The Police and Crime Commissioner for Lincolnshire

JOINT INDEPENDENT AUDIT COMMITTEE
8 SEPTEMBER 2015
10.30am – 1.20pm

PRESENT:

Members: Mr D Finch (Chairman), Mr J Cawdell, Mr J Gallagher

Apologies: Mr I Haldenby

OPCC Officers: Ms J Flint (Chief Finance Officer), Miss V Mason (Research and Performance Officer), Mr J King (Corporate Administration Officer - Minutes)

Force Officers: Mrs H Roach (Deputy Chief Constable), Mr A Tomlinson (Force Chief Finance Officer), Mrs G Holder (Deputy Chief Finance Officer)

Also in Attendance: Mr M Clarkson and Mr B Welch (Internal Audit – Mazars), Mrs S Sunderland (External Audit – KPMG)

41/15 DECLARATIONS OF PERSONAL AND/OR PREJUDICIAL INTERESTS

The Chairman declared a personal interest in minute 52/15 as a member of Lincolnshire County Council's Audit Committee.

42/15 MINUTES – 9 JUNE 2015

The minutes of the meeting held on 9 June 2015 were approved and signed by the Chairman as a correct record of the meeting.

Resolved:	**Responsible Officer:**
That the minutes of the meeting held on the 9 June 2015 be taken as read and signed by the Chairman as a correct.	-

43/15 SUMMARY ACTION LOG

The Summary Action Log was reviewed. Referring to the proposed audit of the MTFP (Ref 81), the Chief Finance Officer advised that the Budget announcement in July had provided little information in relation to spending plans. It would now be necessary to await the Spending Review (which was expected to conclude towards the end of November 2015) and the outcome of consultation on proposals for reforming the funding formula. The update on MTFP scheduled to take place on the rising of the Committee meeting would be rearranged for a later date.

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

44/15 INTERNAL AUDIT: ANNUAL REPORT 2014/15 AND PROGRESS REPORT 2014/15

The Chief Finance Officer reminded Members that drafts of both the Annual Report 2014/15 and progress with the 2014/15 Internal Audit Plan had been considered by the Committee in June 2015. Finalised versions of both reports were presented for noting.

In noting the East Midlands collaborative audits, Members emphasised the importance of finalising reports promptly, ideally within two months and to have an escalation process in place if timescales were not met. The Chief Finance Officer undertook to ensure that this was also reflected within the Regional assurance process currently being developed.

Resolved:	**Responsible Officer:**
That	
1. The Internal Audit Annual Report 2014/15 be noted;	-
2. the Internal Audit Progress Report for 2014-15 be noted;	-
3. the Committee be provided with an update on the timetable for finalising East Midlands collaborative audits.	CFO

45/15 INTERNAL AUDIT 2015/16: PROGRESS REPORT

Members considered that it would greatly assist in understanding the Assurance Opinion issued on audits if a brief summary of the findings were also included. The Chairman queried whether as part of an audit, there were circumstances in which material risk would not be considered. It was confirmed that this might be so, if Internal Audit were directed to focus on a specific element or issue.

The Committee noted that a number of audits within the Audit Plan had been deferred to the fourth quarter. It was explained that there had been errors in the original timings set for some of the audits. The External Auditor highlighted the potential effect that this could have on staff time in February/March 2016. The Deputy Chief Finance Officer agreed to check whether this would be an issue.

Resolved:	**Responsible Officer:**
That: 1. the Internal Audit Progress Report for 2015/16 be noted. 2. Future Progress Reports include a brief summary of the findings for each audit.	- Internal Audit

46/15 INTERAL AUDIT REPORTS – IMPLEMENTATION PROGRESS

The current status of Internal Audit recommendations was reviewed. Referring to the procurement of Legal Services, Members queried whether the Assistant Force Solicitor remained in post. It was confirmed that the post holder was currently on secondment to East Midlands Police Legal Services (EMPLS). The Deputy Chief Constable commented that the Force had a good working relationship with EMPLS and that legal advice was being provided in a timely manner.

Resolved:	**Responsible Officer:**
That the Internal Audit Reports – Implementation Progress be noted.	-

47/15 REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS

The Research and Performance Officer highlighted the significant governance issues that had occurred during the period 28 May to 25 August 2015.

Members queried whether the Payroll issue highlighted in the report had been resolved. The Force Chief Finance Officer confirmed that payments made in error had been recovered in accordance with Force policy.

