JOINT INDEPENDENT AUDIT COMMITTEE
23 January 2019
1.30pm to 3.30pm

PRESENT:

Members: Mr D Forbes (Chair), Mr J Gallagher, Mr I Haldenby, Mr D Matthew, 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), Mr J King (Corporate Administration Officer)

Force Officers: Mr C Naylor (Deputy Chief Constable), Ms S Clark (Force Chief Finance Officer)

Also in Attendance: Mr B Welch (Internal Audit – Mazars), Neil Harris (External Audit – Ernst & Young), Mr C Hewitt (External Audit – Ernst & Young)

56/18 DECLARATIONS OF PERSONAL AND/OR PREJUDICIAL INTERESTS

None

57/18 APOLOGIES

Apologies were received from Mr C Holland.

58/18 MINUTES OF THE 31 OCTOBER 2018

Resolved: That the Minutes of the meeting held on 31 October 2018 be taken as read and signed by the Chairman as a correct record.	**Responsible officer:** -

59/18 SUMMARY ACTION LOG

Ref 245: The Deputy Chief Constable (DCC) advised that operational delivery plans were under development. He explained that the original timescale for completion had 'slipped' due work on constructing the Financial Management Statements required by Her Majesty's Inspector of Constabulary, Fire & Rescue Services (HMICFRS). However he expected to have defined plans in place by the end of the financial year.

Ref 258: The Chief Finance Officer (CFO) confirmed that a strategic view in relation to the future of regional collaboration would be provided following the 'Away Day' event planned for 25 March 2019.

Ref 259: The DCC provided a hard copy of the revised recruitment process for circulation to members.

Ref 263: The Research and Performance Officer was seeking feedback on the Fraud risk register from the Finance team before presenting a draft version at the next Committee meeting. He confirmed that operational inputs were being provided by the Head of Force Professional Standards.

Resolved: That:	**Responsible Officer:**
1. the Summary Action Log be noted;	-
2. the CFO update the Committee following attendance at the East Midlands Regional 'Away Day' event scheduled for 25 March 2019;	CFO
3. a copy of the revised Force recruitment process be circulated to members of the Committee and External Audit;	DCC/CAO
4. A draft version of the Fraud risk register be provided by the RPO for consideration at the next Committee meeting.	RPO

60/18 INTERNAL AUDIT: PROGRESS REPORT 2018/19

The Committee received a progress update in respect of the 2018/19 Internal Audit and Collaboration Audit Plans.

The DCC referred to the audit of Regional Collaboration and expressed his concern at a lack of visibility around the draft audit reports. The Internal Auditor (IA) undertook to provide the DCC and regional leads with copies of the current draft reports.

Members requested that when repeat reviews were conducted in relation to core financial systems each year, that reports include a note of the previous year's

opinion so the Committee could see whether there had been any movement/deterioration.
Members were pleased to note the significant (priority 2) recommendation made by IA regarding the control environment around the use of corporate credit cards as this was very often an area of interest for the public and media.

The Internal Auditor confirmed that the 2019/20 Internal Audit Plan would be presented at the next meeting of the Committee.

Resolved:	**Responsible Officer:**
That:	
1. the Internal Audit Progress Report be noted;	-
2. the Internal Auditor provide the DCC and Regional Leads with current drafts of regional audit reports;	IA
3. audit reports produced following the repeat review of core financial systems include a note of the previous year's opinion.	IA

61/18 INTERNAL AUDIT REPORTS: IMPLEMENTATION PROGRESS

A progress update on the implementation of recommendations from Internal Audit reports was presented to the Committee.

Members were concerned to note that completion dates for some of the recommendations had been revised on a number of occasions. The importance of setting achievable dates was stressed. It was further highlighted that a number of completion dates had been set for a short period after the Committee had met. This meant that it would be a number of months before Members would have an opportunity to consider the updates.

Resolved:	**Responsible Officer:**
That progress with implementing recommendations contained in Internal Audit reports be noted.	-

62/18 REVIEW OF COMPLIANCE WITH GOVERNANCE ARRANGEMENTS

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

63/18 DRAFT ANNUAL GOVERNANCE STATEMENTS

The Committee was invited to review the preliminary drafts of the Chief Constable's and Police and Crime Commissioner's (PCC's) Annual Governance Statements (AGS).

The Committee requested that changes made to the draft Statements be clearly identified. The Force CFO (FCFO) explained that changes made to the Chief Constable's AGS had originally been highlighted in yellow, but that unfortunately the paper had not been printed in colour. The FCFO proceeded to highlight the changes that had been made to the Chief Constable's AGS.

Members noted the statement made under paragraph (2.6) of the Chief Constable's AGS that financial management arrangements had not conformed for part of the financial year, in that the management structure of the Force had not been fully compliant with the CIPFA Statement on the role of the FCFO. It was explained that for part of the year, the FCFO had been line managed by the Assistant Chief Officer. However, in order to maintain the independence of the role, the FCFO was reporting to the Chief Constable.

