



**Joint Audit Committee**

**Meeting Minutes**

**Date:** Wednesday 24 September 2014

**Time:** 2 pm

**Location:** Office of the Police & Crime Commissioner, St George's Chambers, St George's Street, Winchester

**Committee Members:**

Mike Attenborough-Cox	Chair
Elizabeth Dermody	
Lesley Kirk	
Peter Lloyd	
Elizabeth Mackenzie	Vice-Chair

**In Attendance:**

Mr Kevin Gardner	Interim Chief Executive (Office of the Police and Crime Commissioner)
Mr Craig Denholm	Deputy Chief Constable (Hampshire Constabulary)
Mrs Carolyn Williamson	Chief Finance Officer for the Police and Crime Commissioner
Mr Richard Croucher	Chief Finance Officer for the Chief Constable (Hampshire Constabulary)
Mrs Karen Shaw	Chief Internal Auditor for the Police & Crime Commissioner and the Constabulary
Ms Helen Thompson	External Audit Director (Ernst & Young)
Mr Adrian Balmer	External Audit Executive (Ernst & Young)
Mr Hugh Alexander	Strategic Risk Manager (Hampshire Constabulary)
Mr Craig Southin	Finance Manager (Statutory Accounting) (Hampshire Constabulary)
Mr Andrew Boutflower	Senior Accounting Manager (Hampshire County Council)
Mrs Caroline Sargeant	Finance & Business Support Officer (Office of the Police and Crime Commissioner)

**98. DECLARATION OF INTERESTS**

Members were mindful that, where they believed they had a personal or prejudicial interest in any matter to be considered at the meeting, they should at the time of the debate, declare their interest and consider whether to leave the meeting whilst the matter was discussed.

**99. APOLOGIES**

No apologies were received.

**100. CHAIR'S REPORT**

The Chair informed the Joint Audit Committee (hereon known as 'the Committee') that a Joint Audit Committee Chairs meeting was held in July. He advised that he had not yet received the outcomes from the meeting but he was aware of a plan to hold a regular meeting for Chairs and Vice-Chairs to attend.

**101. MINUTES OF THE MEETING HELD ON 30 JUNE 2014 (Item 4)**

The Minutes of the Committee meeting held on 30 June 2014 were confirmed as a correct record and signed by the Chair, subject to the change of the agreed a) of minute 75, to read: "That the Committee would adopt the Terms of Reference as a working document and will review it to see if any further changes should be recommended to the Police and Crime Commissioner and the Chief Constable in the future". Also subject to the addition at line 2, paragraph 1, of minute 87, of "employment" to read: "employment policies for the OPCC."

Matters Arising:

On Minute 75, 'Joint Audit Committee Terms of Reference', the Chair thanked Peter Lloyd for his work on reviewing the Terms of Reference. The Chair suggested that he would meet with the Chief Executive regarding the Committee's suggested Terms of Reference, which would then be recommended to the Police and Crime Commissioner and the Chief Constable and submitted to the March meeting of the Committee. The Chair requested that the Terms of Reference be added to the Forward Plan for the March meeting every year for review.

On Minute 87, 'Update on the development of policies of the Office of the Police and Crime Commissioner', the Chief Executive updated the Committee on the progress of the harmonisation of the Office of the Police and Crime Commissioner's (OPCC) Terms and Conditions. He advised that a month of consultation with staff on the new Terms and Conditions started on 1 September 2014 with a view to implementing any changes from 1 November 2014. There had been a great deal of work by both OPCC staff and Human Resources colleagues to produce a comprehensive library of policies ready for the 1 November 2014. A Member of the Committee asked if the policies could be referred to as 'employment policies' in the future to distinguish them from other policies of the organisation.

On Minute 89, 'Risk Management for Hampshire Constabulary', Members asked for clarity on what a 'pestle style' process, was. The Deputy Chief Constable advised that it stood for Political, Economic, Sociological, Technological, Legal, and Environmental and was, in effect, an audit of an organisation's environmental influences with the purpose of using this information to guide strategic decision-making.

On Minute 90, 'Joint Audit Committee Forward Plan', the Chair asked for an update on the Valuing the Police report. The Chief Finance Officer to the Chief Constable (CC CFO) informed the Committee that the Constabulary had received the report and had been rated as 'good'; however, the Constabulary have written back to Her Majesty's Inspectorate of Constabulary (HMIC) to request an 'outstanding' rating. The Valuing the Police report would be added to the agenda of the December meeting.

