

**POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE / HUMBERSIDE
POLICE**

JOINT INDEPENDENT AUDIT COMMITTEE

30 July 2018

PRESENT:- Mr D Chapman, in the Chair
Mr J Doyle, Ms P Jackson, Mr A Smith, Ms M
Thomlinson and Mr C Vertigans.

Officers: - Rachel Cook, Chief Executive, John Bates, Deputy
Chief Executive and Treasurer, Nancie Shackleton,
Assistant Chief Officer (Resources), Rashpal
Khangura, KPMG and Neil Rickwood, Head of
Audit.

The Committee met at the Office of the Police and Crime Commissioner.

265 APOLOGIES – Apologies for absence were submitted on behalf of Mr M Allingham, Chris Rowley, Deputy Chief Constable, Donna Tranter, Head of Corporate Development Branch and Louise Cook, Governance and Administration Manager.

266 MINUTES – The minutes of the meeting held on 25 May 2018 were submitted.

The Deputy Chief Executive and Treasurer referred to minute 254 in connection with the delay in the completion of the accounts and indicated that consideration would have to be given to the possibility of a special meeting to consider the ISA 260 report from KPMG, approval of the audited accounts, letters of representation and any updates in relation to the Annual Governance Statements.

The Chairman reported in connection with minute 262 the Committee had met earlier in the day to consider the self-assessment of its effectiveness and that he would provide a collective response for consideration at the next meeting.

Agreed - That the minutes of the meeting be agreed as a true and correct record.

267 ACTION SCHEDULE – A copy of the schedule of actions outstanding from previous meetings was submitted.

Reference was made to minutes 193 and 194 and members reported that agreement had been reached regarding terms of office of individual members with a commitment to work jointly with the Humberside Fire Authority in future appointment processes. A more detailed report will be submitted to the next meeting after the minutes of the Fire Authority's Governance, Audit and Scrutiny Committee had been approved.

It was noted in relation to minute 221 that the report on Insurance and Civil Claims will be submitted to the next meeting.

The Committee noted that Staff Associations and Trade Unions were in attendance at a range of meetings across the Force and therefore there are no plans at present to extend staff representation.

Agreed – That the action schedule and updates be noted.

- 268** **TERMS OF REFERENCE** – In accordance with minute 185 the Committee reviewed its terms of reference.

Agreed – That the terms of reference be noted.

- 269** **DRAFT UNAUDITED ANNUAL ACCOUNTS 2017/18** - The Deputy Chief Executive and Treasurer apologised once again for the late completion of the draft unaudited accounts for 2017/18 for the Police and Commissioner, Police and Crime Commissioner Group and for the Chief Constable which were posted on the PCC's website and made available to KPMG on 26.06.18. Members had been advised that this was the case.

He thanked the staff involved in the preparation of the accounts and then provided a commentary on them, focusing on the financial statements of the PCC and Group and highlighted issues relating to the accounts of the Chief Constable.

It was noted that the narrative reports provided details and context for the financial statements and summarised financial and operational performance issues. The position in respect of reserves at the end of the year was summarised together with a comparison with the original budget.

The Deputy Chief Executive and Treasurer commented on the impact of police pension liabilities, which gave rise to a balance sheet position which showed a substantial excess of liabilities over assets. The narrative reports also provided information on sustainability and on people issues, including the uplift in the number of police officers. A member pointed to the reference to the Fire Authority's Governance Audit and Scrutiny Committee which needed to be amended and in response to a query in respect of PCSOs the Assistant Chief Officer (Resources) provided information on the underlying assumptions in the medium term plans and indicated that a review was currently underway to establish the level needed within the Force's target operating model.

The Deputy Chief Executive and Treasurer referred to a duplicate payment that had been made on 29.03.18 and to ongoing discussions with KPMG as to the changes that would be needed to the unaudited accounts to take account of this.

He commented on and responded to a range of comments from members of the Committee on matters including the change to a full asset valuation, property disposals, officers' emoluments, exit packages, related party transactions and collaboration and contingent liabilities. He referred to information in respect of capital financing and long term borrowing which would

also be captured in the annual treasury management review later on the agenda. He also commented on the disclosures in respect of pensions and on the separate Pensions Account.