Resolved:	**Responsible Officer:**
That the significant governance issues (28 May to 25 August 2015) be noted.	-

48/15 REVIEW SCHEME OF ARRANGEMENTS FOR THE DISCHARGE OF FUNCTIONS

The Force Chief Finance Officer advised that the Scheme of Arrangements for the Discharge of Functions was reviewed each year. Whilst no changes were proposed to the schemes of delegation a review of Financial and Contract Regulations had highlighted the need for both documents to be updated. Track changed versions of the amended Regulations had been appended to the covering report for review by the Committee.

In noting the delegated authorities in respect of variations to the strategic partnership contract, the Chairman queried why the Chief Constable had delegated responsibility to his Deputy but the Police & Crime Commissioner had not. The Chief Finance Officer accepted that in practice it would either fall to herself or the Chief Executive. She undertook to ensure that this was clarified when the Regulations were next reviewed. Members further suggested that when Regulations were suspended (under FR4) such instances should be recorded within the quarterly progress update on Compliance with Governance Arrangements for the purposes of transparency.

Resolved:	**Responsible Officer:**
That:	
1. the proposed changes to the Regulations be noted;	-
2. the delegated authorities set out in the flow chart at Appendix B to the Regulations be clarified;	CFO
3. Regulations be amended at the next available opportunity to make explicit the requirement for any suspension of Regulations (under FR4) to be recorded in the quarterly progress update on Compliance with Governance Arrangements.	RPO

49/15 REVIEW OF T-POLICE BUSINESS PROCESSES

The Committee received an update on the end-to-end financial business process reviews on the *t*-Police system. The report detailed amendments made to business processes to ensure the continued effectiveness of the internal control environment. The Chief Finance Officer also referred to weekly meetings held with G4S, which included exception reporting to identify potential deficiencies in financial control systems and processes. Members suggested that this should be captured in the Assurance Framework.

Resolved:	Responsible Officer:
That: 1. the report be noted; 2. business process reviews on the t-police system and processes be reflected in the Assurance Framework.	 - RPO

50/15 EXTERNAL AUDIT: REPORT TO THOSE CHARGED WITH GOVERNANCE 2014/15

The External Auditor presented the report summarising the conclusions of audit work for the year 2014/15. It was confirmed that an unqualified audit opinion would be issued on the financial statements following resolution of a number of outstanding queries. There had been a clear improvement in the preparation of the Accounts and she welcomed the increased stability and experience within the Finance team.

Whilst Members were disappointed by the scale of the issues identified during audit work, they also acknowledged the progress that had been made and expected lessons to be learned for 2016/17. The External Auditor anticipated being in a position to approve the Accounts for publication early the following week once they had been signed-off by the Police & Crime Commissioner and Chief Constable.

Resolved:	Responsible Officer:
That the External Audit Report to those Charged with Governance 2014/15 be noted.	-

51/15 FINANCIAL STATEMENTS OF ACCOUNTS 2014/15

The Force Chief Finance Officer brought the Committee's attention to revisions made to commutation factors for police officers following a determination by the Pensions Ombudsman. A review of the number of Lincolnshire Police pensioners affected and the associated costs had been completed and would be reimbursed by the Home Office. However, there had been an indication from Her Majesty's Revenue and Customs that payments made to officers may attract tax penalties amounting to £600k. This sanction had to be met by the Force. It was explained that this would impact on both sets of Accounts and would be treated as a post balance sheet event. An amendment to the Accounts was tabled for consideration.

The Chief Finance Officer advised on Government proposals to bring forward the dates on which the accounts were signed-off and certified by the Responsible

Financial Officer and then approved and published. In preparation for this change it was intended to gradually bring forward the dates in the accounts timetable. Timing would be crucial for the 2015/16, with elections for a new Commissioner due to be held in May 2016. It was important that key decisions were made before the purdah pre-election period commenced.

The Chairman highlighted inconsistencies in the way the Committee's expenses had been reported in both sets of Accounts.

Resolved: That: 1. the Responses to the Report to those Charged with Governance (ISA 260) on the 2014/15 Accounts be noted; 2. the Accounts for publication (Appendices A1 and A2) be noted; 3. the Letters of Representation (Appendices B1 and B2) be noted; 4. the Summary Accounts for publication (Appendix C1) be noted; 5. the inquiries to management (Appendix D1) be noted.	**Responsible Officer:** - - - - -

52/15 PAYROLL REVIEW REPORT

The Force Chief Finance Officer highlighted key findings and recommendations made by Audit Lincolnshire following an independent audit of Lincolnshire Police Payroll. Members expressed their disappointment that it had taken 12 months for the audit report to come before the Committee. The Chief Finance Officer concurred and given the difficulties in reaching an agreed position between the various parties, consideration would be given as to the future conduct of audits/reviews undertaken outside of the Internal Audit Plan. It was further confirmed that the audit findings would be factored into the planning work for the forthcoming Internal Audit review of Payroll.

