



Joint Audit Committee

Meeting Minutes

Date: Thursday September 21st 2017

Time: 2pm

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

Committee Members:

Elizabeth Mackenzie
Peter Lloyd
Katherine Pears
Gordon Manickam

Chair

In Attendance:

Mr Michael Lane	Police and Crime Commissioner
CC Olivia Pinkney	Hampshire Constabulary
Mr James Payne	Chief Executive Officer
Mr. Richard Croucher	Chief Finance Officer for the Chief Constable (Hampshire Constabulary)
Mr Andrew Lowe	Chief Finance Officer for the Police and Crime Commissioner
Ms Amanda Cooper	Director of Information (Thames Valley Police)
Ms Clare Simkin	Director of Change (Hampshire Constabulary)
Ms Karen Shaw	Chief Internal Auditor for the Police & Crime Commissioner and the Constabulary
Mr Rob Griffiths	Strategic Risk Manager (Hampshire Constabulary)
Ms Maria Grindley	Executive Director, Ernst and Young
Mr Adam Swain	Senior Manager, Ernst and Young
Mr Craig Southin	Deputy corporate Accounting Manager (HCC)
Ms Gemma Farley	Accountant (HCC)
Ms Shirley Semke	Business Services Manager (Minutes) (Office of the Police and Crime Commissioner)

277. 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.

278. APOLOGIES (ITEM 2)

Melvyn Neate, Terry Lowe, Lucy Day

279. CHAIR'S REPORT (ITEM 3)

The Chair (LM) welcomed Gordon Manickam (GM) who attended for his first meeting following his recent appointment.

Katherine Pears (KP) offered one year's notice of her intention to resign from the committee as she will be moving to the Middle East with her family. A recruitment process will begin in due course once newer members have settled in. Peter Lloyd (PL) reminded all of the timeline required for advertising and appointment.

The Chair advised the meeting of her attendance at the COMPASS meeting on June 24th in the Isle of Wight, where the Chief Constable is held to account by the Commissioner in an open meeting, and again at the Isle of Wight County Show on Sunday June 25th. It was noted that the public comments were all positive.

LM was delighted to attend the official opening of the Northern Police Investigation Centre (PIC) and the opportunity to tour the facility together with, and meet the Home Secretary, Amber Rudd who opened the facility.

280. MINUTES OF THE MEETING HELD ON 22nd June 2017 AND MATTERS ARISING (ITEM 4)

The minutes of the previous meeting were agreed as a true and proper record.

Ernst & Young (EY) confirmed they will be continuing as external auditors following the Public Sector Audit Appointments (PSAA). Their re-appointment was welcomed by PL and all present supported this.

281. EXTERNAL AUDIT – AUDIT RESULTS REPORT 2016/17 (ITEM 5)

The report presented by Maria Grindley (MG) revealed a good outcome for the year and an unqualified audit opinion is expected. The deadline for next year will be moving to July and the step-change approach in use is already supporting this and it is anticipated the new deadline will be met next year. MG thanked teams for prompt responses enabling the prompt completion of the opinion. MG further highlighted the following:

- Areas of Audit Focus - a standard risk of management manipulation and whilst there were no concerns or evidence of this it remains a duty to review it.
- Expenditure Funding Analysis – auditors satisfied there are no areas of concern.

- Value for Money (VFM) conclusion – Adam Swain (AS) noted the challenges but plans had been achieved and future plans remain realistic. The PEEL assessment notes improvement required but this has no effect on the VFM conclusion.

LM referred to paragraph 3, p35 of the report, confirming no discussion is required concerning independence.

KP Noted the positive report and asked about the challenges and possible pitfalls the main challenge highlighted as the wait for external information. A number of 'Faster Close' workshops are being run for clients to facilitate prompt or early responses.

PL questioned the Value for Money statement on p25, which notes consultation with the PCC and CC. This was confirmed to be taken from the HMICFRS report and confirmed by the CFOs.

PL further questioned p5 and whether the figures are an aggregate level of materiality, if smaller sample items are tested and if auditors also look at the accumulation of errors. MG confirmed the report contains nothing uncorrected. AS gave an explanation of materiality.

