

JOINT INDEPENDENT AUDIT COMMITTEE
19 April 2018

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SUBJECT		REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS
REPORT BY	CHIEF EXECUTIVE & CHIEF FINANCE OFFICER (CFO)	
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SUMMARY AND PURPOSE OF REPORT		
To enable the Committee to note compliance with the Police and Crime Commissioner's and the Force's governance arrangements.		
RECOMMENDATION	<i>That the Committee review compliance with governance arrangements.</i>	

A. SUPPORTING INFORMATION

1.0 Purpose

- 1.1 The purpose of this report is to provide the Committee with a quarterly progress update on the Police and Crime Commissioner (PCC) and Force's compliance with governance arrangements.

2.0 Introduction

- 2.1 Good governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner.
- 2.2 The PCC and the Chief Constable have in place structures, systems and internal controls by which the police service is directed and controlled. There are also processes and procedures in place that enable the Commissioner to hold the Chief Constable to account for policing in the county. The Commissioner engages with the local people and communities to ensure robust public accountability.

3.0 Responsibilities

- 3.1 The Commissioner is responsible for ensuring his business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Commissioner has a duty under the Policing Protocol Order 2011 to secure value for money on behalf of the public that he serves.
- 3.2 In discharging this overall responsibility, the Commissioner is required to put in place proper arrangements for the governance of his affairs and which facilitate the exercise of his functions, which includes ensuring a

sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Commissioner places reliance on the Chief Constable of Lincolnshire Police to support the governance and risk management processes.

3.3 The Commissioner relies on an internal framework and structures supported by a number of key documents to achieve and demonstrate compliance with governance arrangements. The Annual Governance Statement (AGS) and the Code of Corporate Governance provide an overview of these mechanisms.

3.4 The **AGS** is written each year and forms part of the Financial Statements approved and published in accordance with the latest CIPFA / Solace framework and guidance¹. The PCC's AGS is supported by the Chief Constable's AGS, which relates to the force as a separate corporation sole. The Assurance Map also feeds into the process.

3.5 As separate corporation soles, the PCC and Force have distinct responsibilities for internal governance. The respective **Codes of Corporate Governance** ensures that the core good governance principles are fully integrated in the business of the PCC and Chief Constable.

4.0 Compliance with Governance Arrangements – Significant Governance Issues.

4.1 The table below provides an overview of the significant governance issues in the period 05 October 2017 to 31 March 2018. Within the table are Web-links to the relevant decision notices published on the PCC's Website.

Corporate Sole	Issue	Summary	Date	Web Link
Force	Renewal of the Memorandum of Understanding (MOU) to jointly fund the purchase of HOLMES	A report to approve the renewal of the purchase of HOLMES and enter into a new MOU by Police and Crime Commissioners and Chief Constables. The continuation of this project is deemed to be in the interests of the efficiency and/or effectiveness of the participating police bodies and police forces. The new MOU replaces any earlier agreement.	05/10/17	https://lincolnshire.pcc.gov.uk/media/1634/020-2017-mou.pdf
Force	To approve the latest Memorandum	Decision taken to approve the MOU for a 6 force online	24/11/2017	https://lincolnshire.pcc.gov.uk/media/1634/020-2017-mou.pdf

¹ Based on the CIPFA / SOLACE - Delivering Good Governance in Local Government Framework and the Guidance Notes for Policing Bodies in England and Wales (2016).

Corporate Sole	Issue	Summary	Date	Web Link
	of Understanding with the Home Office for the use of the Online Reporting tool.	reporting tool.		pcc.gov.uk/media/1666/decision-notice-022-2017-online-reporting.pdf
Force	Bank Account Overdrawn	HSBC bank account was overdrawn on the 1 st of November by £614,271.00 due to a Bank of New York (BNY) processing error which was outside the control of both Lincs Police and G4S. It was identified that there was a manual error when BNY entered our account details to return funds from the Standard Life Investment fund. BNY have since updated their processes to ensure that this won't happen again. BNY covered the £336.17 bank charges and interest.	November 1 st 2017	none
PCC/Force	Appointment of External Auditor Ernst and Young LLP.	Decision made to formally appoint Ernst and Young LLP as External Auditor for the PCC & CC, for the accounts from 2018/19 to 2022/23.	21/12/2017	https://lincolnshire-pcc.gov.uk/media/1670/023-2017-appointment-of-external-auditor.pdf
PCC	Video Conferencing Suite	Minor building alterations to facilitate the installation of video conferencing facilities at Nettleham were procured by the Strategic Partner rather than directly by Facilities Management.	October 2017	
Significant Governance Issues 4th January – 31st March 2018				
Force	Section 22A Agreement	Decision made to sign a national Section 22A Police Act 1996 agreement which will create a collaborative unit for the purpose of the authorisation of Covert Human Intelligence Sources.	09/01/2018	https://lincolnshire-pcc.gov.uk/media/1673/001-2018-section-22.pdf
Force	National Counter Terrorism Police Services Collaboration Agreement	Decision made to approve and sign a national collaboration agreement for counter-terrorism. The agreement aims to provide a nationally co-ordinated counter-terrorism function with appropriate safeguards in terms of accountability and governance.	09/01/2018	https://lincolnshire-pcc.gov.uk/media/1674/002-2018-national-counter-terrorism.pdf
Force	National Police Chiefs' Council -	Decision made to approve the signing of the Revised	09/01/2018	https://lincolnshire-pcc.gov.uk/