The Chairman requested that the Committee receive an update at the next meeting.

Resolved: That: 1. the report be noted; 2. the Committee receive a further update at the next meeting.	**Responsible Officer:** - FCFO

53/15 HMIC INSPECTIONS

Members noted that the overall status of the Highlight Report had been graded as “Amber” despite there being no risks in relation to HMIC Inspections identified in the Force Risk Register. The Deputy Chief Constable advised that there were areas of operation such as Missing Persons and Child Sexual Exploitation that could always be more effective.

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

54/15 PCC RISK REGISTER

The Committee reviewed risk management processes with reference to the Risk Register. The Force Chief Finance Officer advised that risks relating to the audit of Payroll were captured on the G4S Risk Register and had been highlighted to the PEEL Board. However it was possible that the risk would also be escalated to the Force Risk Register.

Resolved:	**Responsible Officer:**
That the PCC’s Risk Register be noted.	-

55/15 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. Members noted that the risk relating to the ‘failure to maintain effective resources and infrastructure’ (Ref 015) had been rated as “Red” under the ‘Independent Assurance’ column. The Chief Finance Officer advised that the Human Resources department did not currently have responsibility for employee benefits (including pensions), but that was likely to change going forward.

Resolved:	**Responsible Officer:**
That the PCC/CC Assurance Map be noted.	-

56/15 REGIONAL GOVERNANCE ARRANGEMENTS

The Force Chief Finance Officer outlined how assurance was obtained from other forces on the effectiveness of their internal controls around regional collaborative working. Members queried how the Committee could exercise its role when the activities of regional partners were not visible. The Chief Finance Officer assured Members that progress was being made in developing robust assurance governance arrangements, including the provision of a Regional Assurance Map.

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

57/15 AUDIT COMMITTEE FORWARD PLAN

The Committee reviewed the Forward Plan.

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

58/15 SELF ASSESSMENT – ACTION PLAN (2014) & SELF ASESSMENT (2015)

Resolved:	**Responsible Officer:**
That the Action Plan be noted.	RPO

EXCLUSION OF THE PRESS AND PUBLIC

59/15 UPDATE REPORT ON T-POLICE IMPLEMENTATION REVIEW

The Deputy Chief Constable updated the Committee on progress with issues raised following the independent review of the *t*-police implementation.

The Chief Finance Officer queried why the report had been marked as Restricted. It was agreed that Committee reports that were protectively marked would in future include an explanation as to why they were exempt.

The Committee requested that a further update be provided in 6 months time.

Resolved:	Responsible Officer:
That	
1. the report be noted;	-
2. future Committee reports that have a protective marking include an explanation as to why they are exempt;	CAO
3. a further update report be presented to the Committee in a further 6 months time.	DCC

60/15 LINCOLNSHIRE POLICE RISK REGISTER

The Committee reviewed risk management processes with reference to the Risk Register. Members queried whether there were mechanisms in place to ensure that risks highlighted during the meeting were captured and considered for inclusion in the Risk Register. The Deputy Chief Constable advised that whilst most risks were managed at project level, those of a significant magnitude were escalated to the Register.

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

61/15 FEEDBACK ON MEETING

The Chair invited Members and officers to provide feedback on the meeting. All confirmed that the focus of the meeting had been appropriate and reporting sufficient for the Committee to fulfil its role.

Resolved:	Responsible Officer:
That:	
1. a proposal for providing tablet devices (iPads) to Committee Members be investigated;	CAO
2. the amount of time allocated for Members to consider and digest protectively marked Committee reports be commensurate with the number/complexity of reports to be considered;	CAO
3. Committee Members be provided with the link to the Chief Constable's monthly report published on the Police and Crime Commissioner's website.	CAO

62/15 CHAIRMAN'S ANNOUNCEMENT

The Chairman advised that Miss Virginia Mason (Research and Performance Officer) and Mrs Sue Sunderland (External Audit – KPMG) were attending their final Committee meeting. He thanked them both for their valuable contributions and past services to the Committee.

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CHAIRMAN