



JOINT INDEPENDENT AUDIT COMMITTEE
25 July 2018
1.30pm to 4.40pm

PRESENT:

Members: Mr D Forbes (Chair), Mr J Gallagher, Mr D Matthew, Mr C Holland, Mrs T Latham-Green

OPCC Officers: Ms J Flint (Chief Finance Officer), Mrs G Holder (Deputy Chief Finance Officer), Mr A Williams (Research and Performance Officer)

Force Officers: Mr A White (Assistant Chief Officer), Ms S Clark (Force Chief Finance Officer), Mrs M Freeman (Minutes)

Also in Attendance: Marc Jones (Police and Crime Commissioner - observer), Mr B Welch, Mr M Lunn (Internal Audit – Mazars), Mr A Cardoza (External Audit – KPMG)

23/18 DECLARATIONS OF PERSONAL AND/OR PREJUDICIAL INTERESTS

The Chair stated that for the benefit of the Minutes, as part of his role at the Lincolnshire County Council he had dealings with the Lincolnshire Counter Fraud Partnership, which was run by a colleague of his and also in relation to the External Audit, he had been involved in the appointment of the actuary for Lincolnshire County Council, which was the same as that used by Lincolnshire Police. It was agreed that neither of the declarations impacted on his role on the Committee.

24/18 APOLOGIES

Apologies were received from Mr I Haldenby and Mr C Naylor (Deputy Chief Constable).

25/18 MINUTES – 19 April 2018

The Minutes were approved as an accurate reflection of the meeting held on 19 April 2018.

Resolved: That: 1. the Minutes of the meeting held on 19 April 2018 be taken as read and signed by the Chairman as a correct record.	Responsible officer: -
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26/18 SUMMARY ACTION LOG

Ref 234: The Committee noted that this action which was in relation to consideration of opportunities and benefits for further regional collaboration, had been removed from the Summary Action Log in October 2017 because a workshop was to take place in May 2018. The Chief Finance Officer (CFO) confirmed that unfortunately the workshop had not yet taken place. There was now a regional team working for the Regional Police and Crime Commissioners (PCCs) to coordinate the governance for regional collaboration and they had been tasked with setting up this workshop. There was also work ongoing in relation to a budget review and a fundamental review of the current collaboration agreements to deliver further efficiencies. The CFO agreed to share the regional collaboration workplan with the Committee in order to give some assurance that opportunities and benefits for further regional collaboration were actively being explored.

Ref 252: The Committee asked the External Auditor whether there was a process in place for feeding observations or concerns in relation to the Inquiries of Management and Those Charged with Governance Reports. The External Auditor advised that feedback would only be given where issues were identified, and this would occur at the next Joint Independent Audit Committee (JIAC) meeting. The Committee asked that any observations which might be valuable to the JIAC, in light of their experience of other audits, would also be very helpful. This action is to remain open for the October 2018 JIAC meeting.

Ref 170: It was agreed that this item could be closed once the procedure document referred to was live, and that it would be recorded in the relevant minutes if timelines were not met.

Resolved: That: 1. the Summary Action Log be noted; 2. the CFO share the Regional Collaboration workplan	Responsible Officer: - CFO
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with JIAC to give assurance that opportunities and benefits for further regional collaboration were actively being explored.	
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27/18 INTERNAL AUDIT: PROGRESS REPORT 2017/18 and 2018/19

(a) Progress Report 2017/18 and 2018/19

The Committee noted the Internal Audit Progress Report 2017/18. The report now covered audits conducted in both 2017/18 and 2018/19. Since the previous JIAC meeting, there had been two reports finalised for 2017/18 – Proceeds of Crime Act (POCA), which looked at best practice across the Region, and Code of Governance. Both had received a satisfactory level of assurance. In relation to POCA, the Committee were advised that the approximate costs of the unit were recovered, and where income exceeded the target, this was put into an earmarked reserve. The strategic intent here was the further disruption of criminal activity.

The Committee considered the summary of reports for 2018/19, noting that the assurance opinion on the Risk Management audit was significant assurance. The HR Recruit to Reward opinion was limited assurance, and the Committee was concerned that many of the responses, as presented in the report, did not appropriately address the control risks. The Assistant Chief Officer (ACO) accepted the recommendations in relation to recruitment processes, which had identified a weakness in the procedure, which would now be changed. Members asked for sight of the revised process once it had been agreed, and a copy of the justification for the posts.

