

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

JOINT INDEPENDENT AUDIT COMMITTEE

Monday, 8 June 2020 - 10.00AM

REMOTE MEETING VIA MICROSOFT TEAMS

A G E N D A

Business		Lead	Primary Action Requested
1. Apologies for absence	-	Committee Manager	To record
2. (i) Minutes of the meeting held on 9 December 2019	Pages (1 - 7)	Chair	To approve
(ii) Comments from Committee following 23 March 2020 papers	Pages (8 - 9)		To receive
3. (i) Annual Cycle of Business	Pages (10 - 11)	Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)	To approve
(ii) Detailed Timetable of Meetings 2020-21	Page (12)		To approve
(iii) Single issue Special JIAC 4 September 2020 to receive the Audited Accounts and External Audit Opinion	Verbal		To approve
4. Terms of Reference	Pages (13 - 14)	Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)	To approve
<u>Finance</u>			
5. Treasury Management Annual Report 2019/20	Pages (15 - 20)	Chief Finance Officer (OPCC)	To receive
6. Year-End Financial Outturn 2019/20	Pages (16 - 23)	Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)	To receive
<u>Internal Audit and Counter Fraud</u>			
7. Internal Audit Annual Opinion Report 2019/20	Pages (24 - 31)	West Yorkshire Police (Internal Audit)	To receive
8. Internal Audit Progress Report 2020/21	Pages (32 - 38)	West Yorkshire Police (Internal Audit)	To receive
<u>External Audit</u>			
9. Update on completion of the 2019/20 Annual Audit	Pages (49 - 60)	Mazars (External Audit)	To receive

Business		Lead	Primary Action Requested
<u>Force Update</u> 10. Feedback from the Force HMICFRS Assurance Group	Verbal	JIAC Members	To receive
<u>Other Business</u> 11. Any Other Business	-	Chair	-

POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE / HUMBERSIDE POLICE

JOINT INDEPENDENT AUDIT COMMITTEE

9 December 2019

PRESENT:- Mr D Chapman, in the Chair, Mr J Doyle, Mr. M. Allingham, Ms P Jackson, Mr A Smith, Ms M Thomlinson and Mr C Vertigans.

Officers: - John Bates, Deputy Chief Executive and Treasurer, Nancie Shackleton, Assistant Chief Officer (Resources), Jim Wright, Head of Finance and Business Support, Neil Rickwood, Det. Superintendent Matt Baldwin, Head of Professional Standards Department, Gavin Baker, Mazars, Kevin Wilson and Martyn Ransom, Humberside Fire and Rescue Service.

The Committee met at the Courtland Road Training Centre, Hull.

Mr. Smith declared an interest in connection with his involvement with the Alcohol and Drug Service discussed at minute 377.

369 APOLOGIES – There were no apologies

370 MINUTES – The minutes of the meeting held on 23 September 2019 were submitted.

Agreed - That the minutes of the meeting be agreed as a true and correct record.

371 ACTION SCHEDULE – A copy of the schedule of actions outstanding from previous meetings was submitted.

In response to a question, the Assistant Chief Officer (Resources) confirmed that the report in respect of the Joint Estates Collaboration was with the Chief Officer Teams and would be submitted to this Committee in due course.

The Deputy Chief Executive and Treasurer confirmed that arrangements would be made to hold future meetings of the Committee at different sites around the Force.

It was noted that the comments relating to Release Under Investigation (RUI) had been raised at the HMIC Governance Board and that HMICFRS representatives had been present at the Board when the issue of looking at outcomes as well as process was raised.

Agreed – That the action schedule and updates be noted.

372 **TERMS OF REFERENCE** – In accordance with minute 185 the Committee reviewed the terms of reference.

Agreed – That the terms of reference be noted.

373 **PRESENTATION – PROFESSIONAL STANDARDS DEPARTMENT**- Detective Superintendent, Matt Baldwin, Head of the Professional Standards Department gave a comprehensive briefing and report on the work of his Department.

Members noted the references to the changes in regulations in connection with complaints due to be implemented in February 2020 and it was suggested that the Committee should receive a briefing on this at a future meeting.

Agreed – It was agreed that (a) the report be noted, (b) Detective Superintendent Baldwin be thanked for his presentation and (c) a briefing on the revised arrangements for dealing with complaints should be provided to a future meeting.

374 **MAZARS – AUDIT PROGRESS REPORT**– Gavin Barker introduced Mazars’ Audit Progress Report, copies of which had been circulated. The report set out details of the proposals to bring the plan for the 2019/20 audit to the next meeting of the Committee. He commented on the national issue in relation to the 2018/19 audits where 40% had not been completed within the timescale as opposed to 13% in the previous year and the Chairman referred to the underlying problems that had been discussed at a recent PSAA event.

Mr. Barker referred to the reviews underway in relation to audit, including the Redmond review. He also indicated that there was a consultation on changes to the Code of Audit Practice. This was required every five years. It appeared likely that there would be changes in connection with the value for money opinion with the possibility of providing more narrative as opposed to the binary decision at present. This would provide the scope for a focus on outcomes and performance.

The Deputy Chief Executive and Treasurer indicated that he would provide information to members on the Redmond Review and the NAO consultation.

Agreed – It was agreed that (a) the Progress Report be noted and (b) that the Deputy Chief Executive and Treasurer should provide more information on the Redmond Review and NAO consultation.

375 **INTERNAL AUDIT PROGRESS REPORT** – The Head of Audit commented on the work that was being undertaken in connection with the 2019/20 Audit Plan. He referred to work in support of HMICFRS inspections and also on proposals to examine financial systems with the new Head of Finance and Business Support.

Members expressed concern at the inadequate assurance report discussed later at minute 389. The Head of Audit reported that he would keep members informed of progress in completing the plan following discussions on issues relating to financial systems and digital forensics given the need to work with South Yorkshire Police. Members expressed the view that approach in respect of financial systems would benefit from fresh eyes with the Head of Finance and Business Support coming in from outside the organisation. The Head of Audit confirmed that Mr. Wright was aware of areas of concern from discussions with Julie Wraithmell-Giggall.

Agreed – That the report be noted.

376 **FORCE UPDATE ON CURRENT POLICING ISSUES** – The Assistant Chief Officer (Resources) introduced Jim Wright, the Head of Finance and Business Support and the Committee welcomed him to his first meeting.

She commented on the work that she was involved with nationally in relation to Operation Uplift, the Government's commitment to an additional 20,000 police officers and on the local impact.

She also commented on recent activity including the Wellbeing Conference and the recent outstanding results in the Police Morale Survey. Members congratulated the Force on the survey results which reflected the feel good factor that they were seeing. They also complimented the Assistant Chief Officer (Support) on the excellent Wellbeing Conference.

Agreed – That the report be noted.

377 **MID-YEAR FINANCIAL REVIEW** – A report was submitted by the Assistant Chief Officer Resources and the Head of Finance and Business Support setting out the findings from the mid-year financial review. They commented on the fact that savings planned for 2019/20 had largely been achieved. Whilst spending was in line with the original budget there were additional pressures arising from pay awards being agreed at 2.5%, 0.5% above the amount included in the budget for the year. There was an added pressure with a shortfall between the costs of the additional officers as part of Operation Uplift locally at £485k, compared with the grant of £464K from Government.

In response to comments from members, the Assistant Chief Officer (Resources) reported that whilst PCSO numbers were reduced in the financial projections for the year, this had been achieved without compulsory redundancies.

She also referred to the savings plans including changing in the rank structure and on the decoupling of the joint Human Resources function with South Yorkshire. On the latter she indicated that this, by its nature, was inevitably be likely to involve

some compulsory redundancies. The implementation would be overseen by the Resources Governance Group which she chairs.

Agreed – That the report be noted.

- 378 CODE OF CORPORATE GOVERNANCE. INCLUDING STANDING ORDERS AND FINANCIAL REGULATIONS** - The Deputy Chief Executive and Treasurer commented in the proposed revisions to the Corporate Governance Framework, copies of which had been circulated. He indicated that this had updated the Statement of Corporate Governance to reflect the changing circumstances, including the setting up of the Accountability Board to replace the Corporate Governance Group. In addition it included amendments to the Code of Corporate Governance to update the principles which followed those detailed in in the latest guidance on good governance.

He reported that the Standing Orders and Financial Regulations had also been updated to reflect best practice and followed a detailed comparison with the arrangements operating in South Yorkshire which could affect joint projects. It was noted that the limits in Section G would need to be continuously reviewed.

Agreed – That the updated Code of Corporate Governance be agreed and recommended to the PCC for approval.

- 379 TREASURY MANAGEMENT – MID-TERM REVIEW 2019/20** - The Deputy Chief Executive and Treasurer submitted a report that detailed the Treasury Management activity undertaken during the period 1 April to 30 September 2019. In view of the impact of political issues and also action by the Government to raise PWLB rates by 1%, the report provided a commentary on those matters and gave details of the revisions to interest rate forecasts in the period post September 2019.

The Deputy Chief Executive and Treasurer also commented on proposals set out in the report to change the policy in relation to the calculation of the Minimum Revenue Provision (MRP). This followed discussions and a review of the arrangements operating in other forces and local authorities where there have been changes to move to the annuity method of calculation and this was now proposed for the PCC. The change would be effective from 1 April 2019.

Gavin Barker confirmed that the approach to change the policy and the method of calculation of MRP had been adopted in other local authority areas.

Agreed – It was agreed that (a) the Review of the Treasury Management activity undertaken during 1 April to 30 September 2019 be noted (b) the proposals to change the MRP policy to change to the annuity method of calculation be agreed and (c) that the report, including the change in policy be recommended to the PCC for approval.

- 380 TREASURY MANAGEMENT PRACTICES STATEMENT** - The Deputy Chief Executive and Treasurer commented on Treasury Management Practices Statement, copies of which had been circulated. He referred to the requirement to add a further statement – Management Practices for Non – Treasury Investments in line with updated guidance. This reflected changes principally in

the local authority sector where there was increasing investment in property assets which were outside the normal treasury management arrangements. Whilst the PCC was not affected at this stage the proposed Statement would mean that the arrangements would be regulated should the PCC wish to make such investments in the future.

Agreed – It was agreed that (a) the report be noted (b) the updated Treasury Management Practices Statement be agreed and (c) the Statement be recommended to the PCC for approval.

- 381** **POLICE AND CRIME COMMISSIONER'S ANNUAL REPORT** - The Deputy Chief Executive and Treasurer circulated copies of the PCC's Annual Report for 2018/19 which had been considered by the Police and Crime Panel on 28 November 2019 and subsequently published. Members welcomed the report which detailed the breadth of the activities being undertaken by the PCC and OPCC.

Agreed – The report be noted

- 382** **COMMITTEE SELF-ASSESSMENT OF EFFECTIVENESS AND ANNUAL REPORT** – The Deputy Chief Executive and Treasurer provided details of the action plan and the final draft of the Committee's Annual Report. Members submitted their observations.

Agreed – (a) That the Self-Assessment improvement action plan be noted and (b) that the Annual Report be approved for publication.

- 383** **CONFERENCES UPDATE** – Ms. Thomlinson and Mr. Allingham commented on the CIPFA events that they had attended indicating that they had been worthwhile and provided good networking opportunities with members from a wide range of organisations.

The Chairman referred to comments earlier in the meeting on the PSAA Forum that he had attended, confirming that the delays in the completion of audits for 2018/19 were causing considerable concern. He pointed to the suggested reasons for the delays, included staff shortages, staff changes, the quality of working papers and misunderstandings of what was involved when bidding. PSAA were aware of the impact on staff and the concerns over the fact that firms were claiming additional fees was a further issue which cast doubts on the adequacy of the tendering and contractual arrangements.

He referred to the fact that Mazars have come out quite well when compared with others and commended them and the Humberside officers for meeting the deadline.

It was clear that there were significant differences between local authority audit committees and what is happening in policing which should be dealt with differently. The Chairman confirmed that presentations from the PSAA Forum had been forwarded to the Committee.

The Deputy Chief Executive and Treasurer commented on a recent presentation from the NAO in connection with the oversight of external audit and to the quality

monitoring that was undertaken by PSAA and the Financial Reporting Council for larger organisations. The latter had apparently affected the approach adopted by some firms requiring last minute work in connection with asset valuations in particular. He reported that in Humberside, discussions had already commenced with Carter Jonas for the 2019/20 valuation exercise. This will be discussed with Mazars.

