



Joint Audit Committee

Meeting Minutes

Date: Tuesday 24 September 2013

Time: 2 pm

Location: Westgate Chambers, Winchester

Committee Members:

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

In Attendance:

Mr Richard Croucher	Chief Finance Officer for the Chief Constable (Hampshire Constabulary)
Mrs Carolyn Williamson	Chief Finance Officer for the Police and Crime Commissioner
Mrs Jenni Douglas-Todd	Chief Executive (Office of the Police and Crime Commissioner)
Mr Craig Denholm	Deputy Chief Constable of Hampshire Constabulary
Mrs Liz Foster	Audit Manager for the Police and Crime Commissioner and the Constabulary
Mrs Kate Handy	External Audit Director (Ernst & Young)
Ms Justine Thorpe	External Audit Manager (Ernst & Young)
Mr Craig Southin	Financial Manager for Statutory Accounting (Hampshire Constabulary)
Mr Hugh Alexander	Strategic Risk Manager (Hampshire Constabulary)
Mrs Caroline Sargeant	Finance & Business Support Officer (Office of the Police and Crime Commissioner)

28. 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, the declaration should be made at the time of the relevant debate.

29. APOLOGIES

None were received.

30. CHAIR'S REPORT

The Chair informed the Joint Audit Committee (hereon known as 'the Committee') that since the last meeting there had been a number of discussions held about the Committee's Terms of Reference. A new version had been proposed, which would be covered later on in the meeting.

The Chair advised that an away day for Chairs and Vice-Chairs of Joint Audit Committees was being organised in November and asked for the Committee's agreement for himself and the Vice-Chair to attend if invited. The Committee agreed.

31. MINUTES (Item 4)

The Minutes of the Committee meeting held on 10 May 2013 were confirmed as a correct record and signed by the Chairman, subject to the amendment at line 8, paragraph 4, of minute 18, to read: "They advised they would like to see observations and responses for each audit in the future."

The Action Log was reviewed.

Action log item 7 – Police and Crime Commissioner's Risk Management Strategy
A presentation regarding the progress of the Risk Management Strategy would be given later on in the meeting.

Action log item 9 – Annual Internal Audit Report and Opinion 2012/13
The Chief Finance Officer for the Police and Crime Commissioner (CFO PCC) advised that the due date on this action should read June 2014, not September 2013, and asked for it to be amended.

Action Log item 11 – HMIC Inspection Programme 2013/14
The Chief Finance Officer for the Chief Constable (CFO CC) advised that HMIC had not yet published their report.

31. REVISED TERMS OF REFERENCE AND INTERNAL AUDIT CHARTER FOR THE JOINT AUDIT COMMITTEE (Item 5)

The Chief Executive commented that the Committee had received a presentation during the morning training session regarding the changes to the Terms of Reference and the Internal Audit Charter and that a detailed discussion had taken place following it. Members commented that during the discussion they had advised that they did not feel that they had the tools to provide the Police and

Crime Commissioner (PCC) or the Chief Constable with assurance. During the training session it was also agreed that for policing it was the PCC and Chief Constable who were "Those Charged With Governance". This would require some careful consideration of how generic guidance issued, regarding Audit Committees, applies to policing governance arrangements.

The Chair advised that the Committee had expressed concerns that the Terms of Reference proposed by the Chief Executive of the Office of the Police and Crime Commissioner (OPCC) may have certain shortcomings (against best practice) which it considers may render them unfit for purpose by hindering it in its role and duty of providing robust independent advice and recommendations to the OPCC and the Chief Constable.

The OPCC and Chief Constable had been advised that the Terms of Reference were in accordance with best practice as required by the Home Office Financial Management Code of Financial Practice, but it was recognised that there was uncertainty as to how elements of good governance operate under the new policing structure.

Some assistance might be forthcoming in resolving these concerns within a reasonable period with the publication of new CIPFA guidance on governance/audit in relation to the OPCC and Constabulary. This was currently under consultation.