In relation to the second recommendation, which was around the process for ex gratia payments, the Force Chief Finance Officer (FCFO) said that she had signed off a payment which was over the delegated limit in error. The issue had originated as a claim for compensation, but became an ex gratia payment, which had a lower level of delegation. The ACO said that the force was currently in the process of reviewing the delegated financial powers because of the low levels they felt they were set at (for example the approval limit for ex gratia payments was £10,000). There was also no standard document for signing off ex gratia payments and this would have acted as an aide memoire with regard to the approval level and this was also to be put in place.

The Committee were informed that the Chief Constable (CC) and PCC had requested input from the Committee in due course on proposals that the CC was developing to amend the scheme of delegation more generally between the PCC and the CC. Whilst noting the Force's intention to propose changes to delegations, it was emphasised by the Committee that, in the meantime, compliance with the extant regulations was required.

A revised action plan is to be put in place to address the issues identified in the audit report, progress will be then monitored against the plan and reported to JIAC.

The review of Collaboration Assurance Statements was noted.

(b) Audit Charter 2018/19

The Committee noted the Charter, which set out the purpose and ground rules for internal audits.

(c) Internal Audit Annual Report 2017/18

The Committee noted that the overall opinion contained in the Internal Audit Annual Report around the PCC and CC's risk management, internal control and governance processes was "Adequate", with two areas of weakness identified. The Auditor noted that Lincolnshire was the best in the region at engaging with client feedback. An informal meeting had been held with the Committee and Auditors prior to the formal JIAC meeting and both parties had expressed their satisfaction at the relationship and cooperation between all parties.

Resolved:	Responsible Officer:
That:	
1. the Internal Audit Progress Report be noted;	-
2. the Committee be provided with a copy of the revised Recruitment process, once agreed, and a copy of the justification for the posts;	ACO for DCC
3. a revised action plan for the HR Internal Audit be developed and shared with the Committee;	IA
4. the Internal Audit Charter 2018/19 be noted;	-
5. the Internal Audit Annual Report 2017/18 be noted.	-

28/18 INTERNAL AUDIT REPORTS: IMPLEMENTATION PROGRESS

The progress made with the implementation of the recommendations from the Internal Audit Reports was noted.

The Committee noted that there were two recommendations from the Learning and Development Audit which were not contained within the implementation progress list. One related to management information around mandatory training, and the other was about the process for requesting training. The Deputy Chief Finance Officer (DCFO) was asked to review these actions, and ensure they were reported appropriately.

The FCFO advised that in relation to the recommendation 4.1 within the Code of Corporate Governance, the DCC had agreed to take on the responsibility for the production of the Annual Governance Statement (AGS). This was noted.

<p>Resolved:</p> <p>That:</p> <ol style="list-style-type: none"> 1. progress had been made in implementing recommendations contained in Internal Audit reports be noted; 2. the two missing recommendations from the Learning & Development Audit be investigated and reported to JIAC as appropriate. 	<p>Responsible Officer:</p> <p>-</p> <p>DCFO</p>
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29/18 REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS

The report on compliance with Governance Arrangements was noted. The CFO said that with regard to the publication of the financial expenditure (above £500), procedures for reviewing the report had been working well for some time, but a check had recently revealed sensitive information that had inadvertently been published. The report had immediately been taken off-line, and the procedure for reviewing the report was being reviewed and appropriate guidance given to the yet to be appointed Head of Finance in due course.

An addition to the CC AGS was suggested at this point in the meeting following the HR audit findings and the review of compliance with governance arrangements report.

<p>Resolved:</p> <p>That:</p> <ol style="list-style-type: none"> 1. the report be noted; 2. a statement be added to the Chief Constable's Annual Governance Statement regarding the governance issues that emerged in the year. 	<p>Responsible Officer:</p> <p>-</p> <p>FCFO</p>
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30/18 REVIEW OF THE PCC AND FORCE'S APPROACH TO ANTI-FRAUD, CORRUPTION AND WHISTLEBLOWING

The Committee was pleased to note the introduction of a Fraud Risk Register. The Research and Performance Officer (RPO) advised that JIAC would be able to have sight of the Register once it had been finalised and analysed. It would also be shared with the Regional forces to compare risks.

