

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



**Strategic Alliance
Independent Audit Committee**

Tuesday 17th July 2018 at 10.00am

**Boardroom 2 & 3, Force Headquarters, Winfrith, Dorchester, Dorset
DT2 8DZ**

Attendance

Helen Donnellan (Chair) (HD)	Committee Member
Tom Grainger (Vice Chair) (TG)	Committee Member
Amanda Gallaher (ABG)	Committee Member
Malcolm Smith (MS)	Committee Member
Linda Williams (LW)	Committee Member
Gordon Mattocks (GM)	Committee Member
Nicola Allen (NA)	Treasurer (Office of the Police and Crime Commissioner, Devon and Cornwall)
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)
John Jones (JJ)	Assistant Chief Officer (Dorset Police Force)
Karen James (KJ)	Head of Alliance Audit, Insurance and Strategic Risk
Lucinda Hines (LH)	Head of Technical Accounting (Devon and Cornwall Police Force)
Delyth Ackrill (DA)	Head of Business Accountancy (Dorset Police Force)
Tanya Hutchings (TH)	Administrative Officer (Office of the Police and Crime Commissioner, Devon and Cornwall)
Rupert Bamberger (RB)	South West Audit Partnership
Laura Wicks (LW)	South West Audit Partnership
Rees Batley (REB)	KPMG
Simon Bullock (SB) (partial attendance)	Chief Executive Officer (Office of the Police and Crime Commissioner, Dorset)

A member of the public attended the open section of the meeting as an observer.

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

Apologies

Frances Hughes

Chief Executive Officer (Office of the
Police and Crime Commissioner, Devon
and Cornwall)

02/18/01 Apologies for Absence [FOIA – Open]

Apologies for absence were received as recorded above.

02/18/02 Declarations of Interest, Equality and Health and Safety Obligations [FOIA – Open]

No conflicts of interest were declared. KJ informed the Committee of the health and safety procedures, HD highlighted the need to remember equality obligations during the discussions.

02/18/03 Open Minute Items [FOIA – Open]

The open draft minutes from the meeting of the Independent Audit Committee (IAC) held on 13th March 2018 were agreed as a true and accurate record, with amendments to the following:

- Minute 01/18/08 b, final paragraph. The first sentence should read 'The Committee sought assurance that the **earlier** close was achievable...'

Action 12 [FOIA – Closed s.22]

Action 15 [FOIA – Closed s.22]

Minute 01/18/09, second paragraph. **[FOIA – Closed s.22]**

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

For action by:

TH

02/18/04 Action Log [FOIA – Closed s.22]

This item was moved to the closed section of the meeting, 02/18/14.

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

02/18/05 Open Chair's Business [FOIA – Open]

The Chair raised the following:

a. Pre-meetings

HD raised the need for an informal meeting of Committee members prior to each IAC meeting, in order to give time to include discuss performance and committee development. It was suggested that these meetings take place from 10.00am to 10.45am, with the aim of IAC meetings starting at 11.00am. This suggestion was accepted starting from the September 2018 meeting.

For action by: TH

Action discharged.

b. Setting of dates for future IAC meetings

The Committee expressed concern that the dates for IAC meetings in 2019 had not yet been set. It was recommended that future meetings would be set 12 months in advance, so that at any given meeting four future dates would be known. Future dates would be decided and brought to the IAC meeting on the 18th September 2018 to be ratified. It was also confirmed that future items would also be decided to allow for planning and time management.

For action by: KJ and TH

c. Training

HD fed back to the Committee, following a conference held by Grant Thornton for Audit Committees. During the course of this conference, the Grant Thornton indicated the wished to conduct regional training, possibly in Exeter. The Committee were supportive of this. It was agreed that room availability at Middlemoor HQ would be obtained and fed back to the Chair.

For action by: TH

d. Production of annual report

The Chair updated the Committee on the progress of the report and suggested a model, after conducting research. From this model, a focussed summary report and action plan for the year will be produced and brought to the Committee. The Vice-Chair took this opportunity to express thanks to the Chair and officers for their work on this matter.

02/18/06 Internal Audit Opinion [FOIA – Open]

The Committee noted the report presented by Rupert Bamberger that summarised the work completed in 2017/18, gave the unqualified audit opinion to both Forces.