On Minute 91, 'Annual Report of the Joint Audit Committee', Members asked if the External Auditor has received a copy of the finalised report. The External Audit Director advised that she had received a copy of the report earlier in the week.

The Action Log was reviewed.

Action log item 11 – HMIC Inspection Programme

The CC CFO advised that HMIC were moving to PEEL (Police Efficiency, Effectiveness and Legitimacy) assessments and it was unlikely that an Annual Report would be produced. This action was therefore closed.

## **102. ANNUAL TREASURY MID-YEAR REPORT 2014/15 (Item 10)**

The Senior Accounting Manager advised that the mid-year report was ensuring that the OPCC was embracing best practice in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) recommendations. The OPCC is continuing with a cautious investment approach of investing in low risk, high quality investments. An increase in interest rates is expected in the future and the OPCC's treasury management advisors, Arlingclose, have estimated that the first rise will be in the third quarter for 2015; however, it is not known what impact the general election may have on this.

The Committee were informed that there had been no new long-term borrowing in the five months of April to August 2014 as the use of internal resources continued to be the most cost effective means of funding capital expenditure.

The Senior Accounting Manager assured the Committee that for the five months of April to August 2014 the OPCC had operated within the treasury management indicators set out in the Treasury Management Strategy. He also invited Members to an annual briefing on Treasury Management on the 28 November 2014 at the Hampshire County Council offices in Winchester.

Agreed:

- a) That the Committee considered the treasury management mid-year report for 2014/15.

**103. EXTERNAL AUDIT PROGRESS REPORT (Item 5)**

The Committee noted the External Auditors Progress Report and were informed that the Annual Audit Letter would be presented to the next meeting of the Committee.

**104. AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2014 FOR THE POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE (Item 6)**

The External Audit Director informed the Committee that the decision had been taken to separate the Police and Crime Commissioner's Audit Results Report from that of the Chief Constable's, as there was more detail contained within the Chief Constable's Accounts this year; however, both Audit Results Reports were very similar.

For the Police and Crime Commissioner's audit the External Audit Director advised that they were expecting to issue an unqualified opinion on the financial statements and were expecting to conclude that the appropriate arrangements had been made to secure economy, efficiency and effectiveness in the use of resources. The External Audit Director informed members that two significant audit risks had been identified during the planning phase of their audit. The first was the risk that the change in CIPFA guidance would be misinterpreted but the External Audit Director advised they had worked closely with the Finance Manager (Statutory Accounting), the Chief Finance Officer for the Police and Crime Commissioner (PCC CFO) and the CC CFO to ensure that this did not occur. The second risk was the risk of management override but the External Audit Director advised that there were no findings that indicated a risk of misstatement due to fraud or error.

The External Audit Director updated the Committee on the areas of their work programme that were not yet complete, as found on page 7 of their report. The letter of representation would be completed after this meeting and presented to the External Audit Director. The police pension fund, cash (imprest accounts), the work on payroll and the work on Whole of Government Accounts had all been completed.

There were a small number of misstatements which were highlighted to management for amendment and have been corrected. The External Audit Director thanked the Finance Manager and his team for the hard work that went into producing the statements and supporting papers.

Under the arrangements for securing financial resilience, the External Audit Director informed the Committee that there was a significant risk regarding the financial management challenges for the Constabulary over the coming years and the savings that would need to be made. The External Audit Director advised that she was satisfied the necessary arrangements were in place and there were no issues to report. She also advised that the auditors were satisfied that the Joint Audit Committee's Terms of Reference were in line with CIPFA's best practice guidance.

Members asked about the auditors' reliance on HMIC's Value for Money profiles and commented that cost effectiveness did not necessarily demonstrate efficiency. The External Audit Director advised that the Value for Money statements were used by the Auditors so that they did not duplicate the work of HMIC. The CC CFO clarified that the HMIC statements are comprised of three sections, workforce numbers, performance information and financial information and therefore give a lot more detail than just the finance of the OPCC and Hampshire Constabulary. The auditors did not find anything within the three sections to suggest that Hampshire Constabulary and the OPCC were inefficient.

Agreed:

- a) That the Committee noted the report and observed the statements made by the External Auditors.