The Committee and the PCC and Chief Constable were all anxious to ensure that the Committee felt able to continue, in the meantime, to undertake its core functions and wished it to have the confidence that it would be given all necessary and reasonable cooperation by the Board (as defined in the new Internal Audit Charter).

It was agreed that the Committee would continue to endeavour to fulfil its core functions through the new Terms of Reference on the understanding that i) the Terms of Reference would be discussed and reviewed with the Committee as soon as the new CIPFA guidance was available (or at the May 2014 JAC meeting if earlier) and ii) in the event that the Committee considers that there were any difficulties with the information or access it needs, the Chair of the Committee may approach the PCC and/or the Chief Constable who would endeavour to resolve them.

Members requested clarity over one of the statements under the Internal and External Audit section of the Terms of Reference, "To consider reports dealing with the management and performance of the providers of internal audit services, and make recommendations as appropriate." They queried whether this referred to reviewing the performance of the auditors and asked if this could be clarified and brought back to the Committee.

Under the Internal Audit Charter, Members queried the definition of 'The Board' as it stated that the Board was the governance group charged with independent advice on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. Members commented that the board could not be charged with independent advice to themselves and

requested that the word 'receiving' be added to the statement to read "the governance group charged with receiving independent advice on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting." The Audit Manager advised that she would take the comment back.

Agreed:

- a) The Committee noted the amendments to the Terms of Reference and the Internal Audit Charter on the basis that they would be revised after the new CIPFA guidance was published.

32. AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2013 (Item 6)

The External Audit Director introduced the report and advised that one of the areas of significant risk outlined in the Audit Plan was the preparation of the financial statements for the PCC and Chief Constable, including the group accounting, due to the establishment of new organisations part way through the financial year. As it was a new process there was a significant challenge in preparing two sets of financial statements, with very little professional guidance on what was required. The External Audit Director commented that the finance officers should be congratulated on the work they had done this year. The statements were generally effective and complied with the proper practices.

Under economy, efficiency and effectiveness, the audit focused on the transition, the new governance arrangements, the delivery of the Medium Term Financial plan and arrangements for securing economy, efficiency and effectiveness. The Committee were advised that the governance arrangements were generally effective and comply with regulations but the Joint Audit Committee needed greater clarity on how the Committee may best fulfil its responsibilities in supporting the PCC and Chief Constable, as recognised in both the PCC's and CC's Annual Governance Statement. Members advised the External Audit Director that the Annual Governance Statement for both the PCC and the Chief Constable would be revised to say that training for the Committee would be on-going which would replace the statement "further training is required".

The Committee was informed that the quality of the financial governance was very good and this was supported by Her Majesty's Inspectorate of Constabulary (HMIC) which acknowledged Hampshire Constabulary's response to change was impressive. Hampshire has identified how to close the funding gap and HMIC were satisfied with the level of detail provided to them that this would be achieved. HMIC also found that Hampshire Constabulary was doing more than other Forces in relation to costs and productivity of key services. The Constabulary spends less per head of population while the reduction in recorded crime was considerably greater than those recorded by other Forces across England and Wales.

Members asked what the external auditors own findings were in relation to the delivery of the medium term financial plan. The External Audit Director advised that the Audit Commission requires the external auditors to rely on other

agencies where appropriate when undertaking an audit and therefore they relied heavily on the comprehensive HMIC inspection.

The External Audit Director informed the Committee that this was the seventh year that she had undertaken the audit for Hampshire Constabulary and therefore a new director would be undertaking the audit next year. The Chair thanked the External Audit Director for the support and work she had undertaken for Hampshire Police Authority and the Police and Crime Commissioner over the last seven years. The Chair also thanked the finance team for all the hard work that had gone into preparing the accounts for 2012/13.

33. STATEMENT OF ACCOUNTS 2012/13 (INCORPORATING THE ANNUAL GOVERNANCE STATEMENT) FOR THE POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE AND THE CHIEF CONSTABLE FOR HAMPSHIRE (Item 7)

The CFO CC advised the Committee that separate Statement of Accounts had been required for the PCC and the CC. A lot of discussion had taken place nationally on how the accounts would be presented and it was agreed that the PCC accounts would include the group accounts. Separate Annual Governance Statements for the PCC and CC had been produced and were contained within the relevant Statement of Accounts document.

