

**Handling Instructions: For Independent Audit Committee use only
FOIA - Open**



**Strategic Alliance
Independent Audit Committee**

Tuesday 13th March 2018 at 10.00am

**Executive Conference Room, Middlemoor HQ, Alderson Drive, Exeter, Devon
EX2 7RP**

Attendance

Helen Donnellan (Chair) (HD)	Committee Member
Tom Grainger (Vice Chair) (TG)	Committee Member
Amanda Gallaher (AG amended to ABG from 01/18/04 onwards)	Committee Member
Malcolm Smith (MS)	Committee Member
Linda Williams (LW)	Committee Member
Gordon Mattocks (GM)	Committee Member
Sandy Goscomb (SG)	Director of Finance and Resources (Devon and Cornwall)
Alexis Garlick (AG)	Chief Finance Officer (Office of the Police and Crime Commissioner, Dorset)
Karen James (KJ)	Head of Alliance Audit, Insurance and Strategic Risk
Neal Butterworth (NB)	Head of Finance (Devon and Cornwall)
Lucinda Hines (LH)	Head of Technical Accounting (Devon and Cornwall)
Tanya Hutchings (TH)	Administrative Officer
Rupert Bamberger (RB)	South West Audit Partnership
Laura Wicks (LW)	South West Audit Partnership
Darren Gilbert (DG)	KPMG

Apologies

Frances Hughes	Chief Executive Officer (Office of the Police and Crime Commissioner, Devon and Cornwall)
Simon Bullock	Chief Executive Officer (Office of the Police and Crime Commissioner, Dorset)
Nicola Allen	Treasurer (Office of the Police and Crime Commissioner, Devon and Cornwall)
John Jones	Assistant Chief Officer (Dorset)

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01/18/01 Apologies for Absence [FOIA – Open]

Apologies for absence were received as recorded above.

01/18/02 Declaration of Interest [FOIA – Open]

No conflicts of interest were declared.

01/18/03 Equality and Health and Safety Obligations [FOIA – Open]

SG informed the Committee of the health and safety procedures, HD highlighted the need to remember equality obligations during the discussions.

**01/18/04 Minutes from the last meeting held on 8th December 2017
[FOIA – Open]**

The draft minutes from the meeting of the Independent Audit Committee (IAC) held on 8th December 2017 were agreed as a true and accurate record, with amendments to the following:

- Minute 01/17/12 Annual Audit Letter, final paragraph. It was agreed that the sentence 'It was confirmed that KPMG would remain the external auditor for the 2017/18 year when Grant Thornton would take over as external auditors for both Forces.' did not accurately reflect the overlap between the two auditors, during the transitional period. It was amended to read 'It was confirmed that KPMG would remain external auditor for the 2017/18 year. **Grant Thornton would take over as external auditors for both Forces for 2018.** Assurances were given that KPMG would hand over and continue to work with Grant Thornton **throughout the transitional period.**'
- AG (Amanda Gallaher) highlighted the need to differentiate between herself and AG (Alexis Garlick) and therefore will be referred to as ABG.
- Minute 01/17/12 a. and b. Annual Audit Letter, first paragraph, final sentence. The sentence should read 'The Annual Audit Letter was written with the intention of being accessible **to** the public.'

It was agreed that these changes would be actioned before the minutes were finalised.

For action by: **TH**
Item discharged.

01/18/05 Action Log [FOIA – Closed s.22]

01/18/06 Matters Not Covered Elsewhere [FOIA – Open]

The Chair opened a discussion of the following:

- a. Identification and addressing of training needs**

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HD raised the need for identification of training requirements of the Committee. It was stated that the information packs supplied in advance of meetings provided a useful resource for learning. Further feedback was requested to determine what training would be useful to the Committee. A discussion was held around the subject, and the following areas of necessary training were identified:

- Understanding the governance of the Strategic Alliance
- Member refresher training on the function of the Audit Committee
- Individual training needs to be identified

It was agreed that the preferred platform for training would be an away day, with training in governance to be the priority. The need for planning training for the short, medium and long term was also highlighted.