**105. AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2014 FOR THE CHIEF CONSTABLE FOR HAMPSHIRE (Item 7)**

The External Audit Director informed the Committee that they were also expecting to issue an unqualified opinion on the Chief Constable's financial statements and were expecting to conclude that the appropriate arrangements had been made to secure economy, efficiency and effectiveness in the use of resources. The External Audit Director also advised that the risks, misstatements and arrangements were the same for the Chief Constable as those for the Police and Crime Commissioner.

Members asked about the arrangements for transition once the Audit Commission has been disbanded. The External Audit Director advised that the Local Government Association had set up a transitional body and she would include further information on the arrangements within the External Auditors' progress report for the December meeting.

Agreed:

- a) That the Committee noted the report and observed the statements made by the External Auditors.

**106. STATEMENT OF ACCOUNTS 2013/14 (INCORPORATING THE ANNUAL GOVERNANCE STATEMENT) (Item 8)**

The Committee made several observations in relation to the Police and Crime Commissioner's Statement of Accounts. Members queried the status of the Commissioning Reserve detailed on page 8 of the Police and Crime Commissioner's Statement of Accounts. They were informed that a reserve was set up at the beginning of the Police and Crime Commissioner's term to help deliver on the plans laid out in the Police and Crime Plan. In 2013/14 recruitment took place for the Head of Strategic Commissioning and this post was filled in September 2013. Until this point there was no requirement for the funding but shortly afterwards a plan on how the funding would be allocated over the next three years was produced and included as an appendix within the budget report to the Police and Crime Panel. The Police and Crime Commissioner wanted to

ensure the correct governance arrangements were in place so that the funding would be spent wisely and in the correct manner.

On page 83 of the Police and Crime Commissioner's Statement of Accounts Members sought clarity on the remuneration of a particular post holder and assurance that value for money was secured. The PCC CFO advised that an exit package was agreed and a business case produced, ensuring legal advice was sought for both. The External Audit Director advised that they looked at all the supporting documentation submitted, as part of the audit of accounts, and looked at value for money. She advised the Committee that they had not found anything that gave them cause for concern nor a link to a failure of internal control. Members asked if any further payments were made that were not contained within the disclosure and were advised that all payments made were contained within the disclosure and presented in the correct way. The External Audit Director confirmed that the information was presented correctly within the table. Members commented that the payment was a large amount and sought assurances that this would not happen again. The PCC CFO advised that none of the issues were linked to internal or financial control but could not comment any further. Her role was to ensure that the business case passed the test on value for money and that legal advice was sought.

Members asked if the full year staff cost could be included across the top of the "disclosure of post holder" information table in future.

For the Chief Constable's Statement of Accounts, the Members observed that the exit package appeared within the Exit Packages table on page 68 and queried if this should be the case. The Finance Manager advised that the whole table had been duplicated from the Police and Crime Commissioner's accounts and that the elements in the disclosure relating to Exit Packages for Police and Crime Commissioner's staff did not need to be shown in the Chief Constable's disclosure. He advised the Committee that the information would be taken out of the Chief Constable's accounts before they were published.

Agreed:

- a) That the Committee noted the Statements of Accounts and made observations as appropriate.

## **107. INTERNAL AUDIT PROGRESS REPORT 2014/15 (Item 9)**

The Chief Internal Auditor informed the Committee that two new areas for auditing had been identified for 2014/15 since the report was written and would like to seek agreement for these before the next meeting of the Committee in December.

The first proposal is an audit on the procurement practices within the OPCC following from a complaint from a member of the public regarding the procurement of services. The Police and Crime Panel were informed of the complaint and in turn sent it to the Independent Police Complaints Commission (IPCC) as per the requirements. The IPCC concluded that their involvement in reviewing the complaint was not required but made an observation on the OPCC's compliance with Contract Standing Orders. Therefore the OPCC have

asked for an internal audit to take place on the OPCC procurement practices to ensure they comply with Contract Standing Orders. The Police and Crime Panel have indicated that they are satisfied with this approach. Members asked where the four days for the audit would be found and the Chief Internal Auditor advised that the days could be taken from the Police and Crime Plan review without it having an effect on that audit. The Committee agreed to add the OPCC Procurement audit to the Audit Plan for 2014/15.

