

**HUMBERSIDE POLICE/OFFICE OF THE POLICE & CRIME COMMISSIONER**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**MONDAY, 8 JUNE 2020**

**PRESENT**

**Members:**

Doug Chapman (Chair), Martin Allingham, James Doyle, Pam Jackson, Andrew Smith, Mandy Thomlinson and Clive Vertigans

**Officers**

Humberside Police (HP)

Jim Wright - Head of Finance and Business Services/S.151 Officer

Office of Police and Crime Commissioner (OPCC)

Keith Hunter - Police and Crime Commissioner, Martyn Ransom - Deputy Chief Finance Officer (OPCC), Paul Wainwright - Assurance Manager (OPCC), and Kevin Wilson - Chief Finance Officer (OPCC)

Auditors

Gavin Barker (External Audit), Neil Rickwood (Internal Audit), and Julie Wraithmell-Giggall (Internal Audit)

Committee Manager

Gareth Naidoo

**1/20 APOLOGIES FOR ABSENCE** - Apologies for absence were received from Rachel Cook - Chief Executive (OPCC), Lee Freeman - Chief Constable, and Donna Tranter - Head of Corporate Development (HP)

**2/20 MINUTES OF THE MEETING HELD ON 9 DECEMBER 2019 - Agreed** - That the minutes of the meeting held on 9 December 2019 be confirmed as a correct record, subject to the following amendments:

- (i) With regard to Minute 371 it was noted that comments relating to Release Under Investigation (RUI) only referred to being raised at a meeting of the HMIC Governance Board attended by Mandy Thomlinson and the former Deputy Chief Executive and Treasurer (OPCC). At the following meeting of the Board, where HMICFRS were present along with Andrew Smith, RUI was not discussed.
- (ii) The meeting of the Committee of 9 December 2019 concluded at 12.10pm.

Matters arising

- Minute 373 - Professional Standards Department - a briefing was still due to be received on the revised arrangements for dealing with complaints.
- Minute 377 - Decoupling of joint HR function with South Yorkshire Police - the OPCC had been updated and a final senior team had now been put in place. A further update would follow in due course.

- Minute 384 - Venues for future meetings - agreement had been reached with the chair that meetings would now take place either at Force Headquarters or the Office of Police and Crime Commissioner. It was also confirmed that it had been agreed with the Chair to hold Member Development sessions off-site at the appropriate points throughout the year.

**Agreed -**

- (a) That a briefing on the revised arrangements for dealing with Force complaints be placed as a reserve item on Annual Cycle of Business and added to a future meeting agenda at the appropriate time;
- (b) That an updated on the decoupling of the joint HR function with South Yorkshire Police placed as a reserve item on Annual Cycle of Business and added to a future meeting agenda at the appropriate time;
- (c) That an action schedule be produced for monitoring and tracking completed actions.

**3/20 COMMENTS FROM COMMITTEE FOLLOWING 23 MARCH 2020 PAPERS - Agreed**

- That the comments made by Members following the circulation of the cancelled meeting papers of 23 March 2020 and resultant actions be approved.

It had now been arranged for Internal Audit reports that provided reasonable, limited or inadequate assurance to be placed on the Committee's secure portal on the OPCC website.

**4/20 ANNUAL CYCLE OF BUSINESS - The Committee received the updated Annual Cycle of Business.**

A Member noted that the Committee was responsible for independent assurance to the PCC and Chief Constable on the adequacy of the governance and risk management frameworks and queried the complete omission from the risk register of the judicial review, to which the Chief Constable was a defendant, given the potential impact on reputation and public confidence. The PCC agreed it should have been included on the risk register and said the process was being reviewed.

**Agreed -**

- (a) That the Annual Cycle of Business be approved;
- (b) That an update on the Force Risk Management Register be brought to the next meeting.