Resolved:	**Responsible Officer:**
That:	
1. the draft AGS be noted;	-
2. future draft versions of the Chief Constable's and PCC's AGS highlight where changes have been made;	CFO/FCFO
3. the rise in council tax precept level as stated under paragraph (6.3) of the PCC's AGS be amended.	CFO

64/18 SCHEME OF ARRANGEMENTS INCLUDING FINANCE, CONTRACT AND PROCUREMENT REGULATIONS

The Chair highlighted paragraph (PF4.2) of the PCC's Scheme of Consent, which stated that the PCC would consult with the Chief Constable before adopting any of the plans and strategies listed in the document. He queried how 'consultation' had been defined for this purpose. The CFO confirmed that it was a national requirement and undertook to clarify what 'consult' meant in this regard.

The Committee was advised by the CFO that work in relation to delegation limits remained on-going. The DCC reported that the review of the Force's governance arrangements, as requested by the PCC, had been completed however the Office of the PCC's (OPCC's) review had yet to be completed. The CFO suggested that the Force and OPCC might be operating at cross-purposes as the expectation had been that the Force would present proposals for how the scheme of consent/delegation might be amended. She undertook to pick this up with the DCC outside of the meeting.

It was noted that under (FR10) of the Financial, Contract and Procurement Regulations, the CFO and FCFO would prepare a Medium Term Financial Strategy (MTFS) for the PCC on an annual basis. Members queried whether it would be advantageous to review the MTFS on a more regular basis, such as quarterly or half-yearly. The CFO confirmed that in practice, the MTFS would be updated at points throughout the year in response to changing events and undertook to reflect this in the document.

Members queried the context within which a revised budget would be submitted to the PCC for approval at a time agreed each year, as per (FR11.3.3). The CFO explained that rather than operate a system in which the budget was being updated continuously, this exercise would be undertaken at a specific point in the year, usually September. A review of the current year's budget would be undertaken and used to inform the subsequent year's budget setting process.

The Committee suggested that consideration be given to incorporating a formal statement on compliance with the General Data Protection Regulation (GDPR) in relation to contracts and procurement.

Resolved:	**Responsible Officer:**
That:	
1. the report be noted;	-
2. prefixes be included alongside the page numbers within the Scheme of Consent;	CFO
3. the definition of 'consultation' under (PF4.2) of the Scheme of Consent be clarified;	CFO
4. consideration be given to incorporating a formal statement on compliance with the General Data Protection Regulation (GDPR) in relation to contracts and procurement;	CFO
5. reference to the 'Audit Commission' in (FR25.1) of the Financial, Contract and Procurement Regulations be amended;	CFO
6. (CP24.2) of the Financial, Contract and Procurement Regulations be amended to also include a monetary limit.	CFO

65/18 EXTERNAL AUDIT PLAN 2018/19 AND ASSOCIATED FEES

The External Auditor (EA) presented the 2018/19 Audit Plan, including an overview of the initial risk identification for the upcoming audit and changes in risks identified in the current year.

The Committee queried whether the EA had experienced an adequate handover from the previous EA, KPMG. Members were assured that KPMG had been fully co-operative and provided full access to reports, data, etc.

Due to the complexity of performance materiality (as referenced on page 6 of the report), Members requested that in future, this be presented in the form of a table. The Committee further requested that sufficient time be provided for the EA to receive feedback from the PCC, Chief Constable and the Committee on value for money risks (as set out on page 16 of the report). The EA confirmed that adequate time would be set aside for feedback.

Resolved:	**Responsible Officer:**
That: 1. the External Audit Plan 2018/19 be noted; 2. performance materiality be presented in the form of a table.	 - EA

66/18 FINANCE REVIEW

The FCFO presented the CIPFA/National Police Chiefs' Council's 'Achieving Finance Excellence in Policing' programme. She reminded Members that the internal review had been put on hold until the programme had been released. The Force would now utilise the document in reviewing its own plans for improving the finance function. The outcome of the review would be presented to a future meeting of the Committee.

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

67/18 REVIEW OF ACCOUNTING POLICIES

The Committee was presented with the proposed set of accounting policies and methodology for the preparation of the draft statements for 2018/19, and an update on the statutory environment and assumptions.

Members queried whether the External Auditor was satisfied with the proposed materiality limit of £50,000. It was confirmed that the limit was acceptable, but that the MRP calculation would be checked by the Auditor's internal experts. The FCFO was clear that account would be taken of any feedback provided by External Audit.

Resolved:	Responsible Officer:
That:	
1. the accounting policies for 2018/19 attached at appendix 1 and 2 be noted;	-
2. the proposed accounting timetable for the delivery of the 201819 accounts outlined in Section 3 of the report be noted;	-
3. the updates on the statutory environment and assumptions as described in section 4 be noted.	-

68/18 PCC RISK REGISTER & CC/PCC RISK MANAGEMENT STRATEGIES

The Committee was invited to consider and review the current iteration of the PCC's Risk Register.

Risk C041 Failure to maintain or develop beneficial regional collaborations: Members noted that the trend for the risk was upward (increasing) and queried whether this would be moving to a more stable position. The CFO explained that the increasing risk reflected changes in the regional landscape with the withdrawal of Nottinghamshire and the lack of a clear consensus around the regional budget, although these were being worked through.

