

HUMBERSIDE POLICE/OFFICE OF THE POLICE & CRIME COMMISSIONER

**JOINT INDEPENDENT AUDIT COMMITTEE**

MONDAY, 22 MARCH 2021

**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)

Martyn Ransom - Deputy Chief Finance Officer, Clare Rex - Statutory Operations Manager and Kevin Wilson - Chief Finance Officer

Auditors

Louise Allison (External Audit), Gavin Barker (External Audit) and Neil Rickwood (Internal Audit)

Committee Manager

Gareth Naidoo

**1/21 MINUTES OF 14 DECEMBER 2020 - Agreed** - That the minutes of the meeting held on 14 December 2020 be confirmed as a correct record.

**2/21 JIAC ACTION SCHEDULE** - The Committee received an update on its Action Schedule.

**Agreed** - That the Annual Cycle of Business be included as standing item alongside the Action Schedule on every agenda.

**3/21 ANNUAL CYCLE OF BUSINESS 2021/22** - The Committee received a draft annual cycle of business for 2021/22.

**Agreed** -

(a) That the Annual Cycle of Business 2021/22 be approved;

(b) That the Risk Register be regularly published on the website in order to support the Committee's bi-annual review of this.

**4/21 REVISED COMPLAINTS PROCESS UPDATE** - The Committee received a presentation update on the complaints process from Clare Rex - Statutory Operations Manager (OPCC).

The PCC was the review body for the majority of complaints about the Force and the process was managed by the Statutory Operations Manager.

To date 110 review applications had been received, of which 71 had been dismissed and 22 upheld. The remaining 17 applications were either invalid, had been withdrawn or were in progress/awaiting review.

All recommendations to date had been accepted and undertaken by the Force.

**Agreed** - That the Committee receive future updates on a bi-annual basis.

**5/21 DRAFT ANNUAL GOVERNANCE STATEMENT - CHIEF CONSTABLE** - The Committee received the draft Annual Governance Statement of the Chief Constable.

The Annual Governance Statement (AGS) demonstrated the governance arrangements in place for the Chief Constable for the Force, including how the effectiveness of the framework was evaluated and monitored. The statement also outlined significant governance issues and any planned changes.

The Force demonstrated that it operated in accordance to its principles by meeting the following standards:

- The Leadership Team was able to demonstrate that the Force provides value for money
- The Force complied with the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014)
- The Leadership Team demonstrated in its actions and behaviours responsibility for governance and internal control
- The Force complied with the CIPFA Delivering Good Governance, Guidance Notes for Policing Bodies in England and Wales (2016)
- The financial management style of the Force supported financial sustainability
- The Force had carried out a credible and transparent Financial Resilience Assessment
- The Force understood its prospects for financial sustainability in the longer term
- The Force complied with the CIPFA Prudential Code for Capital Finance in Local Authorities
- The Force had a rolling multi-year Medium Term Resource Strategy (MTRS)

Whilst the Financial Resilience Assessment was not formalised, the key elements were met - the MTRS was risk based and provided the Force with the ability to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment.

It was noted that the Committee met five times a year, rather than quarterly as stated in the draft statement and that this should be corrected.

The Head of Finance and Business Services/S.151 Officer (HP) agreed to check if a good level of custody support had been maintained over the last year.

**Agreed** - That Annual Governance Statement (Chief Constable) be received.

**6/21 DRAFT ANNUAL GOVERNANCE STATEMENT - POLICE & CRIME COMMISSIONER** - The Committee received the Annual Governance Statement of the Police & Crime Commissioner.

The Annual Governance Statement (AGS) demonstrated the governance arrangements in place for the Police and Crime Commissioner (PCC) for Humberside Police area, including how the effectiveness of the framework was evaluated and monitored. The statement also outlined significant governance issues and any planned changes.

The PCC had adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Guidance: Delivering Good Governance in Local Government. This statement explained how the PCC had complied with the Code and met the requirements of the Accounts and Audit Regulations 2015, requiring all relevant bodies to prepare an Annual Governance Statement (AGS) and publication of a statement on internal control.

The PCC had responsibility for conducting a review of the effectiveness of the governance framework. The review of effectiveness was informed by the work of the OPCC Leadership Meeting, who had responsibility for development and maintenance of the governance environment and the Annual Report and Audit Opinion of the Head of Internal Audit (OPCC West Yorkshire), as well as comments by External Auditors and other review agencies and inspectorates. Overall governance arrangements were considered to be fit for purpose, with minor improvement opportunities in respect of collaborative working as outlined in the statement.

It was noted that the Committee was still due to receive an update on the outcome of the Judicial Review. It was clarified that the as part of the Annual Business Cycle 2021/22 the Committee would receive an update on this in due course.