**5/20 DETAILED TIMETABLE OF MEETINGS 2020/21 - Agreed - That the Detailed Timetable of Meetings 2020/21 be approved.**

**6/20 SINGLE ISSUE SPECIAL JIAC 4 SEPTEMBER 2020 TO RECEIVE THE AUDITED ACCOUNTS AND EXTERNAL AUDIT OPINION - Agreed - That an extraordinary meeting of the Committee take place on 4 September 2020 to receive the audited accounts and External Audit Opinion report.**

**7/20 TERMS OF REFERENCE - Agreed - That the Committee's Terms of Reference be approved.**

**8/20 TREASURY MANAGEMENT ANNUAL REPORT - The Committee received a report of the Chief Finance Officer (OPCC) that provided the Police and Crime Commissioner with a review of the treasury management activity and Prudential Indicators for the year 2019/20.**

The report evidenced full compliance with the Commissioner's Prudential Indicators for 2019/20 and provided assurance to Members and the Commissioner that treasury

management activities undertaken during 2019/20 and the Prudential Indicators as outlined in paragraphs 14 and 15 (and detailed in Appendix 1) of the report were done so in line with the requirements of the CIPFA Code of Practice on Treasury Management and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

### **Investment Activity**

The Commissioner's temporary investments totalled £3.9m as at 31 March 2020. Interest earned during 2019/20 was £5,000 higher than originally budgeted for in respect of investment activity for the year, due to more favourable interest rates than anticipated.

#### Short-Term Borrowing

The Commissioner seeks to minimise the use of short-term borrowing to fund temporary cash shortfalls. The Commissioner did make use of short-term borrowing during the course of the year.

#### Long-Term Borrowing

Long-term loans are taken out either to replace existing loans which have matured or to fund capital expenditure. Under the Prudential Regime there are no longer centrally imposed limits on borrowing, but individual Commissioners are required to determine themselves what is a sustainable and affordable level of borrowing as an integral part of their Medium-Term Financial Planning processes.

The Commissioner's average level of borrowing was £66.7m for 2019/20, on which £1.7m of interest was payable. The Commissioner repaid £3.4m of PWLB debt upon maturity and took new borrowing of £3m. Closing PWLB debt at 31 March 2020 was £65m.

### **Prudential Indicators**

Appendix 1 details the agreed Prudential Indicators for 2019/20 and the actual figures for 2019/20. During the financial year the Commissioner operated wholly within the limits approved.

#### Capital Expenditure

The Chief Finance Officer/S.151 Officer considers the current capital programme to be affordable and sustainable with the revenue effects of capital investment built into the Medium-Term Resource Strategy. Through the Medium-Term Financial Planning Process, the Commissioner has aligned resources to key strategic priorities.

#### Treasury Management

Based on the Operational Boundary definition, external debt at 31 March 2020 was £85m below the agreed Operational Boundary for 2019/20 and the maturity structure for both borrowing and investments remain within the approved upper and lower limits. Subsequent borrowing or re-scheduling during 2020/21 will take into account prevailing interest rates on offer from the Public Works Loans Board, the current maturity structure of loans, balanced with the need to reduce capital risk by keeping down cash-balances.

Members questioned why only £20m was being spent per year if the level of borrowing was £120m. It was explained that the £20m was the expenditure for one year and that the £120m was a historical accumulation of borrowing based on previous capital expenditure. There was now a plateau in borrowing required to finance the capital programme after the requirements for the Melton 2 project had been factored in and the capital programme returns back down to the more recognisable level required for IT, vehicles and estates refurbishment.

**Agreed** - That the report be received.

**9/20 YEAR-END FINANCIAL OUTTURN 2019/20** - The Committee received a joint report of the Chief Finance Officer (OPCC) and the Head of Finance and Business Services (HP) that provided the financial outturn performance of Humberside Police, the Police and Crime Commissioner for Humberside and the Capital Charges that have been incurred for the 2019/20 financial year.

Net expenditure of £192.728m against an outturn of £190.748m saw an underspend of £2.250m, with £2.091m of that underspend coming from the Capital Financing element of the group budget as a result of the decision to review the calculation of the Minimum Revenue Provision and move it onto the asset life annuity method (MHCLG Option 3b) which more accurately reflected the consumption of the asset that the borrowing has funded. This change had resulted in savings of £2.027m in 2019/20.

The significant underspend on the Capital Programme was the building works at Melton 2 (Underspend of £4.143m) due to delays in this project. Other smaller underspends related to Scunthorpe Police Station (£0.624m), Smart contact (£0.452m) due to a delay in implementation and Personal Computers (£0.496k) due to recycling existing hardware.

