current G4S contract in March 2022. This topic is now a permanent agenda item for JIAC meetings and will be a key focus of activity for the year ahead.

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 still 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, particularly in a year characterised by a range of challenges to the service in the wake of the global pandemic.

David C Forbes

Chairman – Joint Internal Audit Committee

May 2021

Members:     Dr Tracey Latham Green  
                  Jim Gallagher  
                  Ian Haldenby  
                  Douglas Matthew