The Committee asked if the title for the Statement of Accounts for the PCC could be changed to read "Police and Crime Commissioner for Hampshire and the Isle of Wight" rather than just Hampshire. The External Audit Director advised that the title of the Statement of Accounts should contain the name of the policing area, which was Hampshire, even though it covered both the counties of Hampshire and the Isle of Wight. It was decided that the PCC logo would be included on the front page of the Statement of Accounts as it contained the wording "Serving Hampshire and the Isle of Wight". It was also agreed to amend the first page of the Chief Finance Officer's explanatory foreword to explain that the Hampshire policing area also covers the Isle of Wight.

The Annual Governance Statements for both the PCC and CC had been reviewed during the morning training session and Members had recommended amendments to the wording on both statements. The amendments were mostly concerning the clarity of the Joint Audit Committee and that the Committee had not had a role during the 2012/13 financial year which the Statement of Accounts refers to. Members asked if reference could be made to the governance framework on page 24 at 5.1 when it talks about the need to update processes for Risk Management and business continuity across the OPCC and Constabulary.

The Committee reviewed the Statement of Accounts and members recommended some amendments to the PCC's Statement of Accounts. Examples of the changes were that on page 6 under Operational Performance one member asked if offences could be referred to as 'reported offences' as not all offences committed were reported. On page 26 the note number under unusable reserves refers to 36 when it should read 35. On page 73 it refers to the Chief Constable being a trustee of the Blue Lamp Trust. Members queried what

sort of entity the Blue Lamp Trust was and if it produced any income for the Chief Constable. It was agreed that a sentence should be added to the end of the paragraph clarifying what sort of organisation it was and whether it makes any profit.

Agreed:

- a) That the Joint Audit Committee recommended some amendments to the Annual Governance Statements of both the PCC and CC, and to the PCC Statement of Accounts.

34. INTERNAL AUDIT PROGRESS REPORT 2013/14 (Item 8)

Members discussed the Risk Management audit and queried how the audit had concluded that the processes in place for the Strategic Risk Register were sound when the Annual Governance Statements over the last three years had referred to further work being required to improve organisational risk management. Members were assured that processes had been in place and were informed that the audit was undertaken during the last financial year and looked at the arrangements in place under the Police Authority. Since this time there had been a significant change in the Governance arrangements and work was now being undertaken to improve the strategy and management of risks under these new arrangements. Members were also assured that the Annual Governance Statements over the last three years had been referring to different risk concerns, prompting members to ask for it to be made more explicit within the Annual Governance Statement. Issues sitting below the Strategic Risk Register had been identified but these were not related to the Strategic Risk Register. The Chair asked for a recommendation to be made to the PCC and Chief Constable that the members be given access to the full audit report in relation to Risk Management in order to understand the issues.

Members commented that although they had received information on what risk management was currently in place, they had previously asked for further information on how risks were judged and escalated onto the Strategic Risk Register. They were informed that the process of escalation of risks to the Strategic Risk Register would be covered within the presentation on the proposed risk management later in the meeting.

The Committee discussed the length of time between the draft and final reports being issued and members asked if there was anything being done to speed up the process. The Internal Auditor advised that progress was being made and sponsors for the audits were in place. One member commented that auditors in other organisation give 10 working days for the client to give feedback on the recommendations. The internal auditor advised that they did give 10 working days for comments. Internal Audit findings are fully discussed with the auditee at the end of the field work and whilst reports include observations they do not make specific recommendations. It is up to management to provide actions appropriate to the risk appetite of the organisation. The Deputy Chief Constable advised that he would take the comments back with him to the Constabulary and look at any outstanding actions.

Members asked why the Estates Strategy had been removed from the internal audit plan while it was a high priority. The Chief Executive advised that that it had been postponed to 2014/15 due to the in-depth work and review that was currently taking place as it was felt that money would be best spent on auditing another area rather than an area where changes were being made. Members requested that the Committee be able to review the audit plan in future when changes had been made and asked for a standing item to be added to the agenda to address changes within the audit.