Agreed – The reports and comments be noted

- 384** **DATES AND TIMES OF MEETINGS IN 2020** - The Deputy Chief Executive and Treasurer outline proposals for the programme of meetings for 2020 suggesting, 23 March 2020, 8 June 2020, 27 July 2020, 28 September 2020 and 14 December 2020. He indicated that the PCC was available and scheduled to attend the meeting on 23 March.

Agreed – It was agreed that (a) the proposed dates and times for the meetings to be held on 2020 be agreed and (b) officers should make arrangements for them to be held at various sites across the Force estate.

- 385** **PROPOSED BUSINESS CYCLE** – The Deputy Chief Executive and Treasurer commented on the proposed business cycle for meeting to be held in 2020 which would form the basis of formulating agendas. Details had been circulated.

Agreed – That the proposed business cycle be agreed.

- 386** **ANY OTHER BUSINESS** – The Deputy Chief Executive and Treasurer circulated copies of the OPCC Delivery Plan for information. This had been published and was being considered by the Police and Crime Panel.

Agreed – The Delivery Plan be noted.

- 387** **MEETING ARRANGEMENTS** – The Chairman thanked Paula Scott for making the arrangements for the meeting at Courtland Road.

CONFIDENTIAL ITEMS

- 388** **RISK MANAGEMENT UPDATE** – The Deputy Chief Executive and Treasurer gave details of the changes of the risk profile since the last meeting, including commenting on the financial uncertainty caused by the General Election. He gave details of risks archived and on the inclusion of IS on both registers as a new risk.

He also gave details on the succession planning in respect of his post following the confirmation hearing endorsing the proposal for Kevin Wilson to be appointed as the PCC's Chief Finance Officer with effect from January 2020. Martyn Ransom would act as Deputy S151 Officer. Mr. Wilson clarified that the arrangement was on the basis of them both working 2 days per week on police business.

Agreed – It was agreed that (a) the report be noted and (b) Members and officers thanked the Deputy Chief Executive and Treasurer for his considerable support and guidance to the Committee and passed on their best wishes for his retirement.

389 **INTERNAL AUDIT REPORT – IS GOVERNANCE AND FINANCIAL MANAGEMENT** – The Assistant Chief Officer (Resources) commented on the confidential report and the actions being taken to address the issues raised.

Agreed - That the report be noted and an update be brought to the next meeting.



JOINT INDEPENDENT AUDIT COMMITTEE



COMMENTS FROM COMMITTEE FOLLOWING 23 MARCH 2020 PAPERS

Meeting date: 8 June 2020

SUMMARY

1. Whilst the meeting of the Joint Independent Audit Committee of 23 March 2020 was cancelled due the outbreak of Covid-19, the papers were still circulated to Members for information.
2. Members subsequently made a number of comments they requested be addressed. These are detailed below along with the proposed course of action.

COMMENTS FOLLOWING DISTRIBUTION OF 23 MARCH 2020 PAPERS

Topic	Comment	Action
“Primary Action Requested” column on the Agenda	Request for a “Primary Action Requested” column to be included on future agendas	Now included on agendas.
Minutes of 9 December 2019 - Action Schedule (Minute 371 refers) - It was noted that the comments relating to Release Under Investigation (RUI) had been raised at the HMIC Governance Board and that HMICFRS representatives had been present at the Board when the issue of looking at outcomes as well as process was raised.	This minute needs to be amended to be clear it refers to two separate meetings. RUI was discussed at the meeting attended by John Bates and Mandy Thomlinson. HMICFRS were in attendance at the following meeting attended by Andy and RUI was not discussed.	This clarification will be reflected in the Minutes of this meeting (8 June 2020) when approving the Minutes of 9 December 2019.
Minutes of 9 December 2019 - Presentation - Professional Standards Department (Minute 373 refers) - Agreed (c) That a briefing on the revised arrangements for dealing with complaints should be provided to a future meeting	It is important that an update is provided on the revised complaints process when available.	A ‘Reserve Items’ table has been added to the end of the Annual Cycle of Business to include items that require a watching brief.
Internal Audit - Reports that gave limited or inadequate assurance <ul style="list-style-type: none"> • Golden Hour Compliance • IS Corporate Governance and Financial Management • Crime Management Units • Released under investigation 	Committee request copies of these Audit reports that were given limited or inadequate assurance	To consider the appropriateness and place for sharing such reports (with the Committee)

Topic	Comment	Action
Internal Audit - areas of concern <ul style="list-style-type: none"> • Financial Systems • IS • Data quality 	Committee request updates on these areas of concern	To consider the appropriateness and place for sharing such reports (with the Committee)
Numbers of and deployment of additional recruited officers	Request to receive an update on these figures	It is proposed that a couple of Member Development sessions take place throughout the course of the year on topics that will aid Committee Members in their overall learning and understanding of the Force and OPCC that do not directly relate to the Terms of Reference of the Committee. These session and proposed topics will be included in a separate table on the Annual Cycle of Business.

JOINT INDEPENDENT AUDIT COMMITTEE ANNUAL CYCLE OF BUSINESS

Agenda Item/Issue	23 Mar 2020	8 Jun 2020	27 Jul 2020	4 Sep 2020*	28 Sep 2020	14 Dec 2020	tbc Mar 2021	Lead
Statutory and Corporate Governance								
Draft Annual Governance Statements	X						X	Assurance Manager (OPCC) & Head of Finance and Business Services (HP)
Declarations of Gifts, Hospitality and Sponsorship	X				X		X	Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)
Code of Corporate Governance					X			Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)
Civil Claims and Special Payments (by exception)	X				X		X	Head of Legal Services (HP)
Risk Management								
Risk Registers (full review)	X					X		Assurance Manager (OPCC) Strategic Planning Manager (HP)
Finance								
Treasury Management Strategy	X						X	Chief Finance Officer (OPCC)
Treasury Management Mid-Term Review						X		Chief Finance Officer (OPCC)
Treasury Management Annual Report		X						Chief Finance Officer (OPCC)
Budget Monitoring Report for the Mid-Year Review (including staffing)						X		Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)
Draft Accounts		X						Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)
Audited Accounts			X	X				Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)
Internal Audit and Counter Fraud								
Annual Audit Plan (Review and Approve)	X						X	West Yorkshire Police (Internal Audit)
Final Audit Reports	X	X	X		X	X	X	West Yorkshire Police (Internal Audit)
Progress Reports	X	X	X		X	X	X	West Yorkshire Police (Internal Audit)
Head of Internal Audit Opinion and Annual Report (including KPIs and Opinion Statement)	X							West Yorkshire Police (Internal Audit)
Whistleblowing, Fraud and Anti-Bribery and Anti-Money Laundering Policy Updates					X			West Yorkshire Police (Internal Audit)
External Audit								
Strategy Memorandum and External Audit Plan (receive and review)	X							Mazars (External Audit)
Progress Reports and Updates			X			X	X	Mazars (External Audit)
Update on completion of the annual audit		X						Mazars (External Audit)
ISA 260 Report				X				Mazars (External Audit)
Annual Audit Letter					X			Mazars (External Audit)
Audit Opinion				X				
Force Update								
Force Update - HMICFRS Local/National Policing Issues	X	X	X		X	X	X	JIAC Members

JOINT INDEPENDENT AUDIT COMMITTEE ANNUAL CYCLE OF BUSINESS

Agenda Item/Issue	23 Mar 2020	8 Jun 2020	27 Jul 2020	4 Sep 2020*	28 Sep 2020	14 Dec 2020	tbc Mar 2021	Lead
Joint Independent Audit Committee								
Annual Report			X				X	Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP) & Committee Manager
Terms of Reference		X			X			Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)
Timetable of Meetings		X				X		Chief Finance Officer (OPCC) & Committee Manager
Annual Cycle of Business		X					X	Chief Finance Officer (OPCC)

X = items moved dates/added

* Extraordinary meeting

Reserve items	Suggested date	
Revised Complaints Process		Head of Finance and Business Services (HP)?
Judicial Review February 2020 Feedback		Head of Finance and Business Services (HP)?

Member Development Session		Lead/Facilitator
Session 1 - date tbc	Update on the numbers of and deployment of additional recruited officers.	
Session 2 - date tbc		

JOINT INDEPENDENT AUDIT COMMITTEE - DETAILED TIMETABLE OF MEETINGS 2020/21

Date	Meeting	Chair's Brief (Draft Agenda to be shared)	Reports Deadline (9am)	AGENDA PUBLISHED/EMAILED
Mon 23 March 2020 (10.00am) Humberside Police Headquarters, Priory Road, Hull HU5 5SF	JOINT INDEPENDENT AUDIT COMMITTEE	13 February 2020	Thu 12 March 2020	Mon 16 March 2020
Mon 8 June 2020 (10.00am) [REMOTE MEETING] <i>(via MS Teams) *</i>	JOINT INDEPENDENT AUDIT COMMITTEE	30 April 2020	Thu 28 May 2020	Mon 1 June 2020
Mon 27 July 2020 (10.00am) [REMOTE MEETING] <i>(via MS Teams) *</i>	JOINT INDEPENDENT AUDIT COMMITTEE	Thu 18 June 2020, 10am <i>(via MS Teams)</i>	Thu 16 July 2020	Mon 20 July 2020
Mon 28 September 2020 (10.00am) Humberside Police Headquarters, Priory Road, Hull HU5 5SF <i>tbc</i>	JOINT INDEPENDENT AUDIT COMMITTEE	Thu 20 August 2020, 10am <i>(via MS Teams)</i>	Thu 17 September 2020	Mon 21 September 2020
Mon 14 December 2020 (10.00am) Office of the PCC, The Lawns, Harland Way, Cottingham HU16 5SN <i>tbc</i>	JOINT INDEPENDENT AUDIT COMMITTEE	Thu 12 November 2020, 2pm <i>(via MS Teams)</i>	Thu 10 December 2020	Mon 7 December 2020
PROVISIONAL Mon 22 March 2021 (10.00am) Humberside Police Headquarters, Priory Road, Hull HU5 5SF <i>tbc</i>	JOINT INDEPENDENT AUDIT COMMITTEE	Thu 11 February 2021, 10am <i>(via MS Teams)</i>	Thu 11 March 2021	Mon 15 March 2021
TBC (10.00am)	Member Development Session 1	-	-	TBC
TBC (10.00am)	Member Development Session 2	-	-	TBC

Committee Members to meet with Internal Audit and External Audit in private at 9.30am prior to main meeting at 10.00am

* Previously booked for Humberside Police Headquarters, Priory Road, Hull HU5 5SF but changed to Remote Meeting due to Covid-19

HUMBERSIDE POLICE AND CRIME COMMISSIONER/HUMBERSIDE POLICE**JOINT INDEPENDENT AUDIT COMMITTEE****TERMS OF REFERENCE****Statement of Purpose**

The Committee is a key component of our corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Committee is to provide independent advice and recommendations to the Commissioner and the Chief Constable on the adequacy of the governance and risk management frameworks, internal controls and financial reporting, annual governance processes and internal and external audit, thereby helping to ensure efficient and effective assurance arrangements are in place.

The Committee is therefore responsible for providing assurance to the Commissioner and the Chief Constable in respect of:

Governance and risk

1. Ensuring effective governance is in place and functioning efficiently and effectively and to make any recommendations for improvement.
2. Reviewing the Annual Governance Statements prior to approval.
3. Considering the framework of assurance and ensuring that it adequately addresses the risks and priorities of the OPCC/the Force.
4. Monitoring the effective development and operation of risk management, reviewing the risk profile, and monitoring the adequacy of management action in addressing risk-related issues reported to them.
5. Considering the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. Reviewing arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources.

Internal audit

7. Considering (i) the internal audit plan (and any proposed revisions), (ii) regular progress reports, and (iii) the Head of Internal Audit's annual report and opinion and the level of assurance it can give over corporate governance arrangements and the effectiveness of internal controls.
8. Considering summaries of internal audit reports and such detailed reports as the committee may request from the Commissioner/Chief Constable, including issues raised or recommendations made by internal audit and the adequacy of management action to address areas identified for improvement.