JP noted on p36 IFRS 16 Leases, that most leases are the responsibility of the PCC which requires additional commentary and inclusion of the PCC.

JP further noted the CCs name was incorrect and apologies were made for this error.

282. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE JOINT AUDIT COMMITTEE (ITEM 6)

LM introduced the paper advising that it is a summary of the work of the committee over the previous year, and not a summary of effectiveness.

PL questioned whether the PCC, CC and Chief Officers are happy to accept an Annual Report as this has not been possible in the past. JP noted that the report is welcomed and thanked the committee for their time taken to produce it.

PL raised effectiveness as a separate issue. He noted that the committee has no administrative support. He felt work involved in completing this report this should not fall to members and suggested the office provide a template to assist.

GM noted a number of templates for this purpose are publicly available.

LM raised the need for a discussion with committee colleagues for agreement and suggested that the effectiveness report completion forms part of a workshop day which could perhaps be a training session and include Karen Shaw (KS) to facilitate with external input if required.

CC Olivia Pinkney (OP) offered her thanks to the committee, noting the tough year ahead and the valuable input of all present.

ML reiterated the comment from OP noting his wish to be appropriately supported by the committee and that he will look at support for the committee. Meetings will

not be cancelled in future. He further noted that partnerships changing and future plans for integration will add further complexity.

283. STATEMENT OF ACCOUNTS 2016/17 (ITEM 7)

Richard Croucher (RC) noted little change from the requirements of the previous year, with timing being the main change but currently well placed to complete on time. Work is ongoing to address funding issues together with the Force Development Programme where 200+ projects have been identified and these will be pared down. Work to date looks positive with low complexity opportunities for savings in the next year, though there will be difficult decisions to make in the future and further cuts anticipated in 2020/2021.

The pay award for officers of 1% is included in the £23 million, but the additional 1% for one year is a non-consolidated payment to be funded locally, with no extra funding from Government.

ML noted the volatile environment, the need to look ahead and the requirement of the right reserves, with a broader reserve strategy. His conversations with two ministers today had confirmed we will be under pressure, with difficult decisions required and pressure on cash savings. He further highlighted the need to engage with communities with regard to operational policing. Future forecasting is complex and contentious and one model will not fit all constabularies.

OP noted that £10million of the required £23 million has been found in a safe way by way of extra efficiencies and no public effect, though any changes after this may have a public effect. Both ML and OP are working hard to resolve the issues. OP further noted that all public services are facing a similar situation.

PL noted every confidence in the management of resources and work being done but feels it is incompatible with the statement. RC noted that this is a reflection of the wording only.

ML enforced the need to look ahead at need and capacity and time to respond in a measured way. Current horizon scanning indicates risks. A decision about the national context will be available shortly which will require a response. He advised he regularly engages with OP and they will work together on deliberate and planned scenarios for the future.

Other comments included:

In PCC Statement of Accounts:

P3: typing errors within the OPCC report including a bullet pointing error on which should be a paragraph.

Income for ACRO. It was advised that part of these funds belong to the Safer Roads Unit and are earmarked for camera digitalization, and not funds which belong to ACRO. This requires correction.

Precept Income. LM questioned whether if council tax is in arrears whether this is deducted from precept income. It was advised that there is always an assumption of non-collection but this is balanced by surplus or deficit. There is usually a small positive impact.

Foreign Currency Transactions. These relate to when officers are abroad or where technical services are only available from a foreign country. It was noted that ACRO has accounts held in foreign currencies.

Police Pension fund. LM questioned whether the fund has trustees. It was advised this is not required as the fund is operated by the Home Office.

ML and OP completed the signing of the accounts and letter of reputation.

The committee thanked Craig Southin (CS) for a comprehensive and complicated training session which was appreciated by all members.

284. INTERNAL AUDIT PROGRESS REPORT 2017/18 (ITEM 8)

Karen Shaw (KS) presented the regular progress report, outlining the agreed plan for 2017 and updating the meeting on current work in progress. KS remains confident that all work is on track to be completed by the end of the year.