To achieve this, it was agreed that AG, KJ and HD would liaise to determine who would be best to deliver and progress the training.

For action by: AG, KJ and HD

During minute reference 01/08/10 it was discussed that training to increase financial understanding would also be useful.

b. Development of performance criteria and process of review

A discussion was held around the need for performance criteria and a process of performance review, which would contribute to the annual report for the IAC. The Committee was informed that MS and HD had produced performance criteria, which had been circulated to the Committee and some feedback received. Further feedback was requested. HD requested this work continue with the process of performance review. MS volunteered to initiate this action.

For action by: MS

01/18/07 Annual Internal Audit Plan and Audit Charter [FOIA – Open]

The Committee noted the report presented by Rupert Bamberger that set out the proposed audit plan for 2018/19 and the audit charter.

The Committee expressed concern at the achievability of the plan within the given time frame. RB gave assurance that it would be achievable and that feedback had been taken regarding the feasibility of individual reviews. This feedback had been incorporated into the plan to ensure it would be completed within deadline. The Committee also requested that future plans give information on how many of the days allocated are used.

For action by: RB

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RB highlighted the need for flexibility in the annual report, in order to be able to re-prioritise when necessary.

The Committee requested clarity around KPMG's input in the Internal Audit Plan. The Committee was assured that, whilst KPMG generally do not contribute to or direct the Internal Audit Plan, they do have the opportunity to view the draft and give comment.

01/18/08 External Audit Plan for 2017/18 [FOIA – Open]

- a. The Committee noted the report presented by Darren Gilbert which gave a summary of key responsibilities and key issues for 2017/18. The report highlighted key areas to focus on, which would be specifically reported back to the IAC.

The Committee expressed concern that the 'faster close' of accounts may lead to less information being presented to the IAC. DG assured the Committee that this would not be the case, as the focus would be on ensuring all information was present, even if this caused papers to be late. DG highlighted the need for flexibility of timings for the receipt of the report, which the IAC will need to plan for.

For action by: TH
Item discharged.

The concern was raised that a faster close would also lead to a greater use of estimates. Therefore there would be an increased level of risk, and accounts would be more subject to change. Assurance was provided that comments would be given, within future reports, on key estimation areas, and that finance officers would have an early understanding of whether estimates are reasonable and acceptable.

- b. The Committee noted the report presented by Darren Gilbert which gave a summary of key responsibilities and key issues for 2017/18. The report highlighted key areas to focus on, which would be specifically reported back to the IAC.

The Committee sought assurance that the later close was achievable. LH confirmed that it was, and that tests had been carried out, and team management had been reviewed and adjusted to ensure sufficient support is given.

01/18/09 Budget Update [FOIA - Open]

The Committee received and noted the verbal report presented by Sandy Goscomb and Alexis Garlick. SG summarised the budget of the last financial year for Devon and Cornwall, in terms of financial cuts, reduced officer numbers, front desks closed, reduced support services and reduced Police Community Support Officers (PCSOs)

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numbers. It was explained that when looking forward to the next financial year, it was anticipated that there would be a 2% cap in council tax precept increases, a small cut in the grant and that the pay cap would be lifted. It was also expected that the funding formula would be reviewed. However, in Dec 2017, it was announced that there would be no cash cut in the grant, that PCCs would be given the freedom to increase their precepts by £12 per year (for band D properties) and that the funding formula would not be reviewed until the end of the spending period (2020). It was highlighted that these changes would allow Devon and Cornwall to:

- de-risk their budget
- increase the pay, above the pay cap, without reducing officers
- support reserves
- reinvest money saved
- increase police officer numbers
- increase joint-funded blue light officer numbers
- meet pay awards
- invest in technology

The Home Office will set criteria around efficiency, productivity, visibility about reserves and outcomes from HMICFRS reports. These will have to be fulfilled to allow the precept to be further increased in 2019/20. It was established that these criteria have not yet been set.