9. Overseeing the appointment and considering the adequacy of the performance of the internal audit service and its independence.
10. Considering a report on the effectiveness of internal audit to support the Annual Governance Statement

External audit

11. Receiving the external Audit Plan, the external auditor's annual management letter, relevant reports, and the report to those charged with governance and consider the adequacy of the of action being taken by the Commissioner or Chief Constable to address recommendations for improvement .
12. Commenting on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
13. Advising and recommending on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

14. Reviewing the annual statement of accounts to provide assurance that they comply with relevant requirements before approval by the Commissioner and the Chief Constable.

Other Responsibilities

15. Reviewing and assessing the adequacy of the Terms of Reference annually and seeking the approval of the Commissioner and the Chief Constable for any proposed changes.
16. Producing an Annual Report that provides details of the Committee's work, evaluates its performance during the preceding year and confirms whether all allocated responsibilities have been carried out.
17. Preparing reports on issues highlighted by the Committee recommending appropriate actions for consideration by the Commissioner and or Chief Constable or their statutory officers.
18. Performing any other relevant activities requested by the Commissioner and or Chief Constable, by agreement with the Committee.

TREASURY MANAGEMENT ANNUAL REPORT 2019/20

SUMMARY

1. This report provides the Police and Crime Commissioner with a review of the treasury management activity and Prudential Indicators for the year 2019/20.
2. The report shows full compliance with the Commissioner’s Prudential Indicators for 2019/20 and was also considered by the Joint Independent Audit Committee on 8 June 2020.

RECOMMENDATIONS

3. That the Commissioner takes assurance from the treasury management activities undertaken during 2019/20 and the Prudential Indicators as outlined in paragraphs 14 and 15 and detailed in Appendix 1.

BACKGROUND

4. Treasury Management, as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2009 is:

“The management of the organisation’s investments and cash-flows, its banking and money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks.”

5. One of the main requirements of the CIPFA Code is that the Commissioner receives an annual report detailing treasury management activities within the year and compliance with the annual Treasury Management Policy.
6. This report provides the Commissioner with details of the treasury management activities and Prudential Indicators for the 2019/20 financial year in line with the requirements of the Code.

INVESTMENT ACTIVITY

7. The Commissioner’s temporary investments totalled £3.9m as at 31 March 2020.

Table 1 – Investment income earned 2019/20

Interest Earned 2019/20	Rate of return 2019/20	Benchmark return 2019/20*	Difference (+ favourable)
£51,152	0.669%	0.540%	+0.129%

* Benchmark set as 7 day compounded LIBID

8. Interest earned during 2019/20 was £5k higher than originally budgeted for in respect of investment activity for the year, due to more favourable interest rates than anticipated.

BORROWING

Short-Term Borrowing

9. 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

10. 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.

11. 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

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

Capital Expenditure

14. 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

15. 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.

STRATEGIC PLAN COMPATIBILITY

16. Treasury management is an integral part of the financial management of the Commissioner. Utilising approved borrowing and investment strategies will maximise investment income whilst minimising exposure to liquidity and market risks.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

17. The continued approach to investment of surplus funds is designed to further mitigate against potential losses as a consequence of counterparty failure and reflects a prudent approach to treasury management activity.

LEGAL IMPLICATIONS

18. The Commissioner must comply with the requirements of the CIPFA Code of Practice on Treasury Management and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This report ensures such compliance.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

19. No direct issues arise from this report.

CORPORATE RISK MANAGEMENT IMPLICATIONS

20. The application of and regular monitoring thereafter of a prudent Treasury Management Policy and related Prudential Indicators ensures that the Commissioner effectively manages financial risks whilst minimising borrowing costs and maximising investment income. It is therefore key to good financial management and an important element of the Medium Term Financial Planning Process.

HEALTH AND SAFETY IMPLICATIONS

21. No issues arising.

COMMUNICATIONS ACTIONS ARISING

22. No direct issues arising.

DETAILS OF CONSULTATION AND/OR COLLABORATION

23. The Commissioner's treasury management strategy has been developed using market information and specialist advice supplied by the Commissioner's treasury management advisors.

BACKGROUND PAPERS

24. 'Treasury Management and Capital Expenditure Prudential Indicators, Treasury Management Policy Statement 2019/20 and Minimum Revenue Provision (MRP) for 2019/20'
CIPFA Code of Practice on Treasury Management 2009

RECOMMENDATION RESTATED

25. That the Commissioner takes assurance from the treasury management activities undertaken during 2019/20 and the Prudential Indicators as outlined in paragraphs 14 and 15 and detailed in Appendix 1.

K WILSON
CHIEF FINANCE OFFICER/S151 OFFICER
TO THE POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE

Prudential Indicators 2019/20a) Capital ExpenditureIndicator 1 - Capital Expenditure

The actual capital expenditure for the current year compared to the revised budget, together with estimates of expenditure to be incurred in future years are shown below:

	2019/20 Revised £k	2019/20 Actual £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k
Total Capital expenditure	18,742	8,747	20,463	19,379	5,028

The underspend against the revised 2019/20 budget reflects slippage across a number of capital schemes as reported to the Police and Crime Commissioner in the 2019/20 Annual Accounts report.

Indicator 2 - Capital Financing Requirement

The capital financing requirement for 2020/21 and estimates for future years are as follows:

	Revised Estimate 31/03/20 £k	Actual 31/03/20 £k	Estimate 31/03/21 £k	Estimate 31/03/22 £k	Estimate 31/03/23 £k
Capital Financing Requirement	89,611	86,987	105,153	121,027	121,625

The capital financing requirement measures the Commissioner's need to borrow for capital purposes. In accordance with best professional practice, the Commissioner does not associate borrowing with particular items or types of expenditure. The Commissioner has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Strategy. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Commissioner and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Commissioner's underlying need to borrow for a capital purpose. A key indicator of prudence under the Prudential Code is: -

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

The Chief Finance Officer/S.151 Officer reports that the Commissioner has had no difficulty meeting this requirement during the course of this financial year and no difficulties are envisaged in future years. This takes into account current commitments, existing plans and the proposals contained in the Medium Term Resource Strategy.

Indicator 3 – Core Funds and Expected Investment Balances

The total core funds and expected investments for 2019/20 and future years are as follows:

	2019/20 Revised £k	2019/20 Actual £k	2020/21 Estimate £k	2021/22 Estimate £k	2022/23 Estimate £k
Total Core Funds	16,600	17,172	14,800	15,300	16,400
Expected Investments	15,400	14,828	13,765	12,464	10,228

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

b) Treasury Management

Indicator 4 - Operational Boundary for External Debt

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the S.151 Officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Chief Finance Officer/S.151 Officer.

	2019/20 Operational Boundary £k	Actual as at 31/03/20 £k	2020/21 Operational Boundary £k	2021/22 Operational Boundary £k	2022/23 Operational Boundary £k
Borrowing	150,000	65,000	150,000	150,000	150,000

The Chief Finance Officer/S.151 Officer confirms that borrowing in the year has not exceeded the operational boundary at any point within the year and is not expected to do so over the course of the next period based on information currently available.

Indicator 5 - Authorised Limit for External Debt

The table below shows the Authorised limit for External Debt for 2019/20 and subsequent three year period as approved by Members compared to the actual level of borrowing as at 31 March 2020.

	2019/20 Authorised Limit £k	Actual as at 31/03/20 £k	2020/21 Authorised Limit £k	2021/22 Authorised Limit £k	2022/23 Authorised Limit £k
Borrowing	180,000	65,000	180,000	180,000	180,000

The Authorised Limit reflects the Commissioner's projected long and short term borrowing requirements, together with any other long-term liabilities it may have. The figures are based on the estimate of most likely, prudent but not worst case scenario, with sufficient headroom over and above this to allow for operational management of, for example unusual cash movements.

The Chief Finance Officer/S.151 Officer confirms that the Authorised Limit has not been approached at any point during the year.

Indicator 6 - Ratio of Capital Financing Costs to Net Revenue Stream

The ratio of financing costs to net revenue stream for the current year and estimates for future years are as follows: -

	2019/20 Estimate %	2019/20 Actual %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
Ratio of Financial Costs to Net Revenue Stream	1.57	1.65	2.17	2.68	3.00

These ratios indicate the proportion of the net budget of the Commissioner that is required to finance the costs of capital expenditure in any year. Estimates of financing costs include current commitments and the proposals contained in the capital programme of the Commissioner.

In calculating the ratio, Net Revenue Streams in any year have been taken to exclude any element of the net budget requirement that is intended to provide reserves for the Commissioner.

Indicator 7 – Upper and Lower Limits for the maturity structure of borrowings

This indicator seeks to ensure the Commissioner controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Commissioner is not forced to replace a large proportion of loans at a time of relatively high interest rates.

“The Authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowings. The prudential indicators will be referred to as the upper and lower limits respectively for the maturity structure of borrowing and shall be calculated as follows:

Amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate;

Where the periods in question are:

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above”

(Paragraph 74 of the code)

	Actual as at 31/03/20	Upper Limit	Lower Limit
	%	%	%
Under 12 Months	9.82	15	0
12 months and within 24 months	5.12	15	0
24 months and within 5 years	15.44	30	0
5 years and within 10 years	26.31	60	0
10 years and above	43.32	80	0

The Chief Finance Officer/S.151 Officer confirms that the maturity structure of external debt as at 31 March 2020 is within the upper and lower limits approved by the Commissioner.



HUMBERSIDE
POLICE & CRIME
COMMISSIONER



**YEAR END FINANCIAL
OUTTURN**
2019 - 2020

Police and Crime Commissioner for Humberside

I. Purpose of this report

- 1.1 This is the Financial Outturn report for the 2019/20 financial year. It contains details of the Revenue and Capital Outturns, the Year-end Reserves position and any revenue carry forwards approved by the PCC.
- 1.2 This report provides information on the financial outturn performance of Humberside Police, the Police and Crime Commissioner for Humberside and the Capital Charges that have been incurred.
- 1.3 This report should be used in connection with the PCC Group Annual Accounts and Medium Term Resource Strategy.

2. Overall Revenue Outturn Position for the PCC Group

- 2.1 The Overall outturn for the PCC Group is as follows:

2019/20 Revenue Budget – End of Year			
	Approved Budget 2019/20	Outturn 2019/20	Variance 2019/20
<u>Group Position</u>	£m	£m	£m
Chief Constable	182.944	182.787	(0.157)
Police and Crime Commissioner	4.733	4.731	(0.002)
Capital Financing	5.051	2.960	(2.091)
Net Expenditure	192.728	190.478	(2.250)

- 2.2 The underspend on the Capital Financing element of the group budget is 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 reflects the consumption of the asset that the borrowing has funded. This change has resulted in savings of £2.027m in 2019/20.

3. Capital Outturn

- 3.1 The following table provides details of the Capital Expenditure incurred in 2019/20:

Capital Estimates	2019/20 £000 Budget	2019/20 £000 Actual	2019/20 £000 Variance
Major and Minor Building Schemes	9.950	3.726	(6.224)
Information Technology	6.171	2.843	(3.328)
Vehicles and Equipment	2.622	0.928	(1.694)
Total	18.742	8.747	(9.995)

3.2 The significant underspend on the Capital Programme is the building works at Melton 2 (Underspend of £4.143m) due to delays in this project. Other smaller underspends relate 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.

4. Savings

4.1 The savings target for 2019/20 was £3.750m, the Chief Constable has 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.

5. Reserves

5.1 The PCC retains a number of Reserves, details of which are provided below:

Reserves Forecast	At 1 April 2019	Planned Use in 2019/20	Revised Use in Mid-year Review 2019/20	Actual Use In 2019/20	At 1 April 2020
	£m	£m	£m	£m	£m
Earmarked Reserves					
Performance Improvement Reserve	10.9	(7.5)	(4.1)	(3.4)	7.5
Risk Management Reserve	2.1	-	-	-	2.1
Partnership Reserve	1.8	-	-	-	1.8
Total Earmarked Reserves	14.8	(7.5)	(4.1)	(3.4)	11.4
General Reserves	5.2	0.6	0.6	0.6	5.8
Total Reserves	20.0	(6.9)	(3.5)	(2.8)	17.2

5.2 The reduction in the use of reserves is due to the rephrasing of a number of partnership schemes during the year and the amendment to the MRP Methodology described in paragraph 2.2.

6. Carry Forwards

6.1 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.

Humberside Police & Crime Commissioner
Joint Independent Audit Committee
8 June 2020

INTERNAL AUDIT ANNUAL OPINION AND OUTTURN REPORT 2019/20

Report of the Head of Internal Audit

1 PURPOSE OF THE REPORT

- 1.1 To set out Internal Audit's Annual Opinion on the internal control environment and Outturn Report for 2019/20.