The Committee noted and expressed interest in the Audit Committee Member Training mentioned within the report and details of the training would be circulated in due course.

For action by: RB

The Committee sought further information around the work plan change and the audits that were removed, with focus on the Dorset and Devon and Cornwall Police

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

Risk Management Audit. RB clarified that it had been removed due to shifting priorities, however agreed that it was of importance. KJ also agreed and suggested the audit be reinstated later in the audit plan.

For action by: **KJ**

The Committee sought understanding of the marking system used by South West Audit Partnership (SWAP) to quantify customer satisfaction. This was explained and assurance was given that the score given represents a very high level of customer satisfaction and it was further explained that the marking criteria were being changed. A full report and explanation of the changes will be provided at the September 2018 meeting.

For action by: **RB**

02/18/07 External Audit Opinion/ISA 260 Report [FOIA – Open]

The Committee noted the reports presented by Rees Batley which provided an audit opinion and Value for Money (VfM) opinion. REB also confirmed the handover arrangement from the previous engagement lead and that KPMG had fully complied with the necessary requirements of the Public Sector Audit Appointments (PSAA) regarding the new engagement lead. KPMG sent letters confirming this to the four treasurers/finance officers on July 16, 2018.

a. Devon and Cornwall

It was highlighted that Devon and Cornwall Police (DCP) and the Office of the Police and Crime Commissioner (OPCC) for Devon and Cornwall had received an unqualified audit opinion and VfM opinion. REB also praised the work done by the finance teams to meet earlier deadlines. The significant risks were raised as:

- Valuation of personal protective equipment (PPE)
- Pensions liabilities
- Faster close of accounts
- Strategic Alliance cost allocation

Clarity was sought from the Committee about why the approach to testing was different to the previous year, in terms of sample size. It was explained that there had been a refresh of approach, which had been driven by the need to collect the best evidence and follow the direction the regulators intended to take. Assurance was given that this change was not due to issues with internal control.

A discussion was held around the change in judgement for Property Plant & Equipment: Valuation between 2016/17 and 2017/18 for both Devon and Cornwall and Dorset. The concern from the Committee was that the value of the assets may have reduced. REB gave assurance that this was not the case as the difference was attributed to the valuers being cautious in comparison with the local market and that the value of operational assets and assets for disposal being very different.

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

REB drew the Committee's attention to the recommendations in the report, one of which had occurred in the current year around payroll information and three other issues which had been raised the previous year and followed up. Assurance was given that KPMG were satisfied with the current level of progress. Further assurance was sought by the Committee that the target of implementing the solution in the TEST system by the end of July was achievable, as the recommendations relied on this work being completed. The Committee was assured that work was on target to achieve this deadline.

The Committee sought clarification of the timeframe for the alignment of accounts. It was stated that the alignment of accounts was expected to be completed in March 2019, with quarterly monitoring and the Strategic Alliance cost allocation due to be completed at the end of December 2018.

REB further highlighted that many of the items that were outstanding at the time of writing the report had since been completed. Final adjustments to financial statements and the letter for the pension fund auditor were the only items outstanding.

For action by: **REB**

b. Dorset

The report given for Dorset Police (DP) and Dorset OPCC was broadly similar to the report for DCP and Devon and Cornwall OPCC. The significant risks were the same for DP and Dorset OPCC, as were the recommendations.

02/18/08 Annual Financial Report for 2017/18 [FOIA – Open]

The Committee took the opportunity to congratulate LH, DA and the finance team on achieving shortened closure of accounts. The Committee also sought assurance that this achievement had not resulted in resourcing issues, strains on IT or strains on the staff. Assurance was given that this had not been the case and that additional management accountants had been brought in to build resilience and to minimise pressure put on staff.

- a. The Committee received the report brought by Lucinda Hines, which aimed to provide the IAC with an overview of the audited accounts for 2017/18 for Devon and Cornwall. It was highlighted that the completed work had left the accounts in a good position for future years, where the aim is for more of an overview of the accounts with less detail. The management accountants would take on the detailed work, which would provide an opportunity for professional growth and improved resilience within the team.

A discussion was held around the key messages within the report and clarification was sought as to whether the variations in pension costs were notional figures. This was confirmed.