**Agreed** - That the Annual Governance Statement (Police & Crime Commissioner) be received.

**7/21 DECLARATIONS OF GIFTS, HOSPITALITY AND SPONSORSHIP** - Links to the Force and OPCC website were provided to Members in advance of the meeting to view any officer declarations of gifts, hospitality and sponsorship over the past year.

It was noted that the PCC Register of Interest only detailed interests since taking up office in 2016 and was queried whether this should be updated annually. It was agreed that the Chief Finance Officer would look into this matter further.

**Agreed** - That the update be noted.

**8/21 TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22** - The Police and Crime Commissioner (PCC) was required to operate a balanced budget, which broadly meant that cash raised during the year would meet cash expenditure. Part of the treasury management operation was to ensure that this cash flow was adequately planned, with cash being available when it was needed. Surplus monies were invested in low risk counterparties or instruments commensurate with the PCC's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service was the funding of the PCC's capital plans. Those capital plans provided a guide to the borrowing need of the PCC, essentially the longer-term cash flow planning, to ensure that the PCC could meet his capital spending obligations. This management of longer-term cash might involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it was prudent and economic, any debt previously drawn might be restructured to meet a risk or cost objectives.

The PCC's capital expenditure plans were the key driver of treasury management activity. The output of the capital expenditure plans was reflected in the prudential indicators, which were designed to assist the PCC's overview and confirm capital expenditure plans.

Capital expenditure £m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
<b>Total</b>	<b>18.097</b>	<b>28.573</b>	<b>7.179</b>	<b>3.521</b>	<b>8.390</b>

The table below summarised the above capital expenditure plans and how those plans were being financed by capital or revenue resources. Any shortfall of resources resulted in a funding borrowing need.

Financing of capital expenditure £m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Net financing need for the year	17.761	28.386	7.179	3.521	8.390

The second prudential indicator was the PCC's Capital Financing Requirement (CFR). The CFR was simply the total historic outstanding capital expenditure which had not yet been paid for from either revenue or capital resources. It was essentially a measure of the PCC's indebtedness and indicates underlying borrowing need. Any capital expenditure above, which had not immediately been paid for, would increase the CFR.

The CFR did not increase indefinitely, as the minimum revenue provision (MRP) was a statutory annual revenue charge which broadly reduced the indebtedness in line with each assets life, and so charged the economic consumption of capital assets as they were used. The PCC was asked to approve the CFR projections below:

£m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
<b>Capital Financing Requirement</b>					
Total CFR	102.336	127.031	128.869	126.014	127.413
CFR as a % of Budget Requirement	51.49%	60.32%	58.92%	56.26%	55.63%
Movement in CFR	15.382	24.695	1.838	(2.855)	1.399
<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	17.761	28.386	7.179	3.521	8.390
Less MRP/VRP and other financing movements	(2.379)	(3.691)	(5.341)	(6.376)	(6.991)
<b>Movement in CFR</b>	<b>15.382</b>	<b>24.695</b>	<b>1.838</b>	<b>(2.855)</b>	<b>(1.399)</b>

This table showed CFR increased to circa 60 per cent of Budget Requirement (BR) over the period 2021/22 to 2024/25, before beginning to fall.

#### **Agreed -**

- (a) That a paragraph be added to reference potential impact of public sector pay.
- (b) That the report be Statement be updated to reflect the latest budget and reference to the extended furlough schemes.

**9/21 CIPFA FINANCIAL MANAGEMENT CODE** - The Chartered Institute of Public Finance & Accountancy (CIPFA) had developed the Financial Management Code (FM Code), which set out the principles by which authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve.

The FM Code was designed to be flexible to the nature, needs and circumstances of individual authorities. It was up to each authority to determine the extent to which it complied with the FM Code and to identify what action it might wish to take to better meet the standards that the FM Code set out.

**Agreed** - That the significant compliance demonstrated by the self-assessment against the FM Code be noted and that the areas of partial compliance be developed further during 2021/22.

**10/21 EXTERNAL AUDIT - PROGRESS REPORT** - External Audit (Mazars) of the Police and Crime Commissioner and Chief Constable's 2019/20 financial statements and value for money conclusion was completed on 27 November 2020. On the same day, External Audit issued a final follow up letter to our Audit Completion Report.

External audit commenced its initial planning for the 2020/21 audit, but due to slippage in the 2019/20 audit a detailed planning work would take place later than normal. Auditors held regular discussions with the officers to ensure emerging issues that might impact on the external audit were up to date.

During 2019/20 that the National Audit Office had updated their Code of Audit Practice and the new Code applied from the 2020/21 audit. The new Code changed the work that auditors would be required to do, and the related reporting, on the Police and Crime Commissioner and Chief Constable's arrangements to deliver value for money in their use of resources.