2 BACKGROUND

- 2.1 This report represents the Internal Audit Annual Opinion and Outturn Report 2019/20 for the Police and Crime Commissioner for Humberside and the Chief Constable of Humberside Police, based on the service provided by West Yorkshire OPCC staff under a s22 agreement with the Police and Crime Commissioner for West Yorkshire. This report was initially drafted in mid-March for an earlier Committee and has now been refreshed for the June JIAC. Amendments have been negligible and due to the timings of the reporting period the impact of the Covid-19 pandemic on the 2019/20 annual report have been minimal.
- 2.2 The Accounts and Audit (England) Regulations 2015 require that the Commissioner and Chief Constable maintain an adequate and effective internal audit. The Financial Regulations require that the Treasurer of the Commissioner and Chief Financial Officer of the Chief Constable must be satisfied as to the system of financial controls in place and the effectiveness of the financial administration system. This report should contribute towards a discharge of those responsibilities.
- 2.3 The Internal Audit services are provided in compliance with the Public Sector Internal Audit Standards (PSIAS) which define internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.6 As previously reported the Internal Audit function was subject to an External Quality Assessment (EQA) in August 2017 that provided confirmation and assurance that the audit strategy and planning processes adopted conforms to the International Standards for the Professional Practice of Internal Auditing (IPPF).
- 2.4 This report also provides commentary and assurances on the internal control environment that contribute to the Annual Governance Statement of the Commissioner and the Chief Constable.

2.5 The opinion provided is 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 is reflected in the opinions provided.

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

3 OPTIONS/RISK AND OPPORTUNITIES

3.1 If the Internal Audit function does not provide efficient and effective risk based audit service the PCC and Chief Constable will be unable to obtain an appropriate level of assurance regarding the system of internal control operating within the organisation.

4 POLICING PLAN AND PERFORMANCE

4.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

5 IMPACTS ON OR LINKS TO COLLABORATION

5.1 The Internal Audit function is provided to the Humberside 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 WYIA function is working on a collaborative and liaising where necessary with the SYP auditors regarding collaboration work streams.

6 FINANCIAL IMPLICATIONS

6.1 This report illustrates how Internal Audit resources have been directed during the 2019/20 financial year, discharging the proposed annual audit programme of 250 days.

7 LEGAL IMPLICATIONS

7.1 The Police and Crime Commissioner and Chief Constable are required to ensure that appropriate Internal Audit arrangements are in place.

8 EQUALITY AND DIVERSITY IMPLICATIONS

8.1 There are none in the context of this report.

9 CONCLUSIONS

9.1 This report provides commentary that Internal Audit's Annual Opinion on the internal control environment for 2019/20 has been assessed, subject to the provisos detailed, as providing reasonable assurance.

10 RECOMMENDATIONS

10.1 It is recommended that Members note the contents of the report and discuss any issues arising.

NEIL RICKWOOD
Head of Audit

Contact Officers:
Neil Rickwood, Head of Audit
Tel: 01924 878329

Background Papers:
Appendix A – Internal Control Assessment

2019/20 Internal Control Assessment

The annual audit opinion is determined using information and conclusions drawn from a number of sources during the course of the annual audit programme. These include:

1. A categorisation of individual audit opinions;
2. Specific findings relating to the main financial systems;
3. An analysis of the significant areas of concern relating to other key systems;
4. Findings relating to investigative/ irregularity work undertaken during the year;
5. Implementation of previous recommendations in areas of significant weakness;
6. Examples of added value; and
7. Summary of performance indicators.

1 Summary of Audit Opinions 2019/20

Audit	1	2	3	4	
	Substantial Assurance	Reasonable Assurance	Limited Assurance	Inadequate Assurance	No Opinion
Duties Management		●			
Golden Hour Compliance			● ¹		
IS Corporate Governance & Financial Management				●	
Released Under Investigation (RUI)			●		
Volume Crime Investigations (Follow-Up)		●			
Early Intervention Scheme Evaluation		●			
Stop & Search: HMICFRS AFI Pre-Inspection Assessment & Audit Follow-Up		○			
Financial Systems: payroll			● ¹		
Financial Systems: creditors		●			
Financial Systems: debtors		●			
Crime Screening			● ¹		
IS CONNECT healthcheck Advice					●

- - Assessment made in the audit report
- (●¹ – Reflects assessment of Limited Assurance with a positive direction of travel)
- - Assessment for the purpose of this report.

1.1 All audits are given a score of between one (highest level of assurance) and four (inadequate assurance) dependent on the level of risks identified. Equating the four levels of audit assessment of internal control for each audit to a numerical scale, a score of 2.4 is achieved.

Previous Internal Control Scores

Year	2019/20	2018/19	2017/18	2016/17
Internal Control Score	2.4	2.45	2.6	2.36

- 1.2 For the purposes of the annual report this equates to an overall opinion of REASONABLE Assurance, demonstrating a consolidation of the positive direction of travel previously reported.

The annual opinion for 2018/19 was heavily caveated in relation to the financial systems and IS governance oversight arrangements. Although some concerns remain in these areas there has been a significant positive direction of travel. In particular both HP and SYP recognise and accept the need to enhance the governance and control in place to support the IS collaboration arrangements.

2 Main Financial Systems

- 2.1 Significant issues were previously highlighted over a 2-3 year period that were recurring themes and indicative of a fundamental lack of governance and control, particularly within the payroll function. Previous audit coverage therefore focused on recent and ongoing Financial Systems assurance work, rather than detailed transactional testing.
- 2.2 A full audit of financial systems during the 2019/20 audit cycle identified some areas for improvement, however overall, there is reasonable assurance that the Force's core financial systems are being effectively monitored and managed in accordance with documented policy and procedure.

The audit opinion in relation to Payroll was specifically assessed at this time as being Limited Assurance (positive direction of travel). This assessment is based on the fact that many of the payroll controls and processes evaluated and tested as part of this audit have been introduced, evolved and matured (or are still maturing) as the financial year has progressed and have therefore not been evident and working well in practice for the full financial year. The approval and distribution of payroll procedure notes as well as completion of timely payroll control account reconciliations remain as significant weaknesses which should be addressed as a matter of urgency.

3 Areas of Concern

- 3.1 The main areas of concerns are reflected in the caveats to the overall audit opinion on the Internal Control environment listed above, namely:

- **Financial Systems:** Core financial systems showed overall improvement, demonstrating effective monitoring and management in accordance with documented policy and procedure. However, payroll was still assessed as providing limited assurance, albeit a positive direction of travel was demonstrated. Many of the enhanced payroll controls and processes are still maturing and embedding and improvements are still required as regards the approval and distribution of payroll procedure notes as well as completion of timely payroll control account reconciliations.
- **IS:** There were previous concerns regarding the HP oversight of the underpinning internal control, assurance and governance issues associated with the shared IS service with SYP. Whilst an audit identified that there are significant weaknesses and gaps in the governance and financial management arrangements in place within the current IS collaboration between HP and SYP, it is apparent that both organisations recognise and accept the need to enhance governance and control and work co-operatively to address the reported weaknesses. The importance of a collaborative approach has been recognised by the recently recruited Head of IS.

3.2 As previously reported **data quality** remains an overarching, ongoing issue, broadly categorised as falling into the widely accepted data quality characteristics of completeness, consistency, accuracy, validity and timeliness. There continues to be a range of causal factors such as human error, poor compliance with processes & procedures, inadequate processes & procedures, and data being housed across a multitude of operational systems & applications.

4 Investigations/ Irregularity Work

4.1 During the course of the year Internal Audit has had no involvement in investigative or irregularity work. Should the need have arisen during 2019/20 the Audit Plan would have been adjusted accordingly or alternatively additional audit days agreed.

5 Follow Up Work

5.1 Internal Audit has undertaken two specific audit follow-up exercises in relation to Volume Crime and Stop & Search (as part of the HMICFRS Self-assessment exercise) and both assignments provided reasonable assurance and demonstrated progress and a positive direction of travel in relation to the mitigation of the reported risks.

6 Added Value

6.1 During the year Internal Audit continued to provide a significant support and liaison function, particularly to the new Chief Officer Team. Internal Audit has by necessity adapted their audit approach throughout the audit cycle to provide increased ongoing ad-hoc advice and proactive contributions as HP endeavours to mitigate many of the current risks associated with the payroll and finance systems and the collaborative working arrangements with SYP, particularly in relation to the shared IS service.

- 6.2 Internal Audit has maintained a visible audit presence and have visited sites throughout Humberside: including Priory Road, Courtland Road, Clough Road, Pearson Park, Melton, Hessle and Beverley. Audit presence and activity has also been required in SYP locations, including Carbrook House, Robert Dyson House and Nunnery Square.
- 6.3 IA have become part of the HMICFRS Integrated PEEL Assessment & Governance Board oversight processes in HP. This enhances engagement by Internal Audit across key areas of organisational risk, which was effectively demonstrated when Internal Audit were recently tasked with undertaking a HMICFRS pre-inspection exercise on behalf of Humberside Police in relation to their use of stop and search powers.

7 Performance Measurements

- 7.1 Internal Audit prepares various Performance Indicators to enable ongoing monitoring and to allow comparisons to be made. A year end summary of performance against these is provided below:

Summary of Performance Indicators 2019/20

Output Indicators	2017/18	2018/19	2019/20
<i>Audit Days Charged</i>	250	275	250
<i>Number of Reports</i>	12	13	11
Timeliness Indicators			
<i>% of Final Reports issued within 5 working days of Draft discussion</i>	100%	100%	100%
<i>% of Audits finished within timescale indicated in Audit Brief</i>	30%	40%	40%
Quality Indicators			
<i>Recommendations (Fundamental/ Significant) where Management Action does NOT fully address risk</i>	0%	0%	0%
<i>Client Surveys - % Excellent / Good</i>	95%	90%	91%
<i>Client Surveys - % below Fair</i>	0%	0%	0%

- 7.2 In total all 250 audit days were delivered against an original audit plan of 250 days. This in part reflected the additional Payroll & Finance Review work undertaken at the request of the Chief Officer Team.
- 7.3 The timeliness of issuing the final report shortly after the final discussion remains at 100%, whilst the proportion of audits finished within the timescale indicated in the audit brief has continued to remain low. The timeliness of audit completion is being addressed but it has in part been impacted by the inherent issues associated with resilience and staff turnover identified as reported previously.
- 7.4 No recommendations of a fundamental or significant nature were made and not adequately responded to. In accordance with the requirements of the PSIAS, it can therefore be confirmed by the Head of Internal Audit that in their professional opinion there has been no decision made by management to tolerate an unacceptable level of risk to the organisation.

7.5 The survey results continue to indicate a high level of satisfaction with the work that we undertake, from those involved in the audit. In addition IA sought feedback in relation to the integrity, professionalism and value added by their service, which provided a positive response, albeit on a very limited response rate.

Humberside Police & Crime Commissioner
 Joint Independent Audit Committee
 8 June 2020

INTERNAL AUDIT PROGRESS REPORT

Report of the Head of Audit

1 PURPOSE OF THE REPORT

1.1 The report sets out the current progress against the 2019/20 & 2020/21 Audit Plan.

2 BACKGROUND

2.1 This Progress Report monitors 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.

Table 1: Summary of Progress against the Audit Plans for 2019/20 & 2020/21

STATUS OF AUDITS	2019/20 (as at year end)	2020/21 (as at 26 May 20) APPENDIX A
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
TOTAL	12	6

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

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

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

2.4 Members are reminded that they can have sight of all finalised reports issued upon request.

3 OPTIONS, RISKS AND OPPORTUNITIES

- 3.1 If the Internal Audit function does not provide an efficient and effective risk based audit service the Police and Crime Commissioner and Force will be unable to obtain an appropriate level of assurance regarding the system of internal control operating within both organisations.

4 POLICING PLAN AND PERFORMANCE

- 4.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

5 IMPACTS ON OR LINKS TO COLLABORATION

- 5.1 The Internal Audit function is provided to the Humberside Police & Crime Commissioner and Chief Constable by internal audit staff from the West Yorkshire Office of the Police & Crime Commissioner under a s22 agreement with the Police and Crime Commissioner for West Yorkshire.