Agreed:

- a) That the Committee considered the progress of the internal audit work for the period 31 August 2013.
- b) That the Committee asked for a recommendation to be made to the Police and Crime Commissioner and the Chief Constable that the members be given access to the full audit report for the Risk management audit in order to understand the issues.
- c) That the Committee recommended that they be able to review any changes made to the audit plan during the year.

35. ANNUAL TREASURY MID-YEAR REPORT 2013/14 (Item 9)

The CFO PCC updated the Committee on the Treasury Management activities and advised that the investment holding was £83.3m, in line with the investment strategy; however, the cash balance was estimated to fall to £26m by the end of the financial year. The uneven profile of the cash balance was due to the Police Pension Grant of £42m being paid in a single instalment and then paid out gradually throughout the year.

The OPCC had an underlying need to borrow, measured by the Capital Financing Requirement (CFR), of £48.4m, at 31 March 2013. The use of internal resources in lieu of borrowing was currently the most cost effective means of funding the capital expenditure and therefore no new borrowing had taken place. However the PCC CFO would keep an eye on the interest rates and if they showed a favourable rate the OPCC may look to borrow money under that rate.

Agreed:

- a) That the Committee noted the treasury management mid-year report for 2013/14.

36. JOINT RISK MANAGEMENT STRATEGY AND STRATEGIC RISK REGISTER PROGRESS AND PROPOSALS (Item 10)

The Committee received a presentation from the Chief Executive, Deputy Chief Constable and Strategic Risk Manager on the proposals for the new governance structure, risk management and strategic risk register.

The Chief Executive advised the Committee that there had been a number of changes within the Constabulary and the OPCC within the last year. The PCC

had been elected in November 2012 and had appointed a new Chief Constable in February, who had in turn appointed a new Deputy Chief Constable. The PCC had also recently undergone an appointment process to appoint a top team which consisted of three Assistant PCCs and three heads, one for Performance and Delivery, one for Strategic Commissioning and another for Corporate Communications. All but the head of Corporate Communications have been appointed and it was hoped that the position would be appointed by the end of November. This top team will form the Senior Leader Team for the OPCC and would look to develop governance arrangements at their away day in the next few months. The Constabulary was also in the process of forming a new top team which will look at setting up the new governance arrangements for the Constabulary. Both the Constabulary and the OPCC will then look to bring those governance arrangements together to form a joint governance strategy, at a joint away day.

The Deputy Chief Constable informed the Committee that the new teams were looking at the governance arrangements and the strategic risk register to see how they fit together. It had been recognised that further significant restructuring within the Constabulary would be needed to meet the demands of the next spending review and both the OPCC and Constabulary want to create a governance structure that will remain robust throughout the restructure.

Members asked about resource allocation for areas identified and were informed by the Deputy Chief Constable that people sat across most of the areas but if there was a requirement to change the base resource he was able to relocate the resources; however, if the reallocation would have an impact on working within the Constabulary he would need to take it to the Executive board. The Chief Executive commented that this should be considered when the Terms of Reference were being produced.

The Strategic Risk Manager advised that it was important to develop the risk culture and measure the development. There was a need to establish the appetite for risk, which he hoped would be identified at the joint away day, and once this was known the rate of escalation could be decided. Members commented that the risk appetite of the PCC was likely to change when the elections were getting closer and this would need to be taken into consideration.

The Chief Executive advised that the default position for the Constabulary was to be risk adverse; however the PCC was not, especially with the social change agenda. Both the OPCC and Constabulary would need to come up with a new model and the Chief Executive hoped this could be achieved at the away day with recommendations on how to move forward. The Chair requested that the results of the away day be fed back to the Committee and asked for a written update at the next meeting, if the final risk management strategy had not been completed at this time.

37. 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.

38. STRATEGIC RISK REGISTER (Item 12)

The Committee received a confidential report of the Chief Constable regarding the current status of Risk Management.

[A SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Date of next meeting: Tuesday 10 December at 2.00pm