Corporate Sole	Issue	Summary	Date	Web Link
	Revised National Collaborative Agreement	National Police Chiefs' Council National Collaborative Agreement.		pcc.gov.uk/media/1675/003-2018-npcc.pdf
Force	Financial Governance Report 2016/17	Approval of the Financial Governance Report 2016/17. The report provides details of the Financial and Procurement activities required under Financial and Contract Regulations to be reported on an annual basis.	09/01/2018	https://lincolnshire-pcc.gov.uk/media/1676/004-2018-financial-governance-report.pdf
Force	Psychological Support Funding Pilot	Decision made for £15,000 be allocated from the welfare earmarked reserve to fund the Psychological Support Pilot. The Pilot aims to explore the extent to which targeted counselling and psychotherapy can alleviate mental and physical ill health in high risk units.	12/01/2018	https://lincolnshire-pcc.gov.uk/media/1677/005-2018-psychological-support-pilot.pdf
PCC	Police Pensions - Annual Allowances Tax Charges – Voluntary Scheme Pays	Decision made to approve the recommendation that the PCC makes available Voluntary Scheme Pays for the Police Pension Scheme in the respect of the 2016/17 Annual Allowance tax charges in the following circumstances: <ul style="list-style-type: none"> Members subject to tapered Annual Allowance; and Transitional Members – Pension with growth in 2 schemes exceeding the HMRC Annual Allowance Limit. 	26/01/2018	https://lincolnshire-pcc.gov.uk/media/1682/006-2018-police-pensions.pdf
PCC	Police Precept 2018/19	Decision made to agree the proposed precept and Council Tax requirement for 2018/19, as per Appendix 1 of the decision.	29/01/2018	https://lincolnshire-pcc.gov.uk/media/1683/007-2018-police-precept-2018-19.pdf
Force	Lincolnshire Bluelight Collaboration	Decision made to approve and sign the Lincolnshire Bluelight Collaboration Agreement.	02/02/2018	https://lincolnshire-pcc.gov.uk/media/1722/008-2018-lincs-blue-light-collaboration-signed-copy.pdf
PCC	Budget Report	Decision made to approve the 5 recommendations made within the budget report. <ol style="list-style-type: none"> Note the views of the Police and Crime 	15/02/2018	https://lincolnshire-pcc.gov.uk/media/1729/010-2018-budget-