6 FINANCIAL IMPLICATIONS

- 6.1 There are no direct, specific financial implications within the progress report. However, individual audits contained within the report may include recommendations which contribute to a more effective use of resources and enhance the value for money being obtained by the Force/ PCC. In addition, wherever practicable, recommendations are made which do not cause the PCC/ Force to incur additional costs.

7 LEGAL IMPLICATIONS

- 7.1 The Police and Crime Commissioner and Chief Constable are required to ensure that appropriate Internal Audit arrangements are in place.

8 EQUALITY AND DIVERSITY AND HUMAN RIGHTS

- 8.1 There are none in the context of this report.

9 CONCLUSION

- 9.1 The report summarises progress to date against the 2020/21 audit plan.

10 RECOMMENDATIONS

- 10.1 It is recommended that the Joint Independent Audit Committee note the contents of the report and discuss any issues arising.

Contact Officer:

Neil Rickwood, Head of Audit

Tel: 01924 878329

Background documents:

Appendix A - Audit Plan 2020/21 (to date)

Appendix B - Golden Hour Compliance

Appendix C - Crime Screening

Appendix D - Financial Systems

Appendix A – 2020/21 Internal Audit Plan and Progress (as at 26 May 2020)

<i>Audit Status</i>	<i>Audit Opinion</i>	<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit (days)</i>	<i>Description</i>
1 st Six Months					
Draft	REASONABLE	GDPR	b/f 19/20	Assurance	10 Audit to evaluate how the Force and OPCC are progressing against and implementing the recommendations made by the ICO as a result of their inspection in 2018. Work originally delayed whilst HP recruited an Information Compliance Unit Manager to oversee the ICO action plan progress.
Draft	REASONABLE	Use of Force Reporting	b/f 19/20	Risk	15 Risk based systems audit which will look at the reporting of the uses of force by HP. IPA hot debriefing raised issues regarding compliance with reporting and the detail and level of analysis of UoF currently performed. The work will also incorporate within the scope coverage of the risks associated with both the Uses of Body Worn Videos and TASER where applicable. Also identified as one of the national HMICFRS IPA themes to be reported. Update: Agreed to delay work until March 2020 to enable audit to fully reflect the new processes for recording all UoFs on the PRONTO app on handheld devices.
In Progress	-	IS Audit Universe work streams (2 audits): (1) Software asset management & licensing	Q1-4	Risk / Governance	30 IS Department will provide a self-assessment against an IS risk universe which will govern the direction of the shared audit programme of work. Work already planned and in progress: Software asset management & Licensing
	-	Digital Forensic Unit	Q2	Assurance	20 To provide assurance that the processes that have been recently implemented by the Digital Forensic Unit (including both referrals and triage) are working as expected and that work on ISO accreditation is progressing as necessary.
In Progress	-	FCR: Identification of vulnerability and audit of safeguarding measures.	Q1-2	Risk	20 One of the key areas of concern for the HMIC is the appropriate identification of vulnerability at the point of contact. Audit to provide assurance that the FCR are appropriately and consistently identifying vulnerability and that the force is ensuring prompt safeguarding of victims and vulnerable people where appropriate.

<i>Audit Status</i>	<i>Audit Opinion</i>	<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit (days)</i>	<i>Description</i>	
-	-	MISPERS	Q1-2	Risks	15	Focus on repeat MISPERS, particularly those children in care, including the adoption of Philomena Protocol principles.
-	-	Organised Crime Groups	Q1-2	Risk	20	Focus on scoring, range of crime types/ intelligence available and the tactical activity and disruption against the threat posed.
Draft	NO OPINION	BAWP Governance Arrangements	Q1	Assurance	10	Support work provided out of the audit contingency budget ensuring underpinning financial governance arrangements are in place for the ACO's British Association for Women in Policing (BAWP) responsibilities.
In Progress	-	Repeat Victims: Tasking & problem solving.	Q2	Support/ Assurance	15	Work to establish if there is a consistent adoption of the SARA tasking model at Force, Divisional & Area levels in relation, particularly to repeat victims. A new process for Repeat Victims which has been rolled which includes better consideration of vulnerability and what if any interventions, support, signposting etc, can be undertaken, which will be supported by a robust performance framework. An interim piece of work has been agreed which would be a simple desktop review of their new process, implementation plan and progress on performance. A full evidence based review will then take place later in the year when the new process has embedded.
-	-	Follow-Up Exercise 1	Q2	Follow-up	5	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental and significant recommendations in areas of limited assurance.
2nd Six Months						
-	-	Review of DACTs.	Q2-3	Support/ Assurance	15	Review of the new DACT roles and the activities undertaken by these teams, The review will also consider the effectiveness of DVPN's & DASH risk assessments.
-	-	Implementation of/ adherence to the Hampshire Model	Q3-4	Support/ Assurance	20	HP are to adopt Hampshire Model for implementing a Right Care Right Person policy. This signals a significant change in how HP will respond to calls for service in relation to Concerns for Safety, Mental Health and Missing Persons.

<i>Audit Status</i>	<i>Audit Opinion</i>	<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit (days)</i>	<i>Description</i>	
-	-	Financial Systems Assurance & Testing	Q3-4	Financial Systems	50	Contingency to include: <ul style="list-style-type: none"> Transactional testing of key financial systems based on an assessment of risk (including the Fraud Risk Assessment) in order to provide necessary assurances on their control. Emerging areas of financial systems assurances required by OPCC/Force.
-	-	Follow-Up Exercise 2	Q4	Follow-up	5	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental and significant recommendations in areas of limited assurance.

Audit	Golden Hour Compliance
Assurance Opinion	Limited Assurance (positive direction of travel)
Overall Risk	Medium

Introduction

The College of Policing state that the Golden Hour is the term used for the period immediately after an offence has been committed, when evidential material is more readily available and accessible. Positive action in the period immediately after the report of a crime minimises the amount of material that could be lost to the investigation, and maximises the chance of securing the material that will be admissible in court.

The HMICFRS 2018/19 PEEL Report recognised improvements to how crimes are investigated following the 2017 effectiveness inspection stating the force now investigates most crimes to a good standard. However, concerns were noted around the standard of initial enquiries, lack of direction from supervisors and delays in responding to incidents. The report acknowledged that the force had responded positively to feedback, part of which included implementing a drop-down menu on Command & Control to enable the Control Room (FCR) to provide guidance to Officers on GH considerations.

As part of a broad review by the Force Quality Assurance Team it was determined that the application rate of the GH principles was less than 30% on the records sampled. This led to the approach being further revised including removing the requirement for the FCR to provide GH guidance. Additionally, GH compliance is now assessed on all Crime Report by Sergeants within the Crime Management Unit (CMU) on both the North & South Banks.

Following the introduction of the new arrangements compliance was stated as typically being between 90 & 95%, representing a significant improvement. Internal Audit were asked to evaluate and provide assurance around the Force’s Golden Hour (GH) Compliance processes.

Main Findings

1. The review identified aspects of good practice, for example:

- **GHP Templates:** GHP templates were devised by an experienced Inspector and if used as instructed, and stipulated by the guidance, should prompt attending Officers to consider all aspects relevant to the offence type.
- **General GH Training:** The force provide a range of training sessions covering the GH Principles. Consequently, patrol team officers should be well aware of the principles and just need to apply them in line with the new process.
- **CMU Assessments:** The results of assessments by the CMU of GHP compliance were reviewed alongside CMU Sergeants to determine the appropriateness of results. The vast majority were correct providing assurance that the assessments and related reported performance are reliable. However, this is within the context of criteria used to assess records, which in this case was that reasonable GHP actions had been taken, rather than records were compliant with the new process.

2. Inefficient Process: Attending officers do not find the process user friendly. GHP templates can be copied from the guidance document into Connect, however, Connect does not allow copying from mobile (pronto) devices, requiring officers to re-enter information into Connect, often leading to officers having to return to the office at the end of their shift to update the system or at the start of their next shift. This impacts CMU assessments as information to be assessed may then not be on Connect at the time the CMU attempt to assess it. This issue and several others could have been mitigated through utilising existing software and technology to enable resource to be used more efficiently and effectively.

3. Guidance Materials: An Inspector was tasked in June 2019 with developing the GHP process plus accompanying guidance and training materials for the 1 July implementation date of the new process. The force urgency to improve GHP practice was evident, however, it was not clear why such a demanding deadline was set which contributed toward some challenges in developing the materials and other aspects related to implementation of the new process. A review of the guidance materials identified inconsistencies between the guidance document and power point presentation in respect of the templates and feedback process resulting in potential confusion and varying practice amongst users.

4. Business Process Training: Training was first delivered on the date the process went live and was largely aimed at Patrol Teams and delivered (primarily) by Detective Inspectors. On the South Bank training was delivered within the 20 minute patrol briefings, however, on the North Bank more time was provided additional to the briefings. The reason for this inconsistency was unclear.

In some cases, Det. Inspectors were unaware of the requirement to deliver the training until shortly before or on the delivery date providing little time to familiarise themselves with the process, materials and to develop an approach. The requirement to deliver training, in some cases within 20 minutes, meant that on the South Bank focus was placed on earlier slides of the presentation with officers required to access and read the guidance document to gain a full understanding of the requirements.

The process was introduced hurriedly with insufficient consideration given to the training requirements. The force may have been better served through sufficiently resourcing the training. Effective process training increases likelihoods of people leave training

sessions prepared to change the way they work, paving the way for timely results from the improvement initiative.

5. Offences covered: The new GHP process covers a limited number of offence types (Residential Burglary, Arson, Commercial Burglary, Criminal Damage, Robbery, Drugs Offences, GBH, Public Order, Harassment, TFMV, TOMV, and Theft Other). Some Officers were unaware why more serious offences or force priorities such as Domestic Abuse were not covered.

Internal Audit were advised that the offences covered were those representing the bulk of work and majority of which officers attend, and that focusing the GHP on these has the greatest chance of making a difference. The majority of others are either telephone investigations or are by default covered by the GHP such as Rape and Murder and consequently were not included.

The force should ensure it has arrangements in place to obtain assurance that Golden Hour Principles are adequately completed for offences outside of the new process.

6. CMU GHP Compliance Assessments:

100% Checks: The CMU assess 100% of incidents where attending officers should have utilised and completed a GHP template. Initial assessments are performed by CMU Police Constables who denote the records as pass or fail. CMU Sergeants then 100% check all fails and dip sample passes to ensure assessments are completed consistently.

This level of checking requires significant resource, and whilst adding value through prompting officers to complete GHP, the aim of the process is for Officers to apply the GHP at their own volition. The force would arguably be as well served assessing a targeted lower percentage of records, freeing CMU resource to be used more efficiently and effectively elsewhere.

Pass Criteria: Criteria for ascertaining whether a record passes the GHP assessment is not made explicit in either the process guidance or presentation. However, from reviewing the materials it could reasonably be assumed that a pass requires all aspects of the GHP template to be suitably complete (or have an appropriate rationale where incomplete) and for the template to be placed on the Connect Incident Report.

The review found the criteria applied in determining whether a record passed shifted several times between process implementation and the time the audit review took place. However, operational officers were not made aware of this and so should still have been adhering to the originally implemented process.

The numerous changes to the passing criteria resulted in an inability to reliably compare performance over time, thus it is difficult to determine whether compliance improved to the extent suggested by reported performance. Additionally, reported performance no longer reflects compliance with the process as implemented in July but is now just a percentage of incidents where the CMU determined that the attending officer adequately applied the GHP.

7. Performance & Management Information

Baseline: At audit commencement it was stated that application of the GHP was believed to be less than 30%. It was not possible to ascertain whether the new process had improved application of the GHP as earlier attempts by the force to determine compliance had been unsuccessful. However, anecdotally compliance appears to have significantly improved.

Performance Reporting: The CMUs periodically report performance to the Senior Leadership Team and other relevant stakeholders which was shown to prompt requests for further information. Measures reported are broadly similar, allowing some comparison. However, a notable absence of percentages, outside the overall GHP compliance rate, reduces context and limits comparability. The North Bank CMU cannot produce percentages from their data due to not capturing the necessary data for records that pass. There was no rationale for this beyond saving time copying and pasting. On the South Bank the respective information is captured and percentages could be produced, albeit they are not at present.

Management Information Potential: The review identified scope for further developing performance information to add value via identifying areas of strength, those requiring improvement and providing the requisite information to inform management decisions for improving the efficiency and effectiveness of the process, examples of which were provided in the report.