The report was noted.

<p>Resolved:</p> <p>That:</p> <ol style="list-style-type: none"> 1. the PCC and Force's approach to anti-fraud, corruption and whistle blowing be noted; 2. the Fraud risk register be circulated to JIAC members in due course. 	<p>Responsible Officer:</p> <p>-</p> <p>RPO</p>
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31/18 EXTERNAL AUDIT: REPORT TO THOSE CHARGED WITH GOVERNANCE 2017/2018

The External Auditor presented the draft report to those charged with Governance 2017/18 to the Committee. The timescales for production had been tight and officers and staff for all parties had worked very hard in order to meet those timescales. He was very grateful to them for this work.

The report confirmed that the Auditor intended to issue an unqualified audit opinion and an unqualified value for money opinion. It also highlighted that Lincolnshire had a green status (sound control environment) across all ICT and financial system control aspects tested in the audit, a situation not found in many other audits in other organisations.

The report identified some areas where improvements could be made, but these were minor. The Committee were advised that the need for significant savings to be made in the future was likely to make it much more difficult to give an unqualified opinion in future years.

The Chair identified that the assessments on the Local Government Pension Scheme contained in the ISA260 report were incorrect. The External Auditor agreed to review these.

There was one outstanding issue that the Auditor drew the Committee's attention to in order that it did not happen in the future. The issue was in relation to the legality of an item of expenditure recorded in the Chief Constable's accounts. The ACO said that the Chief Constable believed the payment to be legal as it was not prohibited under Police Regulations, and until such time as this was tested in the Courts, it would be very difficult to establish legality. The Auditor was explicit that he expected legal advice to have been sought. The ACO accepted the view of the auditors, and would speak to the Chief Constable about the matter further.

Members of the Committee said that overall they were pleased with the Report, and accepted the balanced judgement.

The CFO and FCFO took the opportunity of thanking the External Auditor for his work, and the work of team. A new External Auditor had been appointed, who would attend future JIAC meetings.

<p>Resolved:</p> <p>That:</p> <ol style="list-style-type: none"> 1. the report be noted; 2. the ACO speak to the CC regarding seeking legal advice on the highlighted expense payment. 	<p>Responsible Officer:</p> <p>- ACO for DCC</p>
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32/18 FINANCIAL STATEMENTS OF ACCOUNTS 2017/18

The CFO advised that the Financial Statements of Accounts had been amended following comments received at the JIAC meeting on 25 May 2018. The Accounts would be signed on 26 July 2018, and couriered to the External Auditor on Friday 27 July 2018.

The Committee had reviewed the 'Report to those charged with Governance', the Accounts and the AGS for publication and the Letters of Representation.

It was agreed that the FCFO would add a few lines to the Chief Constable's AGS regarding the expenses payment as discussed at 31/18.

<p>Resolved:</p> <p>That:</p> <ol style="list-style-type: none"> 1. the FCFO add some words to the Chief Constable's AGS regarding the issue of expense payments; 2. the Report to those charged with Governance, the Accounts and AGS for publication and the Letters of Representation be noted. 	<p>Responsible Officer:</p> <p>FCFO -</p>
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33/18 FINANCE REVIEW

The FCFO said that she continued to follow the work to adopt a national approach to financial excellence in policing. The local Finance Review work would be reinvigorated once the National Police Chiefs' Council (NPCC) and CIPFA had reported back to forces, which was due to be October 2018.

<p>Resolved:</p> <p>That the update be noted.</p>	<p>Responsible Officer:</p> <p>-</p>
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34/18 POLICE AND CRIME COMMISSIONER'S (PCC'S) RISK REGISTER AND PCC / CC RISK MANAGEMENT STRATEGIES

Risk C041 (Failure to maintain or develop beneficial regional collaborations): The Committee asked what controls and mitigation were in place to reduce the risk in this area. The CFO said that this was one of the driving forces for the regional Team. The FCFO added that this was a standing item on the Regional Chief Finance Officers' Meeting agenda, and all were aware of the risks around the failure to maintain or develop beneficial regional collaborations. The ACO added that with the move of the East Midlands Operational Support Service to a three-force collaboration, there were opportunities to look at how the running of this Unit could be improved, and the three parties were committed to this.

