
**JOINT AUDIT AND ETHICS COMMITTEE FOR THE LANCASHIRE POLICE AND CRIME
COMMISSIONER AND CHIEF CONSTABLE**

Annual Report – April 2016

Introduction and Background

The Joint Audit Committee for the Lancashire Police and Crime Commissioner (PCC) and Chief Constable (CC) was established on 1 April 2014 replacing the Interim Combined Audit Committee which had been in place following the abolition of Police Authorities in November 2012.

In June 2014 a new Code of Ethics was introduced across the police service with the objective of supporting each individual to deliver the highest professional standards in serving the public. In Lancashire the PCC and CC decided, in October 2014, to establish a stand alone Ethics Committee and made an explicit and public commitment to transparent and ethical policing in Lancashire with rigorous independent scrutiny.

Following two unsuccessful recruitment exercises for a stand alone Ethics Committee the PCC and CC decided at the Joint Management Board on 30 September 2015 to establish a Joint Audit and Ethics Committee, thereby extending the role of the previous Joint Audit Committee. It was agreed that the members of the Committee had the independent perspective and skills required to fulfil the extended remit.

Members of the Committee were given the opportunity to consider the additional ethical responsibilities ahead of the decision to form a Joint Audit and Ethics Committee and a revised draft Terms of Reference for the new Committee was agreed. A copy of the final revised Terms of Reference for the new Committee was agreed at the Joint Management Board on 7 January 2016 and a copy is attached to this report.

The Committee has agreed a future training plan and work programme with a particular emphasis on ethics related issues, given the new responsibilities in that area. In addition, during the last 12 months members of the Committee have:

- received training in the Constabulary Complaints Procedures.

- undertaken dip sampling of complaints handling on a quarterly basis in line with a protocol agreed between the Constabulary and the PCC.

- received a presentation from the PCC on his Annual Report followed by an informal meeting.

- attended the launch of the Constabulary's Valuing Difference Strategy.

- received training in the police Code of Ethics and the Constabulary training programme being rolled out across the force.

- met with Force officers to consider and review the Constabulary's arrangements for Risk Management.

- attended a seminar organised by Grant Thornton to review the effectiveness of Police Audit Committees. The view of the Member who attended is that the approach adopted in Lancashire is consistent with recommended best practice nationally.

More recently three Members of the Committee have acted as independent assessors on promotion board panels for Superintendents and Chief Inspectors in the Constabulary.

Membership

The following individuals were appointed to the Committee in 2013/14 following and open recruitment exercise and interviews:

Mr Stephen Dobson
Mr David Jones
Mr Clive Portman (Chair)
Ms Karol Sanderson (Vice Chair)
Mr Russell Weaver

Meetings

The Committee met formally four times in 2015/16 with all members attending each meeting.

Meetings were held on:

15 June 2015

21 September 2015

7 December 2015 (first meeting as the Joint Audit & Ethics Committee)

7 March 2016

All meetings of the Committee consider Internal and External Audit Reports; Professional Standards and Integrity Reports along with specific reports from statutory officers. Going forward the Committee will receive regular ethical updates including progress on the roll out of the force ethical training programme. It has also been agreed that the minutes of the Constabulary internal ethics board will be shared with the Committee as a part 2 item. In addition it has been agreed that feedback from misconduct cases will form part of the Committee work plan and the Committee will receive training on changes to the treatment of misconduct cases.

The Committee considers matters arising reflecting the annual work programme and timetable as follows:

Spring Meeting – Audit Planning and Reporting

Summer Meeting – Internal Audit Opinion, Annual Governance Statements and Risk Registers

Autumn Meeting – Annual Accounts, External Audit Opinions and Annual Governance Reporting

Winter Meeting – Risk Management Reports, Anti Fraud and Corruption Strategies, Internal Audit Monitoring Reports.

The Annual Audit Work Programme above is being updated to reflect the recently agreed work plan in relation to ethical issues to produce a combined Work Programme.