Mapping assessments to outcomes: The ultimate aim of implementing the new GHP process is for the force to improve the rate at which a positive outcome is achieved for crimes investigated. At the time of the review there did not appear to be any activity in respect of mapping assessed records to their respective outcomes. This would be useful in determining whether the process was positively impacting outcomes which could then inform decisions on expanding, revising, or desisting with the process.

Utilisation of in-house expertise: The spreadsheets used by the CMU to record assessments and produce performance information were initially developed by Officers before further revision by the CMUs. The force may have been better served utilising the skills and expertise of the performance team who are well placed to advise on the development of performance measures and metrics for breaking down performance and informing decision making. This would also have informed data standards to ensure performance information is readily available.

8. Feedback Process: The basis of the feedback process is described in both the process guidance document and PowerPoint presentation, however, the process detailed within each differed possibly contributing toward the differing approaches taken by each CMU, which in both instances differed to those detailed in the materials.

North Bank: For all failing records the CMU notify the attending officer and also their supervisor, regardless of whether it is the first, second or third fail.

South Bank: For the first fail the feedback goes to the respective officer only. For further failures feedback goes to the respective officer, and potentially also their Sergeant. The assessing CMU Sergeants makes a judgement based on the time between incidents, fail frequency, and extent of fail for the respective officer.

Feedback compliance: Testing found that the North Bank are significantly more likely to provide feedback (90%) than the South Bank (55%) to the attending officer. For repeated failures the official process stipulates that the supervisor of the attending officer should be included in the feedback. Compliance with this aspect of the process was weak on both banks. The North Bank provide supervisory feedback for all fails, even first failure, whereas the South Bank failed to provide supervisory feedback for all fails where it should have been provided.

Neither approach is ideal. The North Bank CMU could cause friction with Officers through supervisors being notified of first mistakes whereas on the South Bank supervisors may remain unaware of recurring issues with their staff and so issues remain unaddressed.

Audit Opinion

It appears that the implementation of the new process has resulted in a significant increase to the rate at which the principles are applied, however, there have been many missed opportunities to obtain and extract value from implementing the new process. Internal Audit can provide limited assurance that the risks associated with the implementation of the new Golden Hour Principle process have been and are being effectively managed.

The effectiveness of the process appears to have been impacted by an urgency to implement whereas more time and/or resource allocated to the development of the process, systems utilised, guidance and training, could have further improved the operational effectiveness of the implemented process.

Management action is required to achieve the intended benefits of implementing the process including better defining the process and requiring adherence by those involved at all stages, development of more robust recording mechanisms and performance information for greater insight & informed decision making and mapping assessments to outcomes to determine the effectiveness of the process.

The force should consider reviewing the process and re-launching it having taken on-board learning from the exercise and points made in this Internal Audit report to ensure that the process is efficient, effective, consistently applied and can be used to determine whether it is having a positive effect on outcomes.

Recommendations and Management Action

9 significant recommendations were made within the report. Some of the key recommendations are detailed below.

- *If the force is of the view that the Golden Hour Principles are fundamental to effective policing and wish to further develop, embed and utilise the process then consideration should be given to utilising technology, software, and automation to improve efficiency, and effectiveness to increase process adoption, improve management information, and increase the likelihood of achieving the positive outcomes for which the process was introduced.*
- *For future training of new processes the force should utilise the training team expertise of training best practice to ensure that the time, resource, and approach are suitable for the process being trained. This is worthwhile because effective new process training increases the likelihood that people leave the training sessions prepared to change the way they work, paving the way for timely results from the improvement initiative*
- *The force should ensure that guidance materials are cognisant and consistent with one another before disbursement. This will reduce confusion and inconsistent practice from those apply them. This applies across the board and not just to the Golden Hour.*
- *The force should ensure that it maintains appropriate, centralised records for training so that gaps can be identified and addressed in a timely fashion*
- *Consideration should be given to utilising lower percentage checking to reduce the burden on the force of performing the assessments. For example, a targeted approach could be taken, along the lines of the below:*
 - *Officers new to patrol teams (or other teams if required) are 100% checked for an initial six week period (or set number of attendances if don't go to many) until they achieve a determined compliance rate (e.g. 90%). If the rate is not achieved then they remain 100% checked for a further defined period until they meet the standard.*
 - *Once the standard is met Officers are 10% checked.*
 - *Officers where a fail is identified will be targeted with corrective action and the percentage of their work assessed will increase until they again hit the standard.*

- *This approach reduces the burden whilst still working towards the aim of officers appropriately completing GHP of their own volition.*
- *The force should define an assessment process, pass criteria and recording standard against which the CMU should be required to assess Golden Hour compliance and record their assessments.*
- *The force should consider utilising the skills and expertise of the force performance team to develop a spreadsheet (or other means), for recording the reviews. The team should advise on useful performance metrics, whilst cognisant of the content of this audit report, that give useful information on compliance by force, bank, team and individuals that can be used to informing decision making to improve the efficiency and effectiveness of the service. The spreadsheet should be built in such in such a way that performance information is automatically produced based on the data input. This will require setting data standards and utilising validation functionality. Completion of this recommendation will also help ensure that both banks work consistently, allowing performance to be more readily compared.*

All recommendations have been agreed and management responses received which are currently being collated.

Audit	Crime Screening
Assurance Opinion	Limited Assurance (positive direction of travel)
Overall Risk	High Risk

Introduction

Humberside Police has a responsibility to investigate crime complaints that occur within their jurisdiction. However, within the constraints of finite resources, it is vital that the force adopts a consistent, ethical, risk based approach to the filtering and prioritising of crime investigations.

Main Findings

CMU Management Team

Since the summer of 2019, a CMU Management Team has been meeting on a regular basis (6-8 weekly) to identify and address some of the issues arising in relation to crime management (including crime investigation screening). This group includes senior representation from Force Control Room, North Bank and South Bank. The auditor was provided with a copy of the Action Plan developed as a result of the issues raised at this forum, which include improvement actions in the following areas:

- Managing and resolving ongoing staffing/resource issues
- Remedial actions aimed at addressing long queues, particularly at North Bank
- Long term estate issues
- Daily SLT productivity issues
- Monitoring of appropriateness and accuracy of outcomes
- Supervisor training
- Refresher training with a focus on key areas such as proportionate investigation and vulnerability
- Proportionate investigation policy review

One of the recent outcomes of this group was the delivery of training/awareness to contact staff in relation to shoplifting screening and use/availability of CCTV. This was designed to improve screening at first contact and deliver more realistic expectations.

The development of this forum provides good evidence that the force is seeking to address the issues being identified in relation to Crime Screening and the inclusion of senior management representatives from across FCR, NB & SB means they are well placed to identify and implement relevant improvement actions. Whilst there is no formal reporting process outside of their own SLT's, the auditor was assured that where relevant, escalation would take place with the ACC via LAM's.

Corporate Policy/Guidance/Criteria

The auditor was provided with copies of the Crime Recording Policy, Allocation Policy, Proportionate Investigation Policy and South Bank Standard Operating Procedures.

It has already been acknowledged that there is a degree of inconsistency in the standard operating procedures (SOP) adopted across North and South Bank. As per the discussions and outcomes of the CMU Management Team, there is currently an ongoing review in relation to SOP with a particular focus on the identification of vulnerabilities, recording and risk. Further details and associated recommendations are outlined later in this report.

Compliance with force policy including key principles such as THRIVE and Golden Hour

There are varying degrees of dip-sampling and compliance monitoring in place across Force Control Room (FCR) and North & South Banks (NB & SB). Though there are some inconsistencies in the depth and breadth of these checks across the force, nevertheless, there are arrangements in place with provide some degree of assurance regarding compliance with force policy and key principles as well as feedback mechanisms to ensure that lessons are learnt and improvement is made. However, as detailed later in this report, the apparent use of targets at North Bank in relation to screening in and out rates reduces assurance that force policy is being applied consistently and that screening in and out decisions are ethical, risk based and appropriate.

Internal Audit has recently completed an audit in relation to Golden Hour Principles (GHP) which has reported that the force has recently implemented procedures in relation to the application of GHP. Once embedded and consistently applied, these arrangements should provide added assurance regarding compliance with golden hour principles and as a result, improve

investigation opportunities and outcomes.

Skilled, trained, experienced assessment and investigatory resource

The auditor was advised of the consistent problem identified across FCR, NB & SB in relation to the high turnover of staff affecting the function. The FCR had been particularly hit by high numbers of staff leaving for police officer roles or reaching retirement age, though this has tapered off somewhat in recent months. There is also a high use of police officers on restricted duties, sometimes also restricted in terms of working hours and shift patterns. The regular churn and high turnover of staff inevitably impact on the level of training, support and experience. To mitigate some of the associated risks and issues, supervisors try to offer additional support to newer, less experienced staff and supervisor dipsampling is also in some cases skewed in favour of the less experienced members of the team.

As well as these generic issues across FCR, NB and SB, the auditor was advised that NB has specific issues affecting their performance which means that due to a number of factors they periodically fall below minimum staffing levels. The queue lengths at NB has been identified within the CMU Management Team Action Plan and additional support is currently in place to address some of the performance issues at NB. Further details can be found later in this report.

Investigation Plans

Templates had recently (November 2019) been introduced to assist the development of appropriate and complete investigation plans. Completion of the appropriate template and quality evaluation of the investigation plan has been included within the supervisor dip sample checking process. The recent implementation of the monitoring and compliance with golden hour principles also increases assurance regarding elements of the investigation process and improved outcomes.

Conclusion

Whilst there are processes in place which provide some assurance in relation to crime screening across the force, overall, there are a number of significant weaknesses which need to be addressed to provide substantial assurance that the crime screening process ensures that filtering and prioritisation is consistent, appropriate, ethical and supports efficient use of resource. There are concerns in respect of crime screening processes at North Bank and in particular the apparent use of a screening in/out target which significantly reduces assurance that crime screening is appropriate, risk based and/or ethical.

Internal Audit acknowledges that the CMU Management Team, which has been meeting since the summer of 2019, has identified the majority of weaknesses detailed in this report and relevant improvement actions have been identified and are being monitored via their formal Action Plan. It is recommended that the agreed actions arising from this audit report are incorporated into this Action Plan (where relevant) and progress is monitored and reported accordingly.

Recommendations and Management Action

Nine recommendations were made, one considered fundamental and seven significant, including:

- It is recommended that the agreed actions arising from this audit report are incorporated into the CMU Management Team Action Plan (where relevant) and progress is monitored and reported accordingly, including periodic updates/escalation to the ACC where appropriate.
- The reviews of the Proportionate Investigation Policy and Standard Operating Procedures should be designed to promote best practice, efficiency, effectiveness and consistency in working practices across the force.
- Appropriate mechanisms should be in place to provide assurance regarding the adoption of and compliance with the revised policies and procedures consistently across the force, including, where relevant, the use and completion of appropriate template documents.
- Where relevant, clear guidance should be provided to support the use of discretion if and when deviating from the standard crime allocation process. Rationales should be provided to support any decisions made.
- Dip sampling percentages should be set at an appropriate rate to provide sufficient assurance regarding compliance with force policies, procedures and principles (including THRIVE and Golden Hour). Where changes are made to any relevant policy, procedure or principle, consideration should be given to the benefits of increased sample testing until such time there is adequate assurance that there is a good understanding and compliance with the relevant change.
- The use of targets in relation to screening in/out should be actively discouraged. Where application of the proportionate investigation policy results in an increase in demand which cannot be managed within existing resources, appropriate escalation should take place. In line with usual management arrangements, CMU management will need to consider:

- Short term reallocation of internal resource to manage the increase in demand
- Maximise further opportunities to streamline/improve efficiency of current processes and resources
- Further reassessment of the current screening criteria/allocation policy to manage longer term increases in demand
- Review of current CMU structure and resource where demand continues to increase and cannot be managed within existing resource and/or reassessment of the screening criteria/allocation policy
- If and where the use of arbitrary targets is approved and applied as a last resort to manage demand, the force should be fully cognisant of the associated risks.
- North Bank supervision should continue to identify and address the issues affecting CMU performance. The force should continue to monitor the impact of the agreed improvement actions and additional management support and take appropriate action where further improvement needs to be made or agreed outcomes are not achieved.

The draft report has recently been agreed with the ACC and the report now issued to relevant SPOC's for management responses.