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

69/18 POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE'S ASSURANCE MAP

The RPO explained that the most recent joint assessment review meeting had been postponed until just after the Assurance Map had been produced for the Committee. The risk scores and summaries contained in the Map therefore reflected those of the PCCs and Force's risk registers as at 11 December 2018. It was noted that alternative ways of recording assurance were being explored with the Force. The DCC stated that it was critical to ensure that all relevant available information was captured, including, for example, data contained within the Force Management Statements, to demonstrate/provide assurance and inform the direction of travel. The CFO expected to be in a position to reflect some sense of this by the next Committee meeting in April 2019.

Resolved:	Responsible Officer:
That the Joint Assurance Map be noted.	-

70/18 AUDIT COMMITTEE EFFECTIVENESS

(a) Forward Plan

Resolved:	Responsible Officer:
That: 1. the Forward Plan be noted; 2. the DCFO raise with the Chair the timescale for the annual private meeting of the Committee to assess individual performance of all Members.	 - DCFO

(b) Action Plan

Members queried when the Committee would receive the Annual Report. The DCFO clarified that the document would not be presented to the Committee, but would be fed into the pre-audit AGS, which would be reviewed in the workshop planned for May 2019. Members suggested that consideration be given to publishing the document on the PCC's website.

Resolved:	Responsible Officer:
That: 1. progress with the Action Plan be noted; 2. consideration be given to publishing the Committee's Annual Report on the PCC's website.	 - DCFO

EXCLUSION OF THE PRESS AND PUBLIC

71/18 HMICFRS AREAS FOR IMPROVEMENT

The DCC updated the Committee on the current status of 'Areas for Improvement' and recommendations identified by HMICFRS during the period 2014 to 2018. It was reported that the next meeting of the PCC's Independent Crime Recording Confidence Panel would be held on 1 February 2019. The meeting was due to be attended by representatives of HMICFRS and the DCC was looking forward to receiving face-to-face feedback on the Force's crime recording arrangements.

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

72/18 LINCOLNSHIRE POLICE RISK REGISTER

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

The DCC highlighted a new risk ST-106, which had been considered by the Risk Management Board. The risk concerned Brexit, for which the DCC was the regional lead. Whilst the Force was in a reasonably good position, he expected the risk score to increase due to the current uncertainties around Brexit, and the challenge of preparing for a wide range of potential outcomes.

Members raised risk ST-105 regarding the failure to remain within the authorised budget for 2018/19. The FCFO highlighted a number of unexpected cost pressures, such as costs associated with the Allard case, which were being actively discussed with the OPCC. If agreement was given by the PCC to fund the one-off Allard claims, then the Force would be able to remain within budget subject to no major incidents occurring by the year end. The DCC concurred and also highlighted a piece of work that was being taken forward in relation to ill health liabilities. In noting the latest Revenue Budget forecast, which had indicated an overspend of £1m, Members emphasised the importance of both parties quickly coming to a joint collective view on the budget.

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

73/18 DRAFT S.25 REPORT 2018/19

The Committee received an update on the current budgetary forecasts and was given sight of an early draft of the CFO's S.25 report, which would accompany the PCC's budget decision for 2019/20.

The DCC was clear that the requisite savings could be achieved for 2019/20 by adjusting police officer recruitment plans and by imposing the maximum possible increase in council tax precept. The Force was also exploring the possibility of recruiting Police and Community Support Officers (PCSOs) to fill some of the Police Officer vacancies. Further savings could also be generated through a reduction in PCSO numbers and by responding to the demand from some PCSOs to move from full-time to part-time/limited hours. Other potential measures, included police staff restructuring, savings delivered through the G4S contract as well as targeted reductions in a range of areas such as bank holiday overtime and maximising usage of the Force vehicle fleet. Members queried

when details of the Force savings plan would be communicated to the PCC. It was confirmed that the PCC was receiving monthly updates at meetings of the Police and Crime Strategic Board. Members noted that workforce numbers in respect of Police Officers and PCSOs had been omitted from the report. The CFO confirmed that once a clear plan to deliver savings was provided by the Force, she would be in a position to clarify establishment numbers in her report. A number of key milestones had been planned out with the FCFO over the coming 4 weeks to get the required clarity and ensure that the Budget was signed-off in February 2019.

The Committee underlined the importance of taking appropriate decisions and actions to secure financial and operational sustainability in future years. Members also queried whether recruiting Police Officers from within the ranks of PCSOs would deliver the required blend of skills and abilities needed by the Force. The FCFO explained that a halt in Police Officer recruitment, whilst achieving savings, would also increase operational risk. It was likely that some Police Officers would be redeployed to ensure that the right mix of skills and abilities were in the right places. This exercise was undertaken to a lesser or greater degree each year in any case due to natural wastage.

In noting the additional cost pressures mentioned earlier in the meeting, Members emphasised the importance of replenishing Reserves to mitigate the level of financial risk currently being carried by the PCC.

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

CHAIRMAN