The savings target for 2019/20 was £3.750m and the Chief Constable had achieved this target during 2019/20 with significant savings achieved in the following areas:

- £1.600m due to a reduction in the number of PCSOs (the majority remaining with the Force as student officers);
- £0.523m saving on overtime (in addition to the reductions in previous years);
- £0.558m saving on IT support/maintenance and network renewals.

The PCC retained a number of Reserves and a reduction in the use of reserves was due to the re-phasing of a number of partnership schemes during the year and the amendment to the MRP Methodology described at paragraph 2.2 of the report.

Revenue Carry Forwards of £1.3m were requested consisting of £0.657m relating to the increased cost of COVID-19, and other schemes with a total of £0.644m. The Commissioner approved carry forwards of £0.352m with an agreement to review the expenditure incurred on COVID-19 following potential funding from the Home Office.

The financial year had closed in a good position although the COVID-19 accumulation costs would need to be reviewed mid-year as no additional funding had been received from the Government to help Forces offset any accrued costs as a result of COVID-19.

The report was to be used in connection with the PCC Group Annual Accounts and Medium Term Resource Strategy.

Members requested to have sight of the signed-off decision record for Melton 2 and to review the finances project plan, including the utilisation of all other offices that would transfer to the Melton site in due course. It was agreed that the decision record link on the Force website for Melton 2 would be forwarded onto Members and that an update on the Melton 2 Project be provided as part of a future Member Development Session and added to the Annual Cycle of Business.

**Agreed -**

- (a) That the report be received;
- (b) That the link to the Melton 2 Project Decision Record on the Force website be shared with Members;
- (c) That an update on the Melton 2 Project be provided as part of a future Member Development Session and added to the Annual Cycle of Business;
- (d) That the savings target achievement of £3.750m for 2019/20 be commended.

**10/20 INTERNAL AUDIT ANNUAL OPINION REPORT 2019/20** - The Committee received a report of Head of Internal Audit that set out Internal Audit's Annual Opinion on the internal control environment and Outturn Report for 2019/20.

The report provided commentary that Internal Audit's Annual Opinion on the internal control environment for 2019/20 had been assessed, subject to the provisos detailed, as providing reasonable assurance. The report also illustrates how Internal Audit resources had been directed during the 2019/20 financial year, discharging the proposed annual audit programme of 250 days.

The Internal Audit function was provided for the Police & Crime Commissioner and Chief Constable by West Yorkshire OPCC internal audit staff under s22 agreement with the Police and Crime Commissioner for West Yorkshire. The West Yorkshire Internal Audit function was working on a collaborative and liaising where necessary with the SYP auditors regarding collaboration work streams.

This report was initially drafted in mid-March for the meeting of 23 March 2020 that was ultimately cancelled due to the outbreak of COVID-19 and had now been refreshed to take account of recent activity. Amendments had been negligible and due to the timings of the reporting period the impact of the COVID-19 pandemic on the 2019/20 annual report had been minimal.

The report provided assurances on the internal control environment that contributed to the Annual Governance Statement of the Commissioner and the Chief Constable.

The opinion provided was based upon the audit programme undertaken during 2019/20. Of 11 audited areas, six audits were rated as providing reasonable assurance. Out of the remaining audits which provided limited or inadequate assurance, three of these audited areas, namely Payroll, Golden Hour Compliance and Crime Screening, demonstrated a positive direction of travel which was reflected in the opinions provided.

Overall Internal Audit considered that on the basis of the audit work undertaken and subject to the caveats detailed (Appendix A), that this equated to an overall opinion of REASONABLE Assurance, demonstrating a positive direction of travel and reflected the audit opinions provided in several operational areas of business.

**Agreed** - That the report be received.

**11/20 INTERNAL AUDIT PROGRESS REPORT 2020/21** - The Committee received a report of the Head of Internal Audit that set out the current progress against the 2019/20 & 2020/21 Audit Plan.

<b>Summary of Progress against the Audit Plans for 2019/20 &amp; 2020/21</b>	<b>2019/20</b> (as at year end)	<b>2020/21</b> (as at 26 May 20)
Final Reports with Response Received	8	-
Final Reports – Response Awaited	1	-
Final Reports – No Response Required	2	-
Work Completed/ Advice/ briefings provided	1	-
Draft Reports Issued	-	3*
In Progress	-	3
<b>TOTAL</b>	<b>12</b>	<b>6</b>

\*Includes two outstanding audits delayed in agreement with HP from 19/20 audit programme.