The second proposed audit was to review the change to the financial systems under the move to the Integrated Business Centre (IBC). Not only are the Constabulary and the OPCC moving to the new IBC arrangements but they are also changing the financial IT system at the end of October. The proposed review will look at the transfer to the new system, in particular the data integrity. The PCC CFO assured Members that strong measures were in place but as there was a significant change it was important to gain assurances and sign off from the auditors and ensure a good audit trail. Members asked how many days the audit would require and if the days had been identified. The Chief Internal Auditor advised that the days would be found within the plan but these had not yet been identified. The review would take place within the next few months and the number of days would be dependent on how successful the transfer was. The audit will have taken place by the next Committee meeting in December and a further update will be given at this meeting. The Committee agreed to add the transfer of financial systems audit to the Audit Plan for 2014/15.

Members asked if the number of plan days delivered to date was as expected. The Chief Internal Auditor advised that she was comfortable with the progress which was in accordance with the profiled plan agreed at the start of the year.

Agreed:

- a) That the Committee noted the progress of internal audit work for the 2014/15 internal audit plan.
- b) That the Committee considered the addition of the OPCC Procurement audit and the transfer of financial systems audit to the 2014/15 internal audit plan and recommended them to the Police and Crime Commissioner and the Chief Constable.

#### **108. JOINT AUDIT COMMITTEE ANNUAL REPORT 2013/14 (Item 11)**

The Chair informed the Committee that he had spoken to the Police and Crime Commissioner about the report which had been produced by the Committee in June, and it was agreed the report would be tabled at this meeting. The Chair asked that the minutes show the Annual Report was referring to the financial year 2013/14.

The Joint Audit Committee's Annual Report 2013/14 was their view of 2013/14 and the Chair commented that progress had been made since then and was moving in the right direction. The Committee were now able to meet with the Internal and External Auditors privately and a Strategic Risk Register for both the Constabulary and the Police and Crime Commissioner were in place.

The Chair advised that it would be useful for the Chair and Vice-Chair of the Committee to meet with the Police and Crime Commissioner and the Chief Constable in between the Committee meetings. The Chair would be contacting the OPCC to arrange for dates to be set for this for the next 12 months. The Chair also commented that it was noticeable the Police and Crime Commissioner and the Chief Constable did not attend the Committee meetings, although they were represented by senior officers, and suggested that they attend one per year, preferably the September meeting for the sign off of the accounts.

The Chief Internal Auditor advised the Members that she would welcome an opportunity to discuss the comments made in the annual report regarding the conflict of interest and independence of the internal audit service.

Agreed:

- a) That the Committee noted the Joint Audit Committee Annual Report 2013/14.

#### **109. JOINT AUDIT COMMITTEE FORWARD PLAN (Item 12)**

The External Audit Director asked for a couple of amendments to the Forward Plan. In December the External Audit reports should consist of the External Audit - Audit Progress Report 2014/15 and the External Audit Annual Audit Letter. For September 2015, the External Audit Director asked that the report title be amended to External Audit - Audit Results Report 2014/15.

Members also asked for the Terms of Reference for the next audit of risk management to be added to the December agenda as requested at the last Committee meeting.

The Chief Internal Auditor advised that the Annual Review of effectiveness of internal audit report due to be submitted to the December meeting had already been covered in the internal audit annual opinion report for 2013/14 which was considered by the committee in June.

Agreed:

- a) That the Committee considered the report and made recommendations on the planned reports to be submitted to its next four meetings.

#### **110. DATE OF NEXT MEETING (Item 13)**

The Date of the next meeting will be Thursday 4 December 2014 at 2.00pm.

#### **111. EXCLUSION OF PRESS AND PUBLIC**

The public were excluded from the meeting during the following items of business, as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in



maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

**112. CONFIDENTIAL MINUTES (Item 15)**

The Confidential Minutes of the Committee meeting held on 30 June 2014 were confirmed as a correct record and signed by the Chairman.

Matters Arising:

[A SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

**113. OFFICE OF THE POLICE AND COMMISSIONER'S STRATEGIC RISK REGISTER (Item 16)**

[A SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Agreed:

- a) That the Committee considered and made observations as appropriate on the OPCC Strategic Risk Register.

**114. HAMPSHIRE CONSTABULARY'S STRATEGIC RISK REGISTER (Item 17)**

[A SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Agreed:

- a) That the Committee considered and made recommendations as appropriate on Hampshire Constabulary's Strategic Risk Register.

**115. INTERNAL AUDIT REPORTS ISSUED (Item 18)**

[A SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Agreed:

- a) That the Committee considered and made recommendations as appropriate on the internal audit reports issued.