Audit	Financial Systems
Assurance Opinion - Payroll	Limited Assurance (positive direction of travel)
Assurance Opinion – other systems	Reasonable Assurance
Overall Risk	Medium Risk
Introduction	
<p>Internal Audit undertake testing of Humberside Police’s core financial systems in order to provide assurance that key financial controls are operating effectively. Testing during the course of the audit was undertaken in the following areas:</p> <ul style="list-style-type: none"> • Payroll • Pensions • Accounts Receivable (Debtors) • Accounts Payable (Creditors) • Financial Management 	
Main Findings	
<p>Payroll</p> <p>Testing in respect of Payroll proved generally satisfactory, however, the audit identified the following areas for improvement and efficiencies, including:</p> <ul style="list-style-type: none"> • Formal procedure notes drafted in conjunction with external consultants BDO in the summer of 2019 had not been finalised, approved and issued at the time of the audit in early 2020. • Lack of complete and up to date payroll control account reconciliations. • Leaver overpayments arising as a result of the delay in receipt of leaver notification and/or delay in input due to payroll closedown period. • Delay in receipt of confirmation of leaver Annual Leave balances leading to delays in calculation of final pay adjustments and increased risk that overtaken leave is not offset against final salary payments. • Failure to verify bank account changes where request is not received via Humberside Police/regional e-mail address. • Error rates in respect of mileage expense audit sample testing raising concerns in relation to current self service and low dip sample testing arrangements. • Lack of potential duplicate claim and high mileage/subsistence reporting and review arrangements. <p>Pensions</p> <p>Testing in respect of Pensions proved satisfactory in that individuals had been correctly established on the pension scheme, opt-outs were appropriately authorised and contributions correctly calculated.</p> <p>Accounts Receivable (Debtors)</p> <p>Testing in respect of Accounts Receivable proved generally satisfactory however, the audit identified a number of areas for improvement and efficiencies, including:</p> <ul style="list-style-type: none"> • Lack of deminimus value in respect of extent of debt recovery and write off authorisation. • Lack of clear accountabilities in respect of debt recovery relating to outstanding court orders. • Lack of debt recovery action in respect of outstanding sponsorship invoices. • Lack of/delayed recovery action in respect of a number of disputed payroll invoices. • Debt recovery action is not always undertaken taken on a timely basis in accordance with the agreed debt recovery timetable. <p>Accounts Payable (Creditors)</p> <p>Testing in respect of Accounts Payable proved generally satisfactory, however, the audit identified the following areas for improvement and efficiencies, including:</p>	

- Lack of clarity in respect of the Goods Receipt Note (GRN) indicator within Oracle (the GRN element of Oracle is often completed with the matching invoice number and not evidence/confirmation of GR).
- Lack of delegated authorisation matrix for OPCC and externally funded/independent departments/functions.

Financial Management

Financial Management processes, including the production of budget summaries for the Chief Officer Group (COG) and Senior Leadership Teams are appropriate. Budget reports are clearly presented, relevant and produced on a timely basis.

*NB – the audit did not consider financial information in relation to IS & HR collaboration arrangements with SYP, of which the IS collaboration financial management arrangements has recently been subject to a separate audit review.

The auditor has been provided with bank account authorised signatories in relation to PWLB and Santander. There has been changes in personnel and roles & responsibilities which are not reflected and these should be reviewed and updated accordingly.

Overall Opinion

Although a number of weaknesses and areas for improvement have been identified as part of the audit, overall, there is **Reasonable Assurance** that the Force's core financial systems are being effectively monitored and managed in accordance with documented policy and procedure.

However, the audit opinion in relation to **Payroll** specifically is assessed at this time as **Limited Assurance (positive direction of travel)**. The auditor has based this assessment on the fact that many of the payroll controls and processes evaluated and tested as part of this audit have been introduced, evolved and matured (or are still maturing) as the financial year has progressed and have therefore not been evident and working well in practice for the full financial year. The approval and distribution of payroll procedure notes as well as completion of timely payroll control account reconciliations remain as significant weaknesses which should be addressed as a matter of urgency.

Recommendations and Management Action

Forty two recommendations were made, thirty of which were significant, including:

Payroll

- The formal procedure notes should be finalised, approved and appropriately communicated as soon as possible. All staff involved in the payroll function should be fully aware of the agreed procedures and the requirement to comply with them at all times.
- As a matter of urgency the force should ensure that effective processes are put in place to support timely and full completion of the payroll control account reconciliation.
- Payroll management and leadership should continue to develop meaningful and added value KPI's that support effective management of payroll team performance and continuous improvement.
- There should be an agreed process in relation to the development and approval of revisions and/or amends to the formal procedure notes. Approved changes should then be appropriately and promptly communicated to relevant team members/stakeholders.
- The payroll team should monitor and report the volume and value of overpayments resulting from the extended payroll closedown timetable. Management should consider what action, if any, can be taken to minimise the risks of significantly increased overpayments associated with extended payroll closedown periods.
- It is acknowledged that there is ongoing liaison between key stakeholder functions Payroll, HR and Duty Planning to agree a robust and timely process in relation to the reporting and authorisation of leaver annual leave balances. Once in place, there should be appropriate monitoring of the agreed revised arrangements to ensure they are working well in practice and risks associated with late notification and calculation of leaver Annual Leave balances are being mitigated.
- Consideration should be given to what, if any, reconciliation process can be put in place to ensure that all changes received into the payroll SPOC box have been promptly and accurately actioned.
- In line with the Code of Ethics and requirement to act with honesty and integrity, individuals should be aware of their personal responsibility to ensure that salary payments and receipt of relevant expenses and allowances are correct. Where errors or incorrect payments do arise, these should be promptly and appropriately

- highlighted to ensure timely corrections can be made.
- Where bank details changes are not made via a Humberside/regional work e-mail address, the officer/employee should be contacted to confirm that the request is bone-fide. Details of this confirmation should be retained with the change documentation.
- Consideration should be given to maintaining statistics in relation to the levels and reasons for claim rejections as part of the 5% sample checking process. Where appropriate, these statistics should be used to inform lessons learnt, including for example, consideration of awareness campaigns in relation to commonalities etc. It is noted that the level of errors, omissions and overclaims identified in the audit sample testing supports the need for a timely reminder exercise to reinforce claimant responsibilities in respect of complete, accurate and valid travel and subsistence claims.
- Whilst Internal Audit is conscious of and support the ethos and potential efficiencies and savings of the current self-service process and low dip-sample rates, this has to be balanced with the need to ensure the force is demonstrating VFM, transparency and integrity in respect of travel and subsistence claims. As a result, where there is a high level of errors and rejections in respect of the current 5% dip sample arrangements, consideration will need to be given to the appropriateness of retaining this low level of checking and the subsequent increased risk that a significant number of erroneous or even potentially fraudulent claims may be being paid.
- Individuals should be reminded of the need to evidence HR authorisation in respect of any agreed excess mileage claims.
- Individuals should be reminded of the need to include itemised purchase receipts (and not credit card summary receipts only) in support of subsistence claims to evident that the claim has been made in accordance with force policy.
- Consideration should be given to producing a monthly potential duplicate claim report which includes all instances of potential duplicate claims (for example, date of claim match, type and value match). This report should be reviewed and where considered a duplicate of a previous valid claim, appropriate action taken to prevent/recover any overpayments.
- Consideration should be given to producing a monthly high value expense claimant report and undertaking reasonableness checks to the claims.
- There should be a clear and approved escalation process to HR/PSB in respect of any persistent overclaimants, suspected deliberate duplication or suspected false (fraudulent) submission of travel and subsistence claims.
- As part of the implementation and go live of the electronic subsistence claim system, the force will need to consider an appropriate risk based approach to dip-sampling/review and approval of subsistence claims to provide assurance regarding the accuracy and validity of claims and ensure that the risk of payment of erroneous and/or fraudulent claims is minimised.
- The force should ensure there are adequate succession planning arrangements to mitigate the risk of significant gaps in payroll management and leadership. These arrangements should demonstrate an ongoing commitment to address outstanding weaknesses and support continuous improvement.

Accounts Receivable

- Recovery action, including formal reminder letters and chaser phone calls should be made in accordance with the agreed debt recovery timetable. All communication, including details of telephone chaser calls should be documented on the associated debtor record.
- Accounts Receivable management should continue to undertake liaison with Legal Services in respect of appropriate debt recovery action in relation to outstanding court orders. There should be clear accountabilities in respect of recovery of these debts.
- Consideration should be given to an appropriately sensitive mechanism to remind/prompt sponsors/donors to submit sponsorship/donation in accordance with the relevant pledge or agreement. Where amounts remain outstanding, suitable arrangements should be in place to support appropriate write off/cancellation of the invoice. Process should be in place to notify the relevant department/service so that projected income/budgets can be appropriately revised.
- The recorded justification for write off of bad debts should be accurate and transparent.
- Accounts receivable should ensure that regular reminders are issued to the payroll team to request updates in respect of disputed leaver payroll overpayments to ensure that debts can be promptly recovered.
- Consideration should be given to the need for secondary supervisory/management authorisation in respect of credit note requests.
- Relevant personnel should be reminded of the need to provide appropriate rationale to support requests for credit notes. Where necessary, credit notes should be rejected and returned to the requestor pending receipt of further/adequate information.

Accounts Payable

- Consideration should be given to the current practice of recording invoice number in the Good Receipt Note (GRN) element of Oracle Accounts Payable process. The appropriateness of recording matching invoice number in the GRN part of Oracle should be considered to ensure that the risk of processing invoices for

payment where there is inadequate assurance in respect of goods/service received is minimised.

- Consideration should be given to updating the delegated authority matrix to include authorised signatories and approved authorisation levels for all budget heads administered by the force, including where relevant, externally funded projects and the OPCC. This should improve assurance regarding robust administration, financial management and governance of these projects/budget heads.
- Where Business Support identify that relevant supporting information is not provided, a request should be made to the relevant officer to complete/attach supporting information as required by financial regulations and/or regional procurement rules.

Financial Management

- Bank account authorised signatories should be updated as a matter of urgency to reflect current approved personnel only.
- The Force/OPCC should have adequate processes in place to ensure that bank account authorised signatories are promptly revised following changes to approved personnel.

The audit findings and recommendations have been agreed with the Head of Finance & Business Services and formal management responses are currently being drafted.

Audit Progress Report

Agenda Item No. 9

Office of the Police and Crime Commissioner for Humberside and the Chief Constable for Humberside

May 2020





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1. AUDIT PROGRESS

Purpose of this report

This report provides the Joint Independent Audit Committee with an update on progress in delivering our responsibilities as your external auditor and also summarising key national publications that may be of interest to Members.

