



**Lancashire
Constabulary**
police and communities together

INTERIM COMBINED AUDIT COMMITTEE

**MONDAY, 16 SEPTEMBER 2013 AT 1.30 PM
IN THE DUKE OF LANCASTER ROOM (FORMER CABINET ROOM
C), COUNTY HALL, PRESTON**

MINUTES

PRESENT

Mrs Paula Goulding
Ms Jacqueline Pratt
Mr Doug Soper - (Chair)
Mr Keith Williams

IN ATTENDANCE

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| Mr I Cosh | Chief Financial Officer, Lancashire Constabulary |
| Mr S Giles | Professional Standards Department, Lancashire Constabulary |
| Mrs L Kitto | Chief Financial Officer, Office of Police and Crime Commissioner |
| Mrs R Tanner | Audit Manager, Internal Audit |
| Mr M Thomas | Engagement Lead, External Audit |
| Mrs G Jones | Audit Manager, External Audit |

SECRETARIAT

| | |
|-------------------|--|
| Mrs B Wood | Policy & Performance Officer, Office of Police and Crime Commissioner |
| Mr S P Southworth | Administrative Officer, Office of Police and Crime Commissioner |

APOLOGIES FOR ABSENCE

No apologies for absence were presented.

DISCLOSURE OF MEMBERS INTERESTS

No declarations of interest were made at the meeting.

MINUTES OF THE MEETING HELD ON 1 JULY 2013

With regard to Resolution No. 20 – Annual Governance Statement 2012/2013 – Constabulary – it was reported that one of the areas identified as significant issues for the forthcoming year should, more accurately, read as follows:-

- HMIC Inspection Findings – national context regarding the use of the **stop and search** powers

Subject to that minor amendment, the minutes were approved.

30 RESOLVED: That the minutes of the meeting held on 1 July 2013 be approved [and signed by the Chair], subject to the amendment with regard to Resolution No. 20 to reflect the revised wording in relation to the use of stop and search powers.

MATTERS ARISING

An update was provided on:

- Appointment of permanent Chair of the Joint Audit Committee – the Police and Crime Commissioner's Chief Finance Officer advised that interviews would be held on Tuesday 17 September 2013
- Annual Governance Statement 2012/2013 – the Police and Crime Commissioner's Chief Finance Officer advised that the Committee had previously noted the Annual Governance Statements for both the Police and Crime Commissioner and the Constabulary – it had, however, subsequently come to light that there had been an omission from both Statements, in relation to the inclusion of an explicit statement confirming that financial management arrangements conformed to CIPFA requirements – the Committee was assured that this omission would be rectified in the final version of the documents.

31 RESOLVED: That the updates be noted.

EXTERNAL AUDIT – AUDIT FINDINGS REPORT

The Engagement Lead, External Audit, presented the Audit Findings Report for the Police and Crime Commissioner and the Chief Constable for the year ended 31 March 2013.

Key messages from the audit were reported, and the Committee was advised that it was expected that an unqualified value for money conclusion would be given to the Commissioner and the Chief Constable.

The work of the External Auditor's had not identified any control weaknesses which required to be brought to the Committee's attention.

Details of audit findings; audit findings against significant risks; audit findings against other risks; accounting policies, estimates and judgements, value for money; and fees, non-audit services and independence, were presented.

In response to a query in relation to value for money, commissioning and new scrutiny arrangements, the Engagement Lead advised that it was the responsibility of the Auditors to look at the arrangements in place in relation to risk management, and issues in relation to 'customer need' had not specifically been looked at. The Engagement Lead advised that the Auditors had complied with the requirements of the Audit Commission, and other issues would be picked up by Her Majesty's Inspectorate of Constabulary.

The Engagement Lead wished to place on record his thanks to Finance staff and other officers in both the Commissioner's office and the Constabulary for their assistance over the course of the audits; and the Audit Manager commented that responses to requests for information, and the timeliness of those responses, had been very helpful.

32 RESOLVED: That the report be noted.

RECEIPT OF AUDITED STATEMENT OF ACCOUNTS 2012/13

The Police and Crime Commissioner's Chief Finance Officer presented the 2012/13 Statement of Accounts for the Police and Crime Commissioner and the Chief Constable, together with a summary of the process of preparation and the main points of the Statements, prior to the 'signing off' of the accounts by the Commissioner and the Chief Constable on 25 September 2013 .

The Statements including Group Accounts were presented as Appendices 'A' and 'B'.

The Chief Finance Officer advised that the main issue in compiling the group accounts had been the treatment of the pension liability. Agreement on an approach had been reached with the external auditors and the proposed treatment in the accounts had been accepted.

The Chief Finance Officer also advised the Committee that the statements reflected the underspend of £5.6m in Revenue Spending in 2012/13 that had been reported previously to the Commissioner. The reason for the underspend was due mainly to the early achievement of savings from a number of organisational reviews; management of vacancies and overtime for police officers and police staff; and a general 'spend less' approach.

The Chief Finance Officer further advised that, from April 2014, a major review of the way in which financial information is presented would be required, to reflect the Stage 2 transfers of staff to the Chief Constable. These changes would only come in to force when compiling the financial statements for the 2014/15 financial year.

In response to a query in relation to the revenue underspend, and as to whether there was a system in place which would demonstrate service implications for citizens, the Chief Finance Officer advised that there was an established scrutiny system in place for the Commissioner to scrutinise performance. The Chief Constable's Chief Finance Officer further advised that the underspend was 'in-year', but might well vary from year to year, and impact assessments were factored in to decisions which were taken.

Some concern was expressed that net expenditure in relation to the Regional Air Support service had risen by 30%. The Chief Constable's Chief Finance Officer advised that, following the establishment of the National Police Air Support service, from January 2013, overall costs should reduce.