Corporate Sole	Issue	Summary	Date	Web Link	
		<p>Panel on council tax</p> <ol style="list-style-type: none"> 2. Note the CFO's statement of robustness of estimates and adequacy of reserves 3. Approve the council tax for 2018/19 4. Approve revenue budgets for 2018/19 and medium term financial plan for 2019/20 to 2021/22 (Appendix B) 5. Approve the capital programme and its funding for 2018/19 to 2021/22 		<p>report.pdf</p> <p>Appendix B: https://lincolnshire-pcc.gov.uk/media/1730/010-2018-budget-report-appendix-b.pdf</p>	
Force	National Police Collaboration Agreement	Decision made to approve the signing of the National Police Collaboration Agreement relating to the National Units: the National Vehicle Crime Intelligence Service (NAVCIS)/the National Wildlife Crime Unit (NWCU) and the National Police Freedom of Information and Data Protection Unit (NPFDU) under Section 22A of the Police Act 1996.	22/03/2018	https://lincolnshire-pcc.gov.uk/media/1781/011-2018-national-police-collaboration.pdf	
Force	Regional Data Quality Team	Decision made to support the addition of the City of London to the regional Data Quality team collaboration.	28/03/2018	https://lincolnshire-pcc.gov.uk/media/1786/012-2018-regional-data-quality-team.pdf	
PCC	Police and Crime Commissioners Crime and Disorder Reduction Grants for 2017/18	Decision made to approve grants which will contribute to securing crime and disorder reduction and/or help victims or witnesses of, or other persons affected by, offences and anti-social behaviour.	28/03/2018	https://lincolnshire-pcc.gov.uk/media/1787/013-2018-pccs-crime-and-disorder-reduction-grants-2017-18.pdf	
Force	Regional Retention and Disposal Team	Review, and (RRD)	Decision made to approve the addition of the City of London to the regional RRD team collaboration.	28/03/2018	https://lincolnshire-pcc.gov.uk/media/1788/014-2018-regional-review-retention-and-disposal-team.pdf
Force	Financial Reserves	Strategy Strategy	Decision made to approve:	29/03/2018	https://lincolnshire-pcc.gov.uk/media/1788/014-2018-regional-review-retention-and-disposal-team.pdf
		1. The Financial			https://lincolnshire-pcc.gov.uk/media/1788/014-2018-regional-review-retention-and-disposal-team.pdf

Corporate Sole	Issue	Summary	Date	Web Link
	and Supporting Plans	<p>Strategy, incorporating the Reserves Strategy</p> <p>2. The Value for Money & Efficiency Plan 2018/19</p> <p>3. The Procurement Plan 2018/19</p> <p>4. The Treasury Management Strategy 2018/19 Including:</p> <p>A). The Minimum Revenue Provision policy statement at Appendix A of the strategy.</p> <p>B). The prudential indicators and targets summarized at Appendix A of the strategy.</p>		<p>pcc.gov.uk/media/1789/015-2018-financial-strategy-reserves-strategy-and-supporting-plans.pdf</p> <p>https://lincolnshire-pcc.gov.uk/media/1790/appendix-a-procurement-plan-2018-19.pdf</p>

Members will note that the criteria for defining how significant governance issues are identified:²

- those highlighted through the Commissioner's Register of Decision Notices and through the Chief Constable's Report (decisions of interest)³
- those highlighted to the Police and Crime Panel through the quarterly update report.
- any additional issues highlighted through the code of corporate governance or other governance mechanisms.
- any instances when regulations are suspended (reference Finance Regulations FR4)
- any other governance issue that the Chief Executive, Chief Finance Officer or Force Chief Finance Officer wish to bring to the attention of the Audit Committee.

4.2 The CFO and Force CFO will be available at the meeting to answer any questions and provide any additional information as required by the Committee.

B. FINANCIAL CONSIDERATIONS

There are no direct financial implications arising from this report.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The Commissioner has a statutory duty to carry out an annual review of his governance arrangements and to approve a statement of internal

² The issue will generally only be highlighted if it isn't already being considered by the Audit Committee through standard business i.e. through the forward plan or on individual agendas.

³ The Commissioner is required by law to publish a record of each decision of significant public interest.

control prepared in accordance with “proper practices” - Accounts & Audit Regulations 2003 as amended.

“Proper practices” are not defined in the regulations, but in circular 03/2006 the Department for Communities & Local Government indicated that compliance with CIPFA/SOLACE guidance would satisfy the requirement for proper practices.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES (including any impact or issues relating to Children and Young People.)

The annual review of the Code of Corporate Governance will allow the Commissioner to demonstrate how effective its equality and diversity arrangements are to the governance of the organisation.

As part of its governance framework the Commissioner has various policies on employees and employers’ rights in the workplace. These will be kept under regular review to ensure that they are fit for purpose for those occasions when the aspirations in the Code of Corporate Governance are not met.

E. REVIEW ARRANGEMENTS

The Committee will receive this report on a quarterly basis. The AGS will be considered by the Committee in draft, currently by 30 June of each year and approved following audit by 30 September.

F. RISK MANAGEMENT

Without adequate corporate governance arrangements that are reviewed regularly, the Commissioner is exposed to the following risks:

- resources are not directed in accordance with agreed policy and accordingly to priorities
- decision making is not sound and inclusive
- no clear accountability for the use of those resources in order to achieve desired outcomes for communities
- service delivery is compromised.

The AGS and Code of Corporate Governance are key aspects of robust and effective governance arrangements.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.