Assurance

The Committee provides assurance to the PCC and CC by constructively challenging the arrangements for risk management, maintaining effective internal control and reporting on financial and other performance including ethical behaviours. It does so by focusing on its work plan on the areas set out above.

One of the barriers to the Committee's effectiveness is that the Committee meets formally only four times a year. However, the involvement of Committee Members in the areas set out earlier along with the training received has greatly assisted members in their broader understanding of the work of the PCC and the CC.

Issues to Note from Committee Meetings Held

15 June 2015

- the Internal Audit Annual Report stated that the Committee could take substantial assurance that Lancashire Constabulary and the Police and Crime Commissioner for Lancashire operate a generally sound system of risk management, governance and internal control. Substantial assurance was received in respect of Key Financial Systems, Pensions, Expenses (Constabulary), Covert Assets, Complaints Procedures, Basic Command Unit Operations and the Carbon Reduction Commitment Annual Return. Limited assurance was given in relation to Expenses (Police & Crime Commissioner) as a result of weaknesses associated with the accuracy and efficiency with which expense claims were completed and processed and anomalies in relation to the formal recording of entitlement to expense allowances. Internal Audit was subsequently satisfied that the weaknesses identified had been addressed.
- the Committee received and considered the Annual Governance Statements (draft versions) for both the CC and PCC.
- the Committee received and approved the Internal Audit Plan for 2015/16 consisting of 200 days input covering Operational reviews; Key Financial systems and Follow up reviews along with a small contingency for reactive work.
- the Committee received reports on risk management arrangements for the PCC and the CC along with a presentation on the functions of the OPCC by the Director, Angela Harrison.

21 September 2015

- the Committee received a presentation from Chief Superintendent Terry Woods

on how the Constabulary is managing operational risk in the context of the Comprehensive Spending Review and programme of austerity. (This presentation stemmed from earlier queries raised by Committee Members in reviewing the Constabulary's Risk Management Arrangements).

– the Committee agreed to an additional item in its Terms of Reference to include the requirement for Police Audit Committees to scrutinise the basis of assurances provided as to the integrity of Crime Data, including the related performance management systems of the Constabulary. (This followed a recommendation from the Committee on Standards in Public Life which also recommended that Joint Audit Committees should publish an Annual Report in a form that is easily accessible to the public).

– the external auditors (Grant Thornton) presented their Joint Audit Findings report for the PCC and CC for the 2014/15 financial year and accounts. The key messages were that the external auditors were proposing unqualified opinions on the accounts of the PCC and CC for 2014/15 and unqualified Value for Money conclusions for both the PCC and CC.

– the Internal Audit monitoring report for the period ending 31 August 2015 stated that no assurance could be given that the processes and controls in relation to evidence related property were operating adequately. This was as a result of non-compliance with policy requirements and inconsistent application of controls in a number of areas. A number of actions had already been agreed to address the areas of weakness and these were being taken forward as a matter of urgency.

– internal audit also provided only limited assurance in relation to OPCC commissioning arrangements identifying a number of areas where controls could be improved. However, the objective for 2015/16 is to enhance the service by the development of a service delivery framework which will facilitate the implementation of robust procedures and controls to improve service delivery. Both of the above areas are planned for follow up work by internal audit and further update reports to the Committee.

– the Committee received an update report on Integrity and Standards in the Constabulary and a report proposing the creation of a Joint Audit and Ethics Committee referred to earlier in this report.

