

# Agenda Item 6



**Lancashire  
Constabulary**

police and communities together

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**INTERIM COMBINED AUDIT COMMITTEE  
MONDAY, 24 FEBRUARY 2014 AT 1.30 PM  
IN THE DUKE OF LANCASTER ROOM (FORMER CABINET ROOM  
C), COUNTY HALL, PRESTON**

## **MINUTES**

### **PRESENT**

Mrs Paula Goulding  
Mr Clive Portman - (Chair)  
Mrs Jacqueline Pratt  
Mr Keith Williams

(Mr Stephen Dobson, Mr David Jones and Mr Russell Weaver, the newly appointed Members of the Committee with effect from 1 April 2014, were also in attendance at the meeting as observers.)

### **IN ATTENDANCE**

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

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## APPOINTMENT OF CHAIR

**46 RESOLVED:** That it be noted that, following the recent recruitment process for the permanent Chair of the Committee, Mr Clive Portman had formally been appointed to the position with effect from 1 January 2014.

## MEMBERSHIP AND TERMS OF REFERENCE

Members received a Report on the Membership and Terms of Reference of the Committee.

It was suggested that a similar Report be presented to the next meeting of the Committee in June 2014 in order that the 'new' Committee may review and formally approve the Terms of Reference.

### **47 RESOLVED:**

- a) That the Membership of the Committee be noted; and that the revised Terms of Reference be approved, for formal agreement by the Police and Crime Commissioner and the Chief Constable; and
- b) That a further Report be presented to the next meeting of the Committee in June 2014 in order that the 'new' Committee may review and formally approve the Terms of Reference.

## PROCESS FOR THE REPORTING OF FRAUD

The Chief Constable's Chief Finance Officer reported that issues of fraud were very few and far between, although a recent high profile case had prompted some questions.

The Chief Finance Officer suggested that there was, perhaps, a need to refresh and review the process for reporting such cases to the Committee.

Whilst it was acknowledged that the Constabulary already had a very robust anti-corruption policy in place, the Chief Finance Officer suggested that a Report be presented to the next meeting of the Committee in June 2014, which would set out precise information for the reporting and investigation of cases of fraud, together with details of the involvement of the Committee in the process.

**48 RESOLVED:** That a Report on the reporting and investigation of cases of fraud, together with details of the involvement of the Committee in the process, be presented to the next meeting of the Committee in June 2014.

## APOLOGIES FOR ABSENCE

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No apologies for absence were presented at the meeting.

## **DISCLOSURE OF MEMBERS INTERESTS**

No declarations of interest were made at the meeting.

## **MINUTES OF THE MEETING HELD ON 2 DECEMBER 2013**

**49 RESOLVED:** That the minutes of the meeting held on 2 December 2013 be approved.

## **MATTERS ARISING**

With regard to – Clarification of requirements for production of Annual Governance Statement(s) – the Engagement Lead, External Audit, advised that it was a requirement for both the Police and Crime Commissioner and the Chief Constable to produce separate Governance Statements.

With regard to – Professional Standards Department / Complaints Review Procedures – it was reported that this had been deferred to March 2014 pending further discussions with the Office of the Police and Crime Commissioner.

With regard to – Duplicate Payments – it was advised that this issue was addressed in the Internal Audit Monitoring Report elsewhere in the Agenda.

With regard to – Review of Data Matches – it was advised that this issue was addressed in the Internal Audit Monitoring Report elsewhere in the Agenda.

With regard to – External Audit – up-date on closure (formal conclusion) of the 2012/13 audit – the Engagement Lead, External Audit, advised that it was still not possible to formally conclude the audit and issue an audit certificate until completion of their consideration of a matter reported by the Independent Police Complaints Commission in September 2013. This matter had recently been the subject of further media comment, but it was not possible for any judgement to be made until External Audit had had sight of the report.

## **GOVERNANCE ARRANGEMENTS – STAGE 2**

The Police and Crime Commissioner's Chief Finance Officer advised the Committee that the Commissioner had submitted a schedule of his proposals to the Home Secretary in September 2013, which had proposed that the vast majority of staff would transfer to the Chief Constable. The Home Secretary had indicated that this proposal was acceptable, and it now remained for the Commissioner's final proposals to be submitted to the Home Secretary by the end of February 2014.