Assurance was sought by the Committee about the approval process for expenditure on agency staff. The Committee sought information about the increased use of agency staff. They were informed that vacancies cannot be

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

advertised as permanent currently, leading to the increase of agency staff. Further assurance was given that Human Resources were investigating the high percentage of agency staff.

- b. The Committee received a further report from Lucinda Hines, which aimed to provide the IAC with an overview of the audited accounts for 2017/18 for Dorset. The report was broadly similar to Devon and Cornwall report, though the overspend for Dorset was larger. This was attributed to police officer recruitment being at a higher level than budgeted. Assurance was sought by the Committee that there were processes in place for the approval of any overspend. It was confirmed that this was the case and that the budgeting had been in line with the forecast of police turnover, but this had been underestimated. It was also explained that throughout the year savings had been sought and made to counteract this. Further assurance was sought that systems are in place to bring similar issues to the attention of those who would need to make changes. This was confirmed and it was highlighted that as a result of overspend, the medium term financial strategy would be reviewed.

A discussion was held about why the Defined Benefit Obligation for Devon and Cornwall OPCC is around ten times more than that for Dorset. It was explained that there was a large amount of volatility and sensitivity to variation in this figure, however, AG offered to review this and report back to the Committee.

For action by: **AG**

02/18/09 Treasury Management Outturn 2017/18 [FOIA – Open]

a. Devon and Cornwall

The Committee noted the report presented by Nicola Allen. The report aimed to give the final outturn for treasury management for 2017/18 and highlight the external context of this. The Committee sought further clarification about why Devon and Cornwall's external investments have done less well than internal investments. It was explained that, in previous years, Devon and Cornwall had been risk adverse, however NA and SG were exploring the options to diversify investments.

b. Dorset

The Committee noted the report presented by Alexis Garlick. The report was similar to Devon and Cornwall's though it was highlighted that Dorset had had a transitional year, as Dorset Treasury Management had previously been provided by Dorset County Council.

02/18/10 Fees for External Audit 2018/19 [FOIA – Open]

The report was given by Alexis Garlick and noted by the Committee. The report advised the fees set for the 2018/19 audit of the accounts and AG reminded the Committee that these fees were set by the PSAA. This audit would not be undertaken by KPMG but by Grant Thornton.

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

This was the last meeting to be attended by KPMG. The Committee were informed that Grant Thornton had sent their apologies to this meeting, but would ensure they would be present at the next, and future, meetings.

The Committee sought clarification about the fees that would be expected if additional work were undertaken. It was explained that there is a scale of fees and clear guidelines in this instance, and that any fees would be discussed and agreed before additional work was undertaken.

The Committee also sought clarification around the tenure of external auditors. It was confirmed that this was five years.

At 11.58am the open section of the meeting concluded, the public observer was asked to leave and the Committee adjourned.

The Committee reconvened at 12.43pm.

02/18/11 External Audit Opinion/ISA 260 Report [FOIA – Closed s.33]

02/18/12 Closed Minute Items [FOIA – Closed (various)]

02/18/13 Action Log [FOIA – Closed s.22]

02/18/15 Annual Financial Report for 2017/18 [FOIA – Closed s.22]

At 1.12pm Simon Bullock joined the meeting.

02/18/16 Strategic Alliance and Merger Update [FOIA – Closed s.22]

02/18/17 Closed Chair's Business [FOIA – Closed s.22]

At 2.15pm Simon Bullock left the meeting.

02/18/18 Insurance Programme [FOIA – Closed s.43(2)]

02/18/19 Internal Audit Quarterly Update and Highlights [FOIA – Closed s.33]

02/18/20 Regional Insurance Broker Renewal [FOIA – Closed s.43(2)]

02/18/20 Risk Registers [FOIA – Closed s.31]

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

02/18/21 Annual Review of Terms of Reference [FOIA – Closed s.22]

02/18/22 Independent Audit Committee Operational Principles [FOIA – Closed s.22]

02/18/23 Chair’s Feedback to PCCs and CCs [FOIA – Closed s.22]

Date, Time and Location of Next Meeting

There being no other business the meeting closed at 3.32pm. The next meeting will be held on Tuesday 18th July 2018 at 11.00am in the Fowey Room, Andy Hocking House, Middlemoor HQ, Exeter.

DRAFT