Agreed – That the draft annual accounts be noted.

270 **EXTERNAL AUDIT PROGRESS REPORT** – Mr Khangura reported that as a result of the delay in completion of the annual accounts there will also be a delay in the production of the ISA260 report incorporating the opinion on the financial statements and the value for money conclusion. He indicated that he had reported the delay as he was required to do to PSAA Ltd. and other agencies.

He indicated that the Deputy Chief Executive and Treasurer had kept him fully informed and provided regular updates on the situation which had been helpful and had enabled him to redeploy and reschedule his resources.

Mr. Khangura reported that the audit was ongoing but was being affected by leave of KPMG staff and Force and OPCC officers. A closure meeting had been arranged for 09.08.18 which would be an opportunity to consider issues identified at audit and any outstanding matters. Members were informed of the impact of the significant duplicate payment referred to earlier. There had been almost full recovery of the monies involved and this would form part of the discussion at the closure meeting.

Reference was made to two key areas of activity, pensions and asset valuations. KPMG were undertaking work off site in relation to the former to review the assumptions and outcomes and it was noted that a full asset valuation had been undertaken for 2017/18 in a change to previous practice and that this had been carried out by a new property valuer.

Mr. Khangura referred to the potential impact of the delay in completion of the accounts on the value for money conclusion and the Deputy Chief Executive and Treasurer commented on the internal arrangements for reporting financial information which was now included as a regular item on the agenda of this Committee in addition to reporting to the Corporate Governance Group.

The Deputy Chief Executive and Treasurer referred to work nationally which was gathering momentum to seek to simplify the annual accounts. He also provided details from PSAA Ltd. on the publication arrangements on information on the national picture in relation to the audit of accounts for 2017/18. It was agreed that in view of this the ISA260 report and audited accounts should be reported to the next scheduled meeting of this Committee on 24.09.18.

Agreed – That the comments be noted and that the audited accounts and ISA260 report be presented to the next scheduled meeting of this Committee.

271 **INTERNAL AUDIT PROGRESS REPORT** – The Head of Audit submitted a report that detailed progress against the Audit Plan. He referred specifically to two reports relating to CONNECT Implementation and Payroll testing which provided limited assurance.

Members commented on the importance of follow up to test recovery plans and also on the need to learn lessons in respect of system implementation, particularly in view of the impending introduction of SMARTContact. Members also queried whether payroll was now fully staffed with trained staff and on the impact of the loss of individuals in the team environment.

The Assistant Chief Officer (Resources) referred to the work that was ongoing, involving Internal Audit through the ERP Board where they were actively engaged. Reports had been commissioned to review the ERP system and resulting action plans had been generated. These plans were reviewed by the Board. The internal audit recommendations will be monitored by the DCC's HMIC Governance Group at which Internal Audit are also represented. Some of the difficulties stemmed from the decision to bring payroll back in house. She was aware of the challenges and resourcing issues affecting both Internal and External Audit. She was in the process of addressing the issues affecting this area of business and was developing a recovery plan.

In relation to CONNECT she reported that the management responses were being clarified and that project management issues had already been addressed. It was noted that some problems stemmed from the need to manage external consultants in this field. Efforts were being made to be a more intelligent client and to work closely with the National Working Group bringing PCCs and Forces with similar issues together.

Agreed – That the report be noted.

- 272** **TREASURY MANAGEMENT ANNUAL REPORT** – A copy of the Annual Treasury Management Report for 2017/18 was submitted which showed that activities had been undertaken in line with the strategy and limits agreed prior to the start of the financial year. The Deputy Chief Executive and Treasurer referred to issues raised in relation to treasury management during the discussion on the annual accounts which were replicated in this report. It was noted that external borrowing had been undertaken during the year from the PWLB that had reduced the overall borrowing rate. It was also noted that borrowing had been deferred until later in the year due to the low level of investment interest when compared with the albeit attractive PWLB borrowing rates. Reference was made to the impact of Pension Top Up Grant paid in July which made treasury management more complicated and on efforts to get the Home Office to address this.