AG summarised the budget of the last financial year from Dorset, and highlighted the difference in scale and officer numbers between Devon and Cornwall and Dorset. In the summary given for the previous year, it was clear that the focus was on maintaining officer numbers. Dorset chose to increase their precept for the year ahead, though highlighted that there would still be risks and challenges. This meant that reserves would be significantly depleted and work was still needed on the capital programme. The intention to increase the precept fully in the following year was also made clear. Year 3 had not yet been planned, due to the merger business case still being developed.

01/18/10 Treasury Management Strategy for 2018/19 [FOIA – Open]

The Committee noted the report presented by Alexis Garlick. The report provided a joint treasury management strategy for all four corporations' sole, and would be passed to the PCCs, once considered by the Committee.

The Committee acknowledged the clarity of the strategy and that this was shared with those involved in preparing the document. It was requested that the Treasury Management Strategy be brought to the IAC meeting in December 2018.

For action by: TH
Item discharged.

A discussion was held around the ethical guidelines for investment, and the Committee were given assurance that there were comprehensive guidelines for ethical investment, which sat behind the Treasury Management Strategy. The discussion then moved to consideration of risk when making decisions. It was

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established that there were Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines which made clear the order to consider and prioritise risk, which ultimately guided the decisions made by the Chief Financial Officers (CFOs).

The Committee sought clarity around the governance of treasury management, and were informed that the responsibility for treasury management lay with the treasurer of the OPCC. The Treasurer makes recommendations and give advice to the PCC, who ultimately makes the final decisions, through the Joint Executive Board/Resources Board.

01/18/11 Reserves Policy for 2018/19 [FOIA – Open]

The Committee noted the report presented by Alexis Garlick. AG highlighted that although reserves are currently under scrutiny, the key principles remain the same, and that it was important not to take reserves out of context. AG also highlighted that the Dorset Reserves Policy was written before the Home Office guidance was published, and will be developed to align with Home Office guidance.

The Committee expressed the necessity for the Reserves Policies to be written with their audiences (the general public) in mind, and the need for this to be considered during development. Further to this, it was highlighted that the policies should be easily accessible for the public.

For action by: AG and NA

Clarity was sought regarding the inclusion of police overtime within the reserves policy, whether this was a permanent risk, and if so, whether it could be negotiated. SG clarified that regulations around police overtime are statutory, and therefore very little negotiation can be done around them. However, the overtime that is included in the reserves is for sudden major operations, which are short term and necessary to respond to those incidents. These costs can sometimes be recouped from the Home Office, however, this can take time and is not guaranteed.

The Committee also felt that the definition of reserves was not made clear within the reserves policy, and asked that the definition was clarified and aligned between Devon and Cornwall and Dorset, as part of the development of the policy.

For action by: AG and NA

01/18/12 Statement of Accounts 2017/18 [FOIA – Open]

The Committee received and noted a report presented by Lucinda Hines. The report outlined the steps taken to ensure the first year of 'faster close' was successful and to highlight the progress and response to recommendations made by KPMG.

The Committee questioned whether there would be a risk of slippage, due to tighter timescales, and if there was slippage, what the legal implications of this would be. They were assured that contingency plans had to been built in to ensure slippage did not happen, and that slippage brought no legal ramifications. LH further explained

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that the point of failure would be with CFOs, but they had been made aware of this, and the tight timescales, so slippage does not occur. The Committee were also assured that there is resilience within the team, and further training is being undertaken to provide additional resilience.

01/18/13 Advice to Chiefs and PCCs [FOIA – Closed s.22]

The Committee adjourned at 12.25pm.

The Committee reconvened at 1.00pm.

01/18/14 Value for Money Profiles [FOIA – Open]

The Committee received and noted the report presented by Neal Butterworth. The report gave key financial, performance and demand information and helped to identify areas of comparison that may require further investigation. The Committee requested that future Value for Money (VfM) reports be accessed digitally, rather than paper copies given out.

For action by: TH
Item discharged.