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

**11/21 EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2019/20** - The Annual Audit Letter summarised the work undertaken by external auditors for the Police and Crime Commissioner for Humberside and the Chief Constable for Humberside for the year ended 31 March 2020. Although the letter was addressed to the PCC and Chief Constable, it was designed to be read by a wider audience including members of the public and other external stakeholders.

The auditor's report issued on 26 November 2020 included the opinion that the financial statements:

- gave a true and fair view of the PCC and Chief Constable's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The auditor's report included the opinion that the other information in the Statement of Accounts was consistent with the audited financial statements. The auditor's report included an 'except for' qualification on the Value for Money conclusion in respect of the PCC and Chief Constable's arrangements to secure economy, efficiency and effectiveness in the use of resources. This was due to weaknesses in the collaborative provision of information services with a neighbouring Force.

Following completion of the audit, auditors revisited the fees for 2019/20. In addition to the increase in the base audit fee, there had been some one-off increases in the audit fee for the 2019/20 audit year, and mainly relate to audit issues arising from the Covid-19 pandemic and other matters. Any variations to the final fee would also require the approval of Public Sector Audit Appointments Limited, which managed the contracts for our work.

**Agreed** - That the Annual Audit Letter 2019/20 be received.

**12/21 EXTERNAL AUDIT - AUDIT STRATEGY MEMORANDUM 2021/22** - The audit approach was designed to provide an audit that complied with all professional requirements.

The audit of the financial statements would be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, Mazars' own audit approach and in accordance with the terms of its engagement. Mazars' work was focused on those aspects of business which it considered to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which had been found to contain material errors in the past.

The audit approach was a risk based approach primarily driven by the risks considered to result in a higher risk of material misstatement of the financial statements. Once completed

auditors would develop an audit strategy and design audit procedures in response to the assessment.

If it be concluded that appropriately designed controls were in place then auditors might plan to test and rely upon those controls. If it was decided the controls were not appropriately designed, or it would be more efficient to do so, auditors might take a wholly substantive approach to audit testing.

The audit would be planned and performed so as to provide reasonable assurance that the financial statements were free from material misstatement and give a true and fair view.

Due to the Redmond Review findings, the Government had agreed for the next two years that the audit completion would be extended to September.

**Agreed** - That the Audit Strategy Memorandum 2021/22 be received.

**13/21 INTERNAL AUDIT - ANNUAL STRATEGY & PLAN 2021/22** - The Internal Audit Strategy set out the methodology used by Internal Audit to determine the Internal Audit Plan.

Internal Audit's annual plan provided the Force and PCC with an independent opinion and appropriate assurances on the internal control environment. The Audit Strategy and Audit Plan defined the strategic approach and established audit coverage for 2021/22, providing a detailed plan split into two six month periods. The plan also provided for an audit contingency which allowed for flexibility and a midyear review of the audit plan would take place to ensure any emergent risk could be considered.

**Agreed** - That the Annual Audit Strategy & Plan 2021/22 be received.

**14/21 INTERNAL AUDIT - PROGRESS REPORT** - The Progress Report monitored the delivery of work undertaken in relation to the provision of shared Internal Audit services as per the Joint Service arrangements between West Yorkshire and Humberside Police & Crime Commissioner (PCC) and the respective Police Forces.

<b>STATUS OF AUDITS</b>	<b>2020/21 (as at 10 Mach 21) APPENDIX A</b>
Final Reports with Response Received	5
Final Reports – Response Awaited	-
Final Reports – No Response Required	1
Work Completed/ Advice/ briefings provided	-
Draft Reports Issued	4
In Progress	3
<b>TOTAL</b>	<b>13</b>

Since the last Committee meeting in December 2020 continued progress had been made against the 2020/21 audit plan and in total there had been audit activity across thirteen audit assignments. One audit had been finalised with management responses (Follow-Up: IS Governance & Financial Management). This provided LIMITED assurance but with a 'positive direction of travel'. Currently a further four audit are in draft. All those audits would all be made available to the JIAC members on the member's portal once finalised.

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

**15/21 FEEDBACK FROM THE FORCE HMICFRS ASSURANCE GROUP** - None.

**16/21 ANY OTHER BUSINESS** - Martin Allingham and Clive Vertigans' terms of office were due to expire on 31 March 2021, making the current meeting their final one as Members of the Committee. The Chair of the Committee registered his thanks, on behalf of the Committee, to their valuable and effective contributions to the Committee since its inception. Similarly,

Kevin Wilson - Chief Finance Officer, on behalf of officers extended thanks to Clive and Martin's work over the years and the challenge they had brought to the table.