Agreed – That the report be noted and recommended to the PCC for approval.

- 273** **FORCE UPDATE ON CURRENT POLICING ISSUES** – The Assistant Chief Officer (Resources) commented on the amount of change that was happening within the Force which included the introduction of an entirely new chief officer team and the development of a target operating model. Changes to shift patterns are due to be introduced shortly.

There was growing evidence that change management was much improved, for example in feedback via staff surveys and the work that the Chief Constable

was undertaking personally with sergeants and inspectors. She also commented on the monitoring arrangements in place to report to the PCC.

It was clear locally that demand was increasing, and on the national front this was something that had been acknowledged in the last CSR submission. Increased demands had been exacerbated over the summer.

She also referred to the work that was ongoing with HMICFRS, including spot inspections, where there has been increasing challenge and pushback to perceptions and preconceived ideas. The Force Management Statement had been submitted and a summary was being prepared for wider circulation that would include providing details to members of this Committee. A full inspection was due to be carried out in October 2018.

In respect of finance, she commented on the emphasis on what was a demanding savings plan and work that was starting on a formal mid-year financial review of revenue and capital spending. Work was proceeding on capital projects and consideration was being given to a further substantial capital scheme but this was only at an early stage at the moment. Officers were monitoring external factors which could have a local impact on spending including the impact of delays in implementing the replacement ESN and also on developments in respect of the next CSR submission from the Home Office to HM Treasury.

The Assistant Chief Officer (Resources) referred to joint working generally and particularly in relation to the increased level of collaboration with HFRS. This now included Estates and there are proposals to seek support in relation to Health and Safety issues. On collaboration, a member commented that it would be interesting to compare the current scene with the work that had been undertaken by Deloitte's on behalf of the four Yorkshire and the Humbert Police Authorities as to what was thought capable of being achieved.

The Chairman commented on the fact that policing was a people operation and there needs to be clarity about the role and purpose of the organisation and individuals. The Assistant Chief Officer (Resources) referred to the uplift in police officer numbers which were now in excess of 1800 and likely to hit 1900 in the autumn.

She also referred to work in relation to apprenticeships to seek to derive benefit from the apprenticeship levy and the Chief Executive commented on the arrangements in the OPCC. The first apprentice appointment had been very successful and where we were now seeking a replacement.

Agreed – That the report be noted.

274 **CHIEF EXECUTIVE PROGRESS REPORT** – A copy of the Chief Executive's report that had previously been submitted to the Police and Crime Panel on 16.07.18 was submitted to the Committee.

The Chief Executive commented on the aspects of the report including the restructures that had occurred within the OPCC to place greater emphasis on commissioning, the transfer of the performance team back to the Force and on the work of the Community Engagement Team. It was noted that the changes had resulted in two redundancies.

As referred to earlier, the appointment of the apprentice had been successful. The apprentice had now been accepted and would be starting her training to become a police officer in October.

The Chief Executive reported on the arrangements to provide assurance over Force activities that were now the basis of regular reports to this Committee. She also referred to the establishment of an Ethics Committee, on proposals to develop a scrutiny panel for Domestic Abuse as well as refreshing the arrangements for dealing with Independent Custody Visiting and work with the University of Hull for the provision of Appropriate Adults to support vulnerable adults in custody.

She referred to the focus on work with communities and partnerships, including Community Alert, where consideration was being given to develop the network to include survey activities, Community Speedwatch and to work to develop the Criminal Justice Board.

She commented on the collaboration with HRFS and on a pilot project underway to fund a small team to scope work to consider the benefits of wider collaboration between the seven Forces and PCCs in the North East Region.

Reference was also made to the PCC's APCC role as Lead PCC for Local Policing and Partnerships.

Members congratulated the apprentice, who had been named in the report, on her success in being accepted to become a police officer. The Chief Executive indicated that the individual's success was in the public domain via twitter and social media.