Some concern was also expressed that the amount of outstanding debt had almost doubled over the previous twelve months period, although the Chief Constable's Chief Finance Officer assured the Committee that this was not a risk.

In response to a query in relation to there being two separate Governance Statements, one for the Commissioner and one for the Chief Constable, which appeared to be bulky and repetitive documents, the Commissioner's Chief Finance Officer advised that there was a requirement to produce separate Statements.

In response to a further query in relation to the Home Office review of the funding formula for police and crime budgets, the Commissioner's Chief Finance Officer advised that this was in the very early stages and would not be introduced until April 2016 at the earliest.

In conclusion, the Chief Constable's Chief Finance Officer advised that, whilst the issues were becoming increasingly complex, the Explanatory Foreword had been compiled in a way to ensure the accounts and the overall financial position for both organisations was clear.

Two Letters of Representation, in connection with the audit of the Financial Statements of the Police and Crime Commissioner and the Chief Constable were presented for approval, which were due to be signed by both Chief Finance Officers, the Commissioner and the Chief Constable, to be sent to the District Auditor as part of the formal approval process.

33 RESOLVED:

- a) The Committee noted the Police and Crime Commissioner's and the Chief Constable's (and Group) Accounts for 2012/13 in advance of the formal signing off by the Police and Crime Commissioner and the Chief Constable respectively at the end of September 2013; and

- b) The Committee approved the Letters of Representation, as presented at Appendix 'C', and noted that these will be signed by the Chief Finance Officer(s), the Commissioner and the Chief Constable, and sent to the District Auditor as part of the formal approval process

INTERNAL AUDIT MONITORING REPORT UP TO 31 AUGUST 2013

The Committee considered the internal audit monitoring report for the period 1 April 2013 to 31 August 2013, which provided a brief summary of internal audit activity during the first five months of the 2013/14 financial year.

It was reported that no key issues had been identified that had implications for the internal control environment as a whole.

A brief summary of each review undertaken was presented which set out the planned and actual days spent on each review, together with a summary of the assurance provided.

In particular, the Internal Audit Manager advised that, in addition to the planned reviews, a review of the Office of the Police and Crime Commissioner key financial procedures had been undertaken at the request of the Commissioner's Chief Financial Officer. Whilst it had been identified that transactions were appropriate for the Office of the Police and Crime Commissioner, and were on the whole appropriately authorised and recorded, there were a few areas where controls could be either improved or efficiencies made to the current procedures operated. These had been discussed with the Commissioner's Chief Finance Officer and steps were being taken to implement these.

The Internal Audit Manager further advised that the scope of the review of governance arrangements had been shared with senior staff within Constabulary and the Office of the Police and Crime Commissioner, and was hoped to be completed by the end of October 2013.

The Internal Audit Manager also made reference to a small number of duplicate payments that had been identified, relating to three suppliers, and it was intended to follow up the circumstances of the duplicate payments as part of a review of the accounts payable system starting in October 2013.

34 RESOLVED: That the Report be noted.

INSPECTION REPORTS

a) INTEGRITY AND STANDARDS UPDATE

The Head of the Constabulary's Professional Standards Department presented a report to advise the Committee of national and local developments around the 'police integrity' agenda.

The Committee was informed that there was still a drive towards a 'beefed up' IPCC, but that the Constabulary would still need a strong Professional Standards Department – the Professional standards Department was held to account by the Strategic People Board.

The Committee was also informed that the Constabulary had responded to a Home Office consultation document on proposed changes to the police disciplinary system – some concern was expressed at a proposal to restrict the right to legal representation for police officers at misconduct hearings, as it was felt that everyone was entitled to a fair hearing, including representation.

The Committee was also advised that Constabulary currently had approved 454 'business interests'. There had been 57 applications to-date in 2013/14, with over a third of those being around property rentals. There had been a significant up-take in gifts and hospitality, which was scrutinised and reported back to the Constabulary's Chief Finance Officer – 60 offers had been accepted, and 18 rejected.

b) INSPECTION ACTIVITY UPDATE AUGUST 2013

The Constabulary's Chief Financial Officer presented a report to advise of inspection activity up to the end of August 2013 on issues such as undercover policing; strategic policing requirement; child sexual exploitation; domestic violence; crime recording; effective local policing; leadership and culture; valuing the police 3; and stop and search. He advised that some significant inspections were ongoing, whilst others were in the pipeline.

With regard to Child Sexual Exploitation, the Chief Financial Officer advised that Lancashire was unlikely to be selected in recognition of demonstrating good practice in this area, and approaches to multi-agency investigation.

A view was put forward that the report into Valuing the Police 3 had been an impressive report, and it was reported that the Constabulary's Sustaining Excellence Team had received many plaudits for this.

35 RESOLVED: That the updates be noted.

URGENT BUSINESS

No matters of Urgent Business were reported.

OUTWARD COMMUNICATION

The Committee was asked to consider if:-

- a) There were any key messages arising from the meeting which should be sent to:-
 - i) The press / public

- ii) Local / regional / national bodies
- b) The Police and Crime Commissioner's / Constabulary's press / public relations teams should be asked to consider whether any consultation / research on any particular matters arising from the meeting should be undertaken.

36 RESOLVED: The Committee agreed that no further action was necessary.

DATE OF NEXT MEETING

37 RESOLVED: That it be noted that the next scheduled meeting of the Committee was due to be held at 1.30pm on Monday 2 December, 2013, in Cabinet Room 'C' at County Hall, Preston.

**MIRANDA CARRUTHERS-WATT
CHIEF EXECUTIVE**