7 December 2015

- the Committee received and approved draft Terms of Reference for the Joint Audit and Ethics Committee and prioritised areas of scrutiny along with a future training plan in relation to the Committee's new responsibilities for the oversight of ethical matters.
- the Committee received the Annual Audit Letter for the PCC and CC from external auditors, Grant Thornton. The conclusions were as stated in the Audit Findings Report and external audit fees for 2014/15 were reported as £42,890 for the PCC and £25,000 for the CC, both excluding VAT. These fees were in line with the planned fees.
- the Committee received and noted a copy of action plans in relation to the findings of internal audit in relation to Evidence Related Property and OPCC Commissioning Arrangements reported at the September 2015 meeting. The action plans set out the proposed action in relation to the residual risk; the officers responsible for implementing the agreed actions and the date by which the actions are to be implemented. These action plans will form the basis of further reports back to the Committee following planned follow up work by internal audit. Internal Audit reported that the action plan in relation to Evidence Related Property was being monitored at the highest levels within the Constabulary and that based on recent information good progress was being made in delivering against agreed actions. The internal audit follow up work in relation to OPCC commissioning arrangements was planned for February 2016 and an agreed action plan to address the internal audit findings was noted.
- the Committee received a report on revisions to the Chief Officers Car Scheme and agreed that the scheme was appropriate for the provision of vehicles to senior officers of the OPCC and Constabulary.
- the Committee received a report on case sampling of complaint files along with a report on case files which two Committee Members had scrutinised in line with the agreed protocol. Apart from some concerns about the language and style of writing to complainants Members did not have any issues of serious concern and were satisfied that the complaints handling process was being followed appropriately and in line with statutory and IPCC requirements.
- the Committee received a report on Risk Management Arrangements at the

Constabulary from the Vice Chair who had visited the force to gain a better understanding of the risk management process. The conclusion of the report was that robust risk management systems and actions are in place at the Constabulary. The Committee also reviewed the most recent risk registers for both the PCC and CC.

– the Committee received a report on the HMIC Inspection Programme for 2015/16 noting future planned HMIC inspection work along with the outcomes of inspections recently undertaken.

7 March 2016

– the Committee received an update report from Grant Thornton on their 2015/16 audit work along with a joint audit plan for that year. It was noted that planned audit fees for 2015/16 were £32,168 for the PCC and £18,750 for the CC. This represents a reduction of 25% in external audit fees for the previous audit year.

– the draft internal audit plan for 2016/17 was considered and agreed. The plan provides for 200 audit days following the format of earlier years and including follow up of any areas previously assessed as giving limited assurance or less.

– the internal audit monitoring report identified that only limited assurance could be taken from a review of the Constabulary's Information Management and Security arrangements as a result of weaknesses in the governance of information, most notably the lack of a complete and accurate Information Asset Register and the absence of an Information Risk Register. However, internal audit also reported that managers were fully aware of the weaknesses that exist and that action is in hand to address the situation. In addition there is reported to be support and oversight from the Senior Information Risk Owner and the Information Governance Board.

– the Committee noted and agreed a report on the draft work plan for the ethics element of the Joint Committee's work over the next 12 months.

– the Committee received a report on the further quarterly scrutiny of complaint files. Members who carried out the scrutiny did not have any issues of serious concern and were satisfied that complaints were being dealt with appropriately.

– the Committee received an Ethics Action Plan for the Constabulary along with an

oral update on each area along with a copy of the Constabulary Chief Officer Group's Transparency Procedures and an updated analysis of complaints made showing the number and type of complaints being made along with trend analysis.

– the Committee received an oral briefing on disciplinary and criminal prosecution action being taken against two force officers relating to unauthorised access to and disclosure of police information which was subsequently the subject of reports in the local media.

Summary Conclusions

The Committee is satisfied that the PCC and CC can take substantial assurance in respect of maintaining effective internal control, reporting on financial and other performance and in respect of risk management arrangements. During the year there were four areas where internal audit could only give limited assurance or less (OPCC Expenses; Evidence Related Property; OPCC Commissioning Arrangements and Constabulary information Management and Security). In each of these areas action plans to address identified weaknesses have been drawn up and internal audit are satisfied with the progress being made but each area will be subject to a formal follow up review by internal audit to ensure that actions have been implemented as agreed.

The main challenge for 2016/17 will be for the Committee to embed its new responsibilities in relation to ethical considerations into the future work programme and forward work of the Committee.

A revised version of the Committee's Terms of Reference incorporating ethical matters is attached for information.

Clive Portman
Joint Audit & Ethics Committee Chair

April 2016