In response to requests, the Committee were provided with more information in respect of the composition of the Ethics Committee. It had been formed from a sub-set of the Diversity Panel. There was an Independent Chair and the Committee benefitted from the involvement of the Deputy Chief Constable and OPCC Diversity Manager. It was noted that a Professor of Ethics was a member and other members had expertise in this area. The work of the Ethics Committee would inform future recruitment requirements as and when these arise. The Chief Executive indicated it was open to this Committee to refer items to them if the need arises.

The Chairman thanked the Chief Executive for attending and for her presentation of the report and she indicated that it was useful to share information provided to the Police and Crime Panel with the Committee and suggested that the PCC's Annual Report which was scheduled to go to the Panel in September should be included on a future agenda.

Agreed – That the PCC’s Annual Report should be considered at a future meeting of this Committee.

- 275** **FORCE MANAGEMENT STATEMENT** – As referred to earlier by the Assistant Chief Officer (Resources) it was noted that the Force Management Statement had been prepared and submitted to HMICFRS and that a summary would be made available to the Committee at its next meeting.

Agreed – That a summary of the Force Management Statement be submitted to the next meeting of this Committee.

- 276** **CONFERENCES** – The Chair provided feedback on the National Police Audit Group Conference that he had attended in Warwick on 12.07.18. The event provided a valuable opportunity for networking with colleagues. He advised that over 30 JIAC members were present and that there were some interesting contributors, most notably Suzanne McCarthy, the Chair of the MOPAC JIAC. It was noted that the MOPAC JIAC did not have any members with audit or finance qualifications.

He referred to a number of issues discussed, including the importance of annual appraisals, perceptions of JIACs, links with annual governance statements, terms of office and succession planning and the inconsistency in terms of reference.

It was noted that it was felt that there were issues about credibility and the lack of gravitas of some JIACs that had differing structures, roles and responsibilities. The Head of Audit referred to the fact that he was aware that some of the inconsistencies and issues were borne out of the fact that in some areas the membership was made up of former police authority members who were having difficulty in coming to terms with the changes that had been made to the governance structure in policing.

The Chairman referred to the ability to be able to use members as a valuable source of consultancy as part of a two way process and that he felt that having a pen picture of members was an advantage as this provided a basis for identifying what they could offer. The Deputy Chief Executive and Treasurer indicated that this information could be included in the Committee’s Annual Report.

The Chief Executive thanked the Chairman for attending and indicated that we were proud of our JIAC and the relationships that had been developed with members. She also commented on the importance of benchmarking against others in order to seek to achieve continuous improvement.

The Deputy Chief Executive advised members that a “Development Day for Police Audit Committees” is due to be held in York on 19.09.18 and that there was an “Introduction to the Knowledge and Skills of the Audit Committee” event in London on 20.09.18.

Agreed – It was agreed that the Chairman’s report of the event at Warwick University be noted and that the Deputy Chief Executive and Treasurer should provide the Chairman with details of the other events so that he could coordinate possible attendance.

- 277** **ANY OTHER BUSINESS** – The Deputy Chief Executive and Treasurer reported that the Home Office had updated the Financial Management Code of Practice. This had been laid before Parliament and was effective from 24.07.18. A copy had been posted on the Members; website. The amendments to the Code had principally dealt with issues relating to the arrangements where a PCC took responsibility for Fire and Rescue but there were other changes such as the inclusion of revised provisions in respect of reserves. The updated Code would be used to inform future reviews and changes to the PCC’s Code of Corporate Governance and Standing Orders and Financial Regulations.

The Deputy Chief Executive and Treasurer also reported that in response to a recent request for clarification of the audit arrangements for the Estates function that was now being carried out jointly he had indicated that he expected that internal audit would be provided by the OPCC for West Yorkshire and that the external auditors would be Mazars.

CONFIDENTIAL ITEMS

- 278** **RISK MANAGEMENT UPDATE** – The Deputy Chief Executive and Treasurer submitted a confidential report that provided the latest position in connection with risks being managed within the OPCC and the Force.

Agreed - That the report be noted.