Changes in accounts and audit timetable

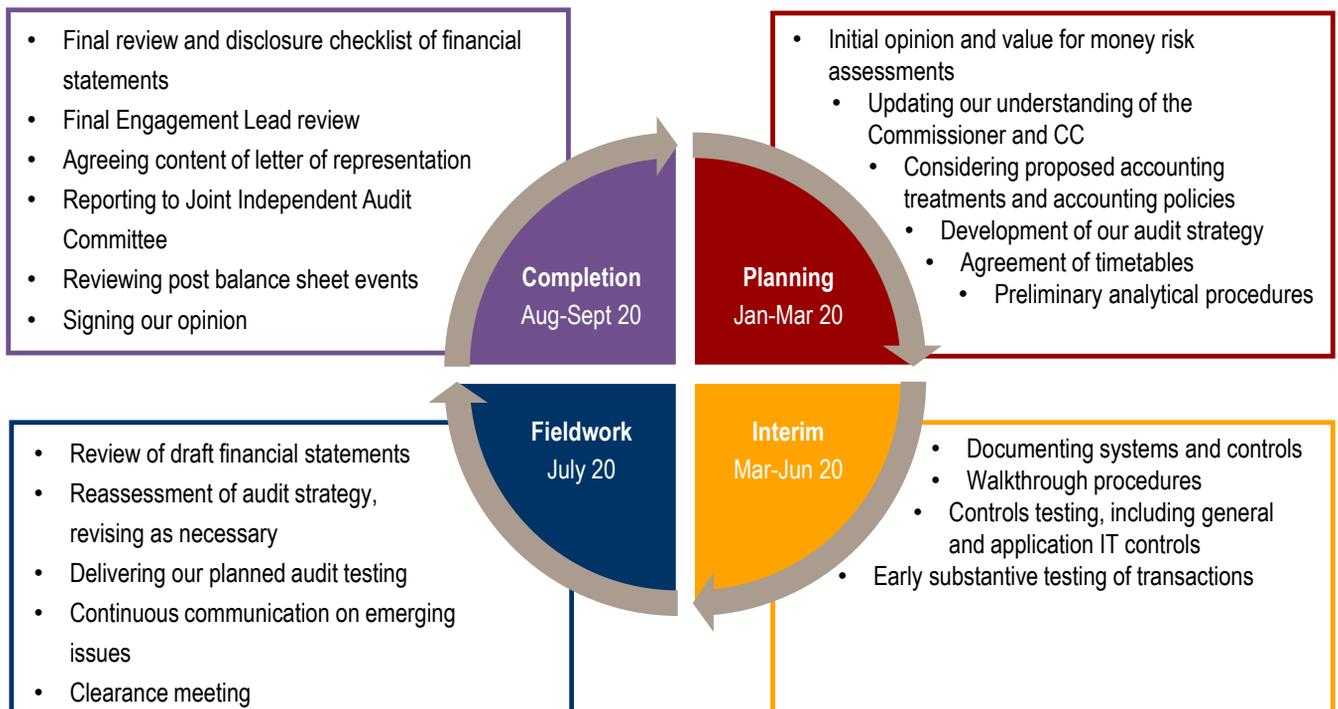
In April 2020 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations are to change the dates that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

The key changes for publication of draft and final accounts are 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 has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2019-20 authorities, including police bodies, can commence the inspection period at any time, except it must commence **no later than 1 September 2020**. This will 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 are detailed in the following table (these are proposed timings based on our understanding as at May 2020). It is our current plan that we will present our Audit Completion Report to the Joint Independent Audit Committee on 28 September 2020, and that the audit opinion, VFM conclusion and certificate will be issued as soon as possible thereafter.



1. AUDIT PROGRESS

Mazars response to the COVID-19 pandemic

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

Ensuring resilience and maintaining the level and quality of client service

- Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption.
- Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm.
- In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.
- All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with regular economic briefings.

<https://www.mazars.co.uk/>

Responding to changes – working with Humberside Police

All Mazars' staff moved to remote working from the 16th March 2020. We are committed to supporting the Police and Crime Commissioner and Chief Constable as best we can, recognising first and foremost, the need to be flexible as the current environment changes and also potential pressures on the accountancy and finance teams of the PCC and CC. We have maintained open communication throughout this period and will continue to do so.

We are able to carry out the audit remotely and will put in place arrangements to allow this; for example, regular video conference calls, a shared site for secure transfer of data and keeping a queries log. The key difference is we will not, subject to any changes, have a physical on-site presence. We will maintain communication via e-mail, and regular telephone and video conferencing calls.

2. SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to Members, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
Financial Reporting Council and other regulators		
1.	Statement in respect of current situation	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2.	CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, 30 April 2020	This is technical guidance for those preparing financial statements.
National Audit Office (NAO)		
3.	Overview of the UK government's response to the COVID-19 pandemic, 21 May 2020	NAO's first publication considering the Government response to COVID-19.
4.	Code of Audit Practice	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit year and beyond.
Public Sector Audit Appointments (PSAA)		
5.	PSAA Publishes Findings of Audit Survey, 7 May 2020	PSAA client survey. We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.
6.	Independent analysis of the outcomes of electors' objections, 15 April 2020	Analysis of objections.
7.	News release: Q&As, 9 April 2020	PSAA seeks to answer questions raised in the 2020/21 scale fee process.
8.	2020/21 audit fee scale, 31 March 2020	Scale fees set for 2020/21 at same level as 2019/20, but PSAA indicates likely upward pressure on audit fees for both years.
9.	Independent review of the sustainability of the local government audit market, 4 March 2020	PSAA publishes an independent review.
Local Government Association (LGA)		
10.	Key questions and issues for finance portfolio holders during the COVID-19 pandemic, 14 May 2020	Although this paper is directed at local authorities, the considerations around the financial impact of COVID-19 are equally relevant to police bodies.

2. SUMMARY OF NATIONAL PUBLICATIONS

	Publication/update	Key points
Home Office		
11.	Government urges public to make a difference and join the police, 19 May 2020	Government plans to increase police numbers are on target despite the pandemic.
12.	Home Secretary's statement on coronavirus (COVID-19), 25 April 2020	Includes an update on the impact of the pandemic on law enforcement.
13.	Police given new powers and support to respond to coronavirus, 26 March 2020	Police powers and support in relation to coronavirus.
14.	Policing gets biggest funding boost in decade to put more bobbies on the beat, 22 January 2020	Government funding commitment to increase police numbers by 20,000 over time.

2. NATIONAL PUBLICATIONS

1. Statement on Covid-19, *Financial Reporting Council and other Regulators*, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.

Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

2. CIPFA BULLETIN 05: Closure of the 2019/20 Financial Statements, *Chartered Institute of Public Finance and Accountancy*, 30 April 2020

This is technical guidance for those preparing financial statements. It covers emerging or urgent accounting issues. The bulletin for the 2019/20 financial statements includes guidance on accounting for issues relating to the COVID-19 pandemic.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>

3. Overview of the UK government’s response to the COVID-19 pandemic, *National Audit Office*, 21 May 2020

Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government’s response is unprecedented in recent history.

This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government’s response to COVID-19.

<https://www.nao.org.uk/report/summary-of-uk-governments-response-to-the-covid-19-pandemic/>

2. NATIONAL PUBLICATIONS

4. Code of Audit Practice, *National Audit Office*, March 2020

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies. Schedule 6 of the Act extends this requirement to include NHS Foundation Trusts.

Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

The final draft of the latest Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). NAO plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

Audit of the financial statements

Auditors must still comply with underlying auditing standards.

Value for money arrangements

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria:
 - Financial sustainability
 - Governance
 - Improving the 3Es – economy, efficiency and effectiveness
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

Auditor reporting

- Auditor's Annual Report introduced:
 - Replaces Annual Audit Letter
 - Includes enhanced commentary against each of the specified VFM reporting criteria
 - To be issued in line with the audit report on the financial statements

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

2. NATIONAL PUBLICATIONS

5. PSAA Publishes Findings of Audit Survey, *Public Sector Audit Appointments*, 7 May 2020

PSAA has published the findings of a survey of audited bodies' feedback on their audits of 2018/19 accounts.

In the past, surveys have been undertaken by the audit firms themselves and have sought the responses of client Chief Finance Officers (CFOs) to a relatively small number of high level questions.

This year, coinciding with the first audits under Appointing Person arrangements, PSAA has introduced a new approach which incorporates a number of important changes.

To assure independence and confidentiality, it has commissioned the LGA's Research & Information team to administer the survey centrally. The views of both CFOs and Audit Committee Chairs have been sought recognising the importance of the auditor's relationships with both Management and Those Charged With Governance. A longer list of survey questions has also been developed to probe more deeply into respondents' experience of different aspects of the audit and the auditor's performance.

PSAA hopes that audited bodies will find the survey results interesting and helpful in terms of stimulating discussion about their audit, identifying areas in which it went well or might have been improved. PSAA is encouraged by the volume of data which its new survey has generated and the opportunity it provides to identify good practice and/or discuss specific areas for improvement with individual audit firms.

We are delighted that these results show that Mazars has performed very well in its own right, and also in comparison to the other firms in the sector.

<https://www.psa.co.uk/2020/05/psaa-publishes-findings-of-audit-survey/>

6. Independent analysis of the outcomes of electors' objections, *Public Sector Audit Appointments*, 15 April 2020

A unique element of the local government accountability framework is the long-held rights of local electors to inspect accounts and related documents, and to object to auditors about issues of concern. In recent times electors have been able to access far more data and information than when the right to object was originally enacted, because of developments such as transparency reporting and the Freedom of Information Act.

Publicly available information about objections and their outcomes is limited. The work on them is often mainly confidential correspondence between the auditor, the objector and the local body with the outcome reported to the local body. Although the auditor's decision and detailed statement of reasons is sometimes reported in the public domain, this is not always the case. To help address that gap PSAA has commissioned an independent analysis of the outcomes of objections.

It is noted that there did not appear to be any objections in the police sector in the period reviewed.

<https://www.psa.co.uk/2020/04/news-item-independent-analysis-of-the-outcomes-of-electors-objections/>

7. News release: Q&As, *Public Sector Audit Appointments*, 9 April 2020

PSAA consulted on the 2020/21 scale fees earlier this year and published the 2020/21 scale fees on 31 March 2020. Not surprisingly in these turbulent times for audit the consultation responses contained many questions. Today PSAA have published a 'Q&A', setting out our answers to them.

<https://www.psa.co.uk/2020/04/news-release-qas/>

2. NATIONAL PUBLICATIONS

8. 2020/21 audit fee scale, *Public Sector Audit Appointments*, 31 March 2020

The consultation set out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

<https://www.psa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>

PSAA published its scale fees for 2020/21 on 31 March 2021, and concluded that:

"In current circumstances we do not have sufficient reliable information that would enable us to adjust the scale of fees for 2020/21, and so have maintained the scale fee at the level set for 2019/20 before audit work had started. In practice we recognise that in the event, with so much turbulence and change in the environment, additional fees variations are likely to arise for many bodies."

<https://www.psa.co.uk/audit-fees/2020-21-audit-fee-scale/>

9. Independent review of the sustainability of the local government audit market, *Public Sector Audit Appointments*, 4 March 2020

PSAA has recently commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard (TR).

The TR report draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31st July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams.

<https://www.psa.co.uk/2020/03/news-item-independent-review-of-the-sustainability-of-the-local-government-audit-market/>

2. NATIONAL PUBLICATIONS

10. Key questions and issues for finance portfolio holders during the COVID-19 pandemic, *Local Government Association*, 14 May 2020

The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. This paper seeks to outline and discuss key strategic issues that elected members, particularly those in finance and wider leadership positions, should consider.

Although this paper is directed at local authorities, the financial considerations are just as relevant to police bodies.

<https://www.local.gov.uk/key-questions-and-issues-finance-portfolio-holders-during-covid-19-pandemic>

11. Government urges public to make a difference and join the police, *Home Office*, 19 May 2020

The government's campaign to recruit an additional 20,000 police officers enters a new phase today with a clear message: make your difference.

More than 3,000 additional officers joined the police's ranks from the beginning of the campaign to the end of March 2020, putting the government on track to meet its target of 6,000 by March 2021.

Since then police forces have been reporting an increase in applications amid the coronavirus pandemic.

<https://www.gov.uk/government/news/government-urges-public-to-make-a-difference-and-join-the-police>

12. Home Secretary's statement on coronavirus (COVID-19), *Home Office*, 25 April 2020

Home Secretary Priti Patel provided an update on the government and law enforcement response to coronavirus.

<https://www.gov.uk/government/speeches/home-secretary-delivers-daily-coronavirus-update-25-april-2020>

13. Police given new powers and support to respond to coronavirus, *Home Office*, 26 March 2020

The government made new public health regulations strengthening police enforcement powers in England, to reduce the spread of coronavirus, protect the NHS and save lives.

<https://www.gov.uk/government/news/police-given-new-powers-and-support-to-respond-to-coronavirus>

14. Policing gets biggest funding boost in decade to put more bobbies on the beat, *Home Office*, 22 January 2020

The government has announced that funding for policing for 2020-21 will increase by more than £1.1 billion to a total of £15.2 billion, if Police and Crime Commissioners (PCCs) take full advantage of the flexibility to set police precept. The government has indicated that the increase represents almost 10% on the 2019-20 core funding figures for the forces and means that:

- PCCs will have access to £8.7 billion in government grants, representing £667 million more than in 2019-20;
- PCCs will have flexibility to increase local funding in England by setting the council tax referendum limit to £10 per year for a typical (Band D) property; and
- if all PCCs in England maximise the flexibility, this would generate around £248 million in additional funding for forces in England.

<https://www.gov.uk/government/news/policing-gets-biggest-funding-boost-in-decade-to-put-more-bobbies-on-the-beat>

CONTACTS

Director: Gavin Barker

Phone: 07896 684 771

Email: gavin.barker@mazars.co.uk

Manager: Nicola Hallas

Mobile: 07881 283 559

Email: nicola.hallas@mazars.co.uk