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The Chief Finance Officer further advised that a Working Group of the Police and Crime Commissioner and the Chief Constable had now been established to consider any issues of concern but, in the main, it was 'business as usual' – issues of governance, banking and VAT were, however, issues which would need to be considered. The accounts for 2014/15, and coding structures, would be impacted upon, and all Commissioners were keen to receive an early 'steer' on these matters.

The Engagement Lead, External Audit, advised that the National Consistency Group would provide guidance on key issues, which would be filtered through to the Chief Finance Officers.

**50 RESOLVED:** That the up-date be noted.

## **ETHICS COMMITTEE**

The Chief Constable's Chief Finance Officer advised the Committee that the Home Secretary had commissioned a piece of work from the College of Policing, with a draft Code of Ethics now being piloted across a number of forces.

Work was being done on this issue in Lancashire; with the Deputy Chief Constable playing an important role.

It was suggested that the culture of the organisation needed to be right, with two or three key phrases – fairness, integrity, respect – which are expected from officers being key.

DS Giles from the Constabulary's Professional Standards Department felt that the Constabulary's approach needed to be joined up with that of the Office of the Police and Crime Commissioner; and that a cultural, value driven approach was needed.

It was queried whether an Ethics Committee or Panel was required; and whether it should be separate from the Audit Committee.

One member suggested that good governance, transparency represented good ethics.

One member suggested that standards, conduct, supervision, behaviour, communication and leadership were all important, and had an effect upon quality of service.

One member further suggested that ethical audits, where a selection of staff were spoken to, conducted by independent external auditors, were a good idea, and allowed issues of bullying and harassment to be brought out, and provided a good insight into the feelings of staff.

It was suggested that some form of independent inspection might be worthy of further consideration.

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The Chief Constable's Chief Finance Officer advised that regular inspections carried out by Her Majesty's Inspectorate of Constabulary addressed issues of integrity, standards and leadership, but suggested that a further up-date be provided to the next meeting of the Committee in June 2014.

**51 RESOLVED:** That the up-date be noted; and that a further a Report on the Code of Ethics, and proposals for the establishment of an Ethics Committee, be presented to the next meeting of the Committee in June 2014.

## **GOOD GOVERNANCE ARRANGEMENTS**

The Police and Crime Commissioner's Policy and Performance Officer presented a Report to provide the Committee with an introduction to the Annual Governance Statement, and the timetable for the work to be completed.

The Committee was informed that the Annual Governance Statement was published each year as part of the financial statement of accounts. Separate Annual Governance Statements would be produced – one for the Office of the Police and Crime Commissioner, and one for the Constabulary.

The purpose of the Annual Governance Statement process was to provide a review of the effectiveness of the governance arrangements, so as to provide assurance on the effectiveness and / or to produce a management action plan to address identified weaknesses in the arrangements.

A timetable for the completion of the Annual Governance Statements for 2013/14 was presented.

The Annual Governance Statements would be presented to the Committee with the final accounts on 15 September 2014, before being formally signed off by the Chief Finance Officer(s).

The Manager, External Audit, commented that it may be appropriate to address some issues on a day-to-day basis throughout the year, rather than as a one-off event, and it was confirmed that this was the case.

**52 RESOLVED:** That the proposed timescale for completion of the assurance certificates and the production of the Annual Governance Statement(s) be approved.

## **INSPECTION REPORTS**

### **a) INTEGRITY AND STANDARDS UPDATE**

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

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The Committee was informed that the Integrity Programme was planned around five work streams – ethics; evidence base; transparency; vetting; and workforce development – and a brief summary of progress in relation to each area was presented.

In Lancashire, the Constabulary planned to take a broader view around integrity and ethical issues, with the approach being much wider than just the 'Code of Ethics', with current values already embedded within the organisation looking to be enhanced.

In particular, DS Giles advised that a register of 'struck off' officers was being developed, for internal use only at the moment; and that a lot of work was currently being carried out with regard to 'business interests' in the interests of enhancing transparency.

In response to a query in relation to vetting, DS Giles advised that this could be challenged by individuals through a 'subject access request'.