A discussion was held around the use of the VfMs, and it was explained that they are widely used internally as an indicator and are useful as bench marks. It was also highlighted that VfMs need to be read with a considered approach.

The Committee sought clarification of supervision ratios, and whether there was necessity for them to be so low. SG made clear that, although this may be explored, officer feedback often suggests that officers feel they do not have enough supervision.

01/18/15 Annual Governance Statements [FOIA - Open]

The Committee noted the report presented by Karen James. It was highlighted that the Annual Governance Statements (AGSs) were first drafts only, and that the first part of the AGSs was intended by CIPFA to be a static document, though due to the nature of the alliance and potential merger, it is currently still developing.

The Committee fed back that further work was needed to develop the AGSs. One area identified as requiring further work was the tone used in the action plan. The Committee also sought clarity as to whether the report was intended to be joint. SG explained that this had been the intention, but due to different governance structures and approaches this had not been achievable, at the time. The Committee were given assurance that work would be undertaken to produce a joint AGS next year. KJ clarified that each legal entity has to produce an AGS as part of the accounts, however a force and OPCC may produce a joint statement. Dorset and Devon and Cornwall are also seeking a common format for the AGS in the future.

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The Committee requested that public sector equalities be included in the AGS in future.

For action by: KJ

01/18/16 Internal Audit Quarterly Update and Highlights [FOIA – Open]

The Committee noted the report, presented by Rupert Bamberger, which summarised audit progress and any significant findings since December 2017. It was highlighted that the paper was prepared a month prior to the IAC meeting, and therefore several reviews had progressed further since submission.

The Committee sought clarification about reviews which may not be completed in time for the opinion report and whether there was any carry over from previous years.

The Committee also raised concerns that there may be a possibility of further finance system issues, following discussion of them in Appendix B of the report. Assurance was given that this was very unlikely, as when the original system issue was discovered, a gold group was created to oversee the work to verify the issues identified.

01/18/17 Corporate Risk Registers for Devon and Cornwall and Dorset [FOIA – Open]

The report for the Corporate Risk Registers was noted by the Committee and presented by Karen James. It was highlighted that the Risk Assurance Board (RAB) would be seeking the transition to joint risk management arrangements, and currently Dorset Risk Register was running through validation exercise of all corporate risks. This was in preparation for the hand over from the current CC, who was retiring, to the new CC, and therefore when the register is next brought to the Committee it will be different. It was also brought to the Committee's attention that, in Dorset, the Force Risk Register and the OPCC Risk Register are separate, but Devon and Cornwall's Risk Register is joint between the two corporations sole.

The Committee raised concerns around some comments in the Dorset OPCC Register and asked that the format be more aligned to the other risk registers. This was acknowledged and assurance was given that Covalent would be used during further development, which will ensure the content is inclusive and appropriate, as well as making sure that assurance is given through evaluation and explanation.

A discussion was held around whether the date at which the risk was first identified should be included, and it was agreed that it would be more useful to include the date at which the risk was last renewed and updated.

For action by: KJ

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01/18/18 PRISM Strategic Alliance Update [FOIA – Closed s.22]

01/18/19 Counter Fraud and Corruption Policy [FOIA – Closed s.22]

01/18/20 Points to bring to the PCCs and CCs [FOIA – Open]

SG sought clarification of the points to bring to the PCCs and CC. It was agreed that the following would be brought:

- The importance of ensuring easy accessibility for the public to reserves documents
- The need to ensure wording of reserves document is appropriate for the public
- The need for VfM reports to look at income and supervision ratios
- The need for public sector equalities to be included in the AGS
- The Committee welcomed the replacement of the Dorset OPCC Risk Register
- The Committee's concern that the Chair has, as yet, been unable to achieve meetings with all PCCs and CCs

Date, Time And Location Of Next Meeting

There being no other business the meeting closed at 2.55pm. The next meeting will be held on Tuesday 17th July 2018 at 10.00am in the Boardroom 1, Force Headquarters, Winfrith.