GM noted the 96% positive feedback as good and questioned the limited assurance for audits undertaken so far. An explanation was provided by KS. GM further questioned whether overdue items have caused problems and suggested realistic timescales. KS highlighted the rigorous protocol followed for reporting and tracking of outstanding issues, noting that the main problems arise from Joint Working whilst HC audits are much easier to complete, whilst further noting her unease with the assurance received by the committee and the way in which the information and answers be obtained.

MG (Maria Grindley) suggested that personnel should be held to account for any slippage or lack of response and noted that some committees request attendance of individuals to explain – which usually elicits a response.

GM suggested that outstanding items are brought to the committee as a list.

KS further advised that target dates are never revised or varied and TVP Chief Auditor confirms there are no outstanding items on his side.

PL suggested a revision to the presentation to highlight the outstanding term and the priority of the audit, referring to the Health and Safety priority action, where CS (Clare Simkin) advised the narrative is available if required.

It was noted that most overdue items relate to other agencies doing work with, or for us. KS and CS will collaborate to provide a short report.

Action 59: (KS & CS) a short report of audit items outstanding to be provided.

285. TREASURY MANAGEMENT MID-YEAR REPORT (ITEM 9)

The report, present by Gemma Farley (GF) follows the CIPFA (Chartered Institute of Public Finance and Accountancy) guidelines which recommends a twice yearly report. Funds are being managed in accordance with the statement and no new borrowing has been made since the last report and none is planned. As at 31st August 2017 the OPCC investment balance was £102 million.

The recommendation is that the Committee notes and approves the report.

The European Union is changing its rules on how local authorities can access regulated financial services, through its Market in Financial Instruments Directive (MiFID II), aiming to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. Local authorities, including

police and crime commissioners, are currently treated by financial services firms as 'professional clients', the middle of three categories, and the same as similar-sized companies. But from January 2018, the default position will be that local authorities are to be treated as 'retail clients'. It is recommended that the OPCC can and should opt back to 'professional' status to ensure higher return on investments. This is in line with other Local Government Associations (LGA) and has the support of the current Treasury Management Advisors (TMA), Arlingclose. ML noted:

- The PCC is licenced to be a local authority and so is the CC.
- A decision will be required by ML to revert to 'professional status' in line with the explanation at para.6.5 of the report.
- General Power of Competence would not affect the decision.

LM questioned whether the committee is insured to make recommendations as requested and what happens in the event of failure. RC advised that this would be determined by whether the JAC is a separate legal entity or part of the OPCC. The Force Solicitor would be able to confirm this.

PL notes that the terms of Reference (ToR) states that the purpose of the committee is to note or advise and not to make recommendations. He further noted that he does not believe that Arlingclose cannot continue as TMA if the status remains as retail. Arlingclose have confirmed that they could not continue in this instance. AL notes that the current TMA contract is currently being re-tendered.

It was requested that at point 2.2 the wording is amended to 'the JAC notes the recommendation'.

ML thanked the CFOs and CEO for professional advice.

The JAC noted the issues and the report and the CEO and CFOs will take the recommendation to the PCC for decision.

15.45pm: Assurance received that JAC is noted as insured as of now.

Action 60: (CFOs &CEO) Recommendation to be submitted to PCC for formal decision.

Action: 61: (GF) Wording at point 2.2 to be amended as above.

286. DATE OF NEXT MEETING/FORWARD PLAN (ITEM 10)

The date of the next meeting is **Tuesday January 30th at 1pm.**

The forward plan was reviewed and recommendations made for training topics:

January 2018 Six Areas of Focus

March 2018 Counter Fraud and Code of Ethics

June 2018 Effectiveness Workshop with KS to lead.

287. EXCLUSION OF PRESS AND PUBLIC

To resolve that the public be excluded from the meeting during the following items of business, as it is 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 3 & 7 of Part 1 of Schedule 12A to the Local Government Act 1972, being information relating to the financial or business affairs of any authority that hold that information and any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. 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 report.

Agreed as a correct record:

Chair:

Date:

DRAFT