

Lincolnshire Police & Crime Commissioner / Lincolnshire Police

Joint Independent Audit Committee (JIAC)

Annual Report for 2022/23

1. 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 Police and Crime Commissioner (PCC) and the Chief Constable (CC) 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.
2. 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.
3. The Chairman of the JIAC (David Forbes), who had previously agreed to remain in post until April 2023, unexpectedly resigned with effect from 30 June 2022. An existing member of the JIAC (Douglas Matthew) agreed to take on the role, on an acting up basis, until a replacement was appointed. The new Chairman (Martin Wright) was appointed with effect from 1 April 2023.
4. The impacts of the resignation of the Chairman, the loss of the Deputy Chief Finance Officer (see below), the continuing fallout from the Covid pandemic and the delay in External Audits (see below) affected the timing, but not the substance, of the meetings during the year. The JIAC managed to meet four times (three of which were virtual and recordings of these are available from the PCC website/Youtube). The annual workshop to review the Financial Statements also took place at Nettleham.
5. The Chairman/Acting Chairman met with the PCC and CC following two formal meetings during the year. These meetings are designed to afford the Chairman the opportunity to raise matters of relevance with them in relation to the remit of the JIAC and to receive their input on areas of concern.
6. The JIAC periodically reviews its effectiveness and receives direct feedback on this from the PCC and CC as part of the aforementioned regular meetings with the JIAC Chairman. No matters of concern have arisen over the year regarding JIAC effectiveness. However, the JIAC

agreed to review its self-assessment methodology. At the time of writing this report the review is ongoing. It is projected that the revised self-assessment will be concluded by 30 June 2023. In the meantime, the JIAC has informally measured its performance against its Terms of Reference and there are no major shortfalls to report.

7. In June 2022 the Chairman met individually with each member of the JIAC to discuss individual effectiveness in undertaking their role. No issues of concern arose from these meetings from the perspective of the Chairman or individual members.
8. The JIAC approved the Internal Audit plan for the year in April 2022 and progress in delivering that plan has been good during challenging times. The JIAC wishes to record its high level of satisfaction with Mazars performance.
9. 2022/23 was the fourth year in which Ernst & Young (EY) were responsible for the external audit of the financial statements. As was the case during the previous years 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. During the year EY finally completed their audit work and issued their annual audit letters for 2018/19 and 2019/20. Key issues raised were limited to property and pension valuations.
10. At the time of writing this report (April 2023), EY have not concluded their external audit of the 2020/21 financial statements. Furthermore, the audit of the 2021/22 financial statements has not yet commenced and the JIAC has seen no plans for carrying out this audit. This situation is, to a large extent, a knock-on effect 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. The JIAC remains very concerned about these delays and recognises this is not related to the timeliness or quality in the production of draft financial statements by the PCC/Force. The PCC and CC have confirmed that the delays in signing off the financial statements has not affected operational matters.
11. Further compounding the delays in completing the external audits, EY have increased their fees from £34,104 (scale fee) to £75,601 for 2018/19 and to £71,432 for 2019/20 respectively. The JIAC strongly believes that the size of the increases is excessive given the reported additional work carried out, some of which was brought about by EY's poor performance.
12. The JIAC has robustly challenged EY on their performance and their increased fees. Until a change in audit partner during the year there was an element of acceptance of EY's shortcomings. However, since that change there has been a lack of openness and contrition from the new partner which the JIAC finds unacceptable. The JIAC will continue in its efforts to help improve the situation in respect of the 2020/21, 2021/22 and 2022/23 audits. With reference to the increased audit fees, OPCC staff will need to address the matter with the Public Sector Audit Appointments and the JIAC will support any application to have the fees reduced.

13. The JIAC held its customary annual private meeting with internal and external auditors during the last year. No material issues arose from this meeting, other than those described above and those already under active consideration by all relevant parties.
14. 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 would warrant specific mention. These matters are summarised below.
- The failure to complete the timely external audits of the 2018/19, 2019/20 and 2020/21 financial statements as referred to earlier in this report.
 - The transition from the G4S contract, effective 1 April 2022, raised a high number of potential risks. These risks were very effectively managed and the transition went extremely well - key staff should be congratulated on this achievement. The JIAC monitored progress throughout the year with a standing agenda item at each meeting, keeping particular attention on the review of the programme risk register.
 - Internal audits of IT resilience and cyber security, previously delayed due to IT staff resource issues, took place during the year. A report on the former is awaited by the JIAC whereas a report on the latter, which received a 'satisfactory' assurance opinion, has been reviewed by the JIAC. There continue to be some areas of concern to the JIAC, in particular, the age of the core infrastructure and the near obsolescence of certain key systems. The JIAC will continue to closely monitor progress in this area.
 - Following the termination of the G4S contract and the loss of the Deputy Chief Finance Officer (DCFO) during the year, it was apparent that the senior finance team was under-resourced. The decision not to replace the DCFO (JIAC Liaison Officer) immediately, pending the restructuring review, had an adverse effect on the operation of the JIAC in terms of setting meetings and producing papers on time. However, the decision to restructure the Finance, Procurement and Commercial Partnership Teams, details of which have been shared with the JIAC, should address these problems.
 - After some years of indecision about the appropriate way forward regarding the structure of an Assurance Map, the Force have recently introduced a Map based on organisational themes rather than department headings, linking into the force objectives. The Deputy Chief Constable has responsibility for the Assurance Map which will be formally reviewed twice a year in April and October. The JIAC welcomes this development.

- JIAC members have raised some concerns over the management of the PCC and Force Risk Registers. These concerns include the allocation of strategic risks between the two Registers, the need for a ‘heat map’ to show movements in risks from quarter to quarter, clarity on risk appetite and the apparent lack of progress in reducing risks once mitigating controls have been identified. To help address these issues a JIAC Workshop has been set up in June 2023.
 - The JIAC regularly reviews progress against HMICFRS inspection recommendations and areas for improvement and, although more work needs to be done to get on top of the outstanding issues, good headway has been demonstrated.
15. The JIAC continues to acknowledge the on-going uncertain funding environment under which the service operates, leading to a limited scope for service enhancement and innovation.
 16. 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 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.
 17. JIAC members wish to note their thanks to David Forbes, who resigned as Chairman during the year, for his valued leadership of the Committee for over four years.
 18. The JIAC also wishes to record its appreciation of the support received from the OPCC and the Force over the last year, particularly in a year with a range of challenges to the service particularly in terms of resources, termination of the G4S contract and the fall-out from the Covid pandemic.

Douglas Matthew

Acting Chairman – Joint Internal Audit Committee

April 2023

Members: Andrew Middleton
 Judit Seymour
 Walter Leschenko