## **b) INSPECTION ACTIVITY UPDATE FEBRUARY 2014**

DS Giles presented a report to advise of inspection activity as at February 2014 on issues such as 21<sup>st</sup> century child sexual exploitation; crime data integrity; making best use of police time; building the picture – information management; police integrity and leadership; strategic policing requirement; valuing the police 4; domestic abuse; child protection; undercover policing; girls and young women in the criminal justice system; road traffic offences; and annual all force inspection.

The Constabulary's Chief Finance Officer drew the Committee's attention to a new annual programme of all force inspections, which would concentrate on how well each force was cutting crime; providing a fair service; and providing value for money. Whilst more detail was awaited, it was anticipated that this would be a considerable piece of work.

**53 RESOLVED:** That the updates be noted.

## **INTERNAL AUDIT MONITORING REPORT UP TO 31 JANUARY 2014**

The Committee considered the internal audit monitoring report for the period 1 April 2013 to 31 January 2014, which provided a brief summary of internal audit activity during the first ten 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 relation to each system or operational area of business.

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In particular, the Internal Audit Manager advised that, in addition to the finalisation of reviews of three core financial systems – Accounts Payable; Accounts Receivable; and General Ledger – a review of the payroll system had been completed, and a draft report for management consideration had been drafted. Substantial assurance over the system operated had been provided, although one issue had been identified where controls could be improved and an appropriate recommendation had been made.

The Internal Audit Manager further advised that Terms of Reference had been issued for management consideration for the review of Treasury Management, to be undertaken in February / March 2014; and that fieldwork had been completed in relation to the review of the new governance arrangements, and that a draft report had been issued to management for consideration.

The Internal Audit Manager further advised that the review of ICT service management arrangements commenced in January 2014 and work was ongoing; and that the commencement date for the review of complaints procedures had been deferred to March 2014.

The Internal Audit Manager also made reference to a small number of duplicate payments that had been identified, relating to three suppliers, who had been contacted by Constabulary staff in order to recover the overpayments which had been made. In addition, work was continuing to review data matches relating to individuals who had been paid through both the payroll and accounts payable systems, and the full findings would be reported once a number of queries had been followed up.

**54 RESOLVED:** That the Report be noted.

## EXTERNAL AUDIT

The Engagement Lead, External Audit, presented the Interim Combined Audit Committee up-date for the Police and Crime Commissioner and Lancashire Constabulary, detailing progress as at 6 February 2014.

In particular, the Committee was advised that work on the interim audit was scheduled to be completed by mid-April 2014; work to inform the Value for Money conclusion for 2013/14 was due to be concluded by early September 2014; the potential for procurement fraud was an emerging issue for the Police and Crime Commissioner and Chief Constable to consider; and that the Local Audit and Accountability Bill was currently going through Parliament, and it was suggested that consideration needed to be given as to how the proposed audit arrangements under the Bill would affect the Commissioner and Chief Constable.

The Manager, External Audit, drew the Committee's attention to some governance and accounting workshops which were being held.

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**55 RESOLVED:** That the Report 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.

**56 RESOLVED:** The Committee agreed that the press / public be advised of the establishment and work of the new Audit Committee; with details also to be published on the Police and Crime Commissioner's / Constabulary's website.

## DATE OF NEXT MEETING

**57 RESOLVED:** That it be noted that the next scheduled meeting of the Committee was due to be held at 1.30pm on Monday 16 June, 2014, in the Duke of Lancaster Room (former Cabinet Room 'C') at County Hall, Preston.

Further meetings of the Committee had also been scheduled to be held at 1.30pm on Monday 15 September, 2014; and Monday 1 December, 2014, also in the Duke of Lancaster Room (former Cabinet Room 'C') at County Hall, Preston.

## ANY OTHER BUSINESS

The Chief Constable's Chief Finance Officer reminded the Committee that this would be Mr Williams, Mrs Pratt and Mrs Goulding's final meeting as members of the Committee, posts which they had held for several years.

The Chief Finance Officer believed that the members were leaving a robust audit and standards structure in place, and had played a significant role in securing efficient and effective policing during their time with the Committee.

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The Chief Finance Officer thanked the members for all of their attitude, commitment and efforts on behalf of the former Lancashire Police Authority, the Police and Crime Commissioner and the Chief Constable, and offered his best wishes for the future.

The members were each presented with a certificate of appreciation, in recognition of their work.

**MIRANDA CARRUTHERS-WATT  
CHIEF EXECUTIVE**