Since March 2020 the remaining reports for 2019/20 had/were currently being finalised and had been attached as summaries in Appendices B-D of the report. Two outstanding audits still in progress, namely GDPR and Use of Force, would now be incorporated into and reported as part of the 2020/21 audit cycle.

Audit activity and progress on the 2020/21 audit plan (Appendix A) highlighted that six audits have commenced. The audit plan was risk based and an early decision during the COVID-19 lockdown was made with the Chief Officer Team to carry on with the audit schedule as planned wherever practicable. It was agreed where necessary to provide support and assurance in emerging areas of risk as a result of the pandemic.

The outbreak of COVID-19 had heralded in a new age of agile working and therefore auditing was now taking place as much as possible via video conferencing, although there were still elements of the audit that still required in person face-to-face input.

It was highlighted that out of the 42 recommendations made by Internal Audit, 30 were significant. The Force now had a new Payroll Manager in post who would be working their way through all the recommendations and would be putting together a full response in due course but for the interim the Force's S151 Officer was satisfied that the Force was moving in the right direction.

### Golden Hour Compliance (Appendix B)

Following the introduction of the new arrangements compliance was stated as typically being between 90 and 95 percent, representing a significant improvement. However it was queried if best practice could be gleaned from other Forces to help improve this compliance rate. The Head of Internal Audit agreed to look into if there were any areas where best practice could be gleaned or implemented.

With regard to 'Inefficient Process' whereby Connect did not allow copying from mobile (pronto) devices, requiring officers to re-enter information into Connect, Members requested that the Head of Internal Audit look into this further.

It was noted that 'Feedback Process' for the North & South Banks were different, despite it being one Force area. Members felt a more consistent approach was required across both banks of the Humber.

It was acknowledged that Internal Audit update needed to be placed higher up the Force Audit agendas.

### **Agreed -**

- (a) That the report be received;
- (b) That Internal Audit provide an update at a future meeting on areas where best practice can be gleaned or implemented.

**12/20 EXTERNAL AUDIT - UPDATE ON COMPLETION OF THE 2019/20 ANNUAL AUDIT**  
- The Committee received a report from External Audit (Mazars) that provided the Committee with an update on progress in delivering its responsibilities as external auditor and summarised key national publications that might be of interest to Members.

In April 2020 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations were to change the dates that local authorities, and police and fire bodies, were required to publish draft and final accounts, and to remove the 'common' period during which local electors could inspect and object to local authority accounts. The key changes for publication of draft and final accounts were as follows:

- The deadline for authorities to publish draft financial statements moves from 31 May to 31 August 2020.
- The deadline for publication of final (audited) financial statements moves from 31 July to 30 November 2020.

The requirement for a 'common' inspection period had been removed but the requirement to hold a 30-working-day inspection period remained, but for 2019-20 authorities, including police bodies, could commence the inspection period at any time, except it had to commence no later than 1 September 2020. This would allow authorities to produce their draft accounts and commence their inspection periods as soon as they are able. The impact of the changes on the audit timetable were detailed within the report and the current plan was that External Audit would still present its Audit Completion Report to the Committee on 28 September 2020, and that the audit opinion, VFM conclusion and certificate would be issued as soon as possible thereafter.

The Chair commended the work of External Audit for the Force.

**Agreed** - That the report be received.

**13/20 FORCE UPDATE - FEEDBACK FROM THE FORCE HMICFRS ASSURANCE GROUP** - The Committee received verbal updates from Committee Members who attended (on a rolling basis) monthly meetings of the Force HMICFRS Assurance Group.

The following aspects were noted:

- New Connect System would be coming online imminently.
- An update on sourcing of a new IT system was provided by the Head of Corporate Development (HP).
- Pre-meetings of the Assurance Group had been renamed to reflect the new approach being taken for the Group's meetings.
- The Deputy Chief Constable had closed a meeting of the Group stating the Force's ambition, given the positive direction of travel, that it could become an Outstanding Force and the Committee supported this aspiration.
- At a further meeting attended by Andrew Smith, the HMICFRS Staff Officer (Ted Allen), also complimented the direction of travel the Force was heading in.

**Agreed** - That the updates be received.

**14/20 ANY OTHER BUSINESS** - None.