Risk C044 (Failure of the Force to deliver operational effectiveness): The RPO explained that the cessation of assurance reports on various areas from the Force had led to a narrowing range of assurance available to the PCC in relation to the operational monitoring of progress against strategic plans. The ACO said that this issue was at the heart of the governance review. He said that the force did not share the same perspective of risk, and the Chief Officers believed that they had effective arrangements in place for the key business areas. He accepted that there was a need to manage the reports in a different way, adding that the assurance may be lacking but this did not harm effectiveness. The CFO responded saying that the risk reflected the Office of the Police and Crime Commissioner's view of the risk.

The discussion turned to the recent report published by Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) on Crime Data Integrity, where Lincolnshire Police had received a grading of 'inadequate'. The ACO said that the assurance received on that from the force had not highlighted any issues, and an internal assurance report would therefore not have assisted here. There was now a detailed action plan in place to improve performance in that particular area.

Resolved: That the PCC Risk Register be noted.	Responsible Officer: -
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35/18 POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE'S ASSURANCE MAP

The Committee noted the PCC and Chief Constable's Assurance Map.

Resolved: That the Joint Assurance Map be noted.	Responsible Officer: -
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36/18 AUDIT COMMITTEE EFFECTIVENESS

(a) Forward Plan

The Forward Plan was reviewed and noted.

The Committee asked the DCFO to arrange a short appointment with the new External Auditors (Ernst & Young) prior to the next Joint Independent Audit Committee meeting.

Resolved: That: 1. the DCFO is to arrange a meeting with the External Auditors and the Committee members prior to the next JIAC meeting; 2. the Forward plan be noted.	Responsible Officer: DCFO -
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(b) Action Plan

The action plan had been updated in line with the production of the final version procedure document. The Committee advised that they were happy to accept the procedure document, which had been discussed at their 25 May 2018 meeting. The effective date of that document would be 25 July 2018.

Resolved: The Action Plan be noted.	Responsible Officer: -
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EXCLUSION OF THE PRESS AND PUBLIC

37/18 HMICFRS AREAS FOR IMPROVEMENT

The ACO gave details of the HMICFRS Crime Data Integrity Inspection (as mentioned at 35/18). This had been published by HMICFRS after the JIAC papers had been circulated.

The Committee asked whether the AFIs highlighted at reference numbers 169 and 1610 could be signed off, as they were both listed as ready for sign off in January 2018. The ACO said that he would look into this.

The Committee were particularly concerned regarding the potential loss of public confidence in the Force following recent negative press coverage on crime recording. The ACO said that actions were being taken to address the issues and that the committee would be informed of progress.

Resolved: That: <ol style="list-style-type: none">1. the ACO check whether reference numbers 169 and 1610 from the AFI track could be signed off;2. the AFI Tracker be noted.	Responsible Officer: ACO -
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38/18 LINCOLNSHIRE POLICE RISK REGISTER

The Committee reviewed the risk management processes with reference to the Lincolnshire Police Risk Register.

The ACO said that the risk identified at ST80 – Lack of available deployable officers – had been reduced. There had recently been two intakes of student officers, giving 60 extra officers to the force. This meant that the force would have the highest number of officers for a period of five years. The first cohort would be out on patrol in October 2018. It was noted that this increase in police officer numbers would be short-lived given the need for significant budget reductions from 2019/20.

Resolved: That the Lincolnshire Police Force Risk Register be noted.	Responsible Officer: -
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39/18 INFORMATION SECURITY ASSURANCE

The Committee were pleased to note the report that had been provided to them by the Force Information Technology Security Officer (ITSO).

Members asked whether the response / action plan had been tested should there be a breach of the financial systems. The CFO said that there was a plan, but it had not been tested. The ACO said that there were plans to run an exercise in September 2018 to test the plans, and there were a range of options to respond to a breach of an 'outer wall'. The ACO undertook to seek assurance that appropriate cyber security arrangements exist for non-IT internet enabled assets.

Resolved: That the Information Security Assurance Report be noted.	Responsible Officer: -
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CHAIRMAN