

**OFFICE OF THE POLICE AND CRIME COMMISSIONER**  
**OFFICE OF THE CHIEF CONSTABLE**

**JOINT AUDIT COMMITTEE**

31<sup>st</sup> July 2018

Present: Mr J Sheppard (Chair)  
Mr R Leadbeter and Dr J Wademan

Together with: Mr J Cuthbert – Police and Crime Commissioner (PCC)  
Ms E Thomas – Deputy Police and Crime Commissioner (DPCC)  
Mr J Williams – Chief Constable (CC)  
Mr D Garwood-Pask – Chief Finance Officer (CFO)  
Mrs S Curley – Chief Executive (CEX)  
Mrs J Regan – Head of Assurance and Compliance (HoAC)  
Mr N Stephens – Assistant Chief Officer, Resources (ACOR)  
Mrs L Virgo – Head of Finance (HoF)  
Ms A Harkin – Wales Audit Office (WAO)  
Ms T Veale – Wales Audit Office  
Ms K Watts – Wales Audit Office  
Ms H Cargill – TIAA (IA)  
Mr J Iles - Governance Officer (GO)  
Ms J Glossop - Accountant

The meeting commenced at 10:00am.

The Chair congratulated Mrs J Regan on her appointment as HoAC for the OPCC and thanked her for her work over the previous years. The Chair welcomed Mr J Iles on his appointment as GO for the OPCC and also welcomed Ms A Harkin and Ms J Glossop to the meeting.

**Action**

**APOLOGIES**

1. Apologies for absence were received from Mr A Blackmore, Ms D Turner and Chief Superintendent E Ackland – Head of Service Development (HoSD).

**DECLARATIONS OF INTEREST**

2. There were no advance declarations made in relation to the business to be transacted.

**We agreed to take Item 5 ‘Annual Audit of Financial Statement of Accounts – ISA260’ and Item 6 ‘Statement of Accounts and Approval of Joint Annual Governance Statement’ early due to time constraints for the WAO**

## ANNUAL AUDIT OF FINANCIAL STATEMENTS – ISA260

Action

3. We received the Annual Audit of Financial Statements ISA260 from the WAO.

The WAO explained that the ISA260 had been provided to JAC members in draft and had since been finalised. An updated version of the document would be circulated to members after the meeting. We were advised that providing the ISA260 in presentation format was being trialled with feedback being welcomed from JAC members.

WAO

The WAO stated that they would be recommending that the Auditor General issued an unqualified audit report on the financial statements for 2017/18.

The WAO assured us they had complied with ethical standards and had retained their independence and objectivity throughout the audit. The WAO advised us they used the International Standards on Auditing (UK and Ireland) which determined the way they carried out their work; they also complied with the Financial Reporting Council's Ethical Standards. The WAO also reminded us that they operated on the principle of materiality; we noted that it was not just the value that determined materiality, but also the nature and the context of the transaction.

The WAO stated that it had been a difficult year due to the early closure of accounts and informed us that they had received the final draft version of the CC's accounts on the 12<sup>th</sup> June 2018 and the final draft version of the PCC's accounts on the 18<sup>th</sup> June 2018, both after the agreed deadline of 6<sup>th</sup> June 2018. This resulted in an increase in the WAO audit team in order to ensure the audit of the accounts was completed on time. We were advised that they would be unable to increase the audit team in future years due to the constraints of their work programme and that it was imperative that the deadlines set next year were met, as the statutory deadline for the early closure of accounts became a compulsory requirement.

We acknowledged that the introduction of the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Big Red Button', the use of (Aggresso) Business World and changes within the finance team had contributed to the issues experienced.

The WAO explained that on receipt of the accounts, there were a number of formatting issues. They were also incomplete with a number of rounding issues which remained in the accounts. The WAO informed us that they were not concerned with these issues and that it would not result in a qualified opinion being issued although they would need to be resolved in time for the audit to be undertaken next year.

We noted that a lessons learnt action plan was to be developed by the finance team and requested it was presented at each meeting to provide assurance that the issues identified were being resolved. The CFO also advised us that the lessons learnt action plan would also be linked with

GO

the post implementation review of the finance department.

## Action

The WAO stated that an internal post-project learning plan would be developed which would also be shared with the finance team to form one comprehensive learning plan.

We noted that a similar process with regard to the early closure of accounts had taken place within Aneurin Bevan University Health Board (ABUHB) and queried if it would be beneficial to make contact with ABUHB to determine if any lessons could be learnt. The WAO stated that only one set of accounts had to be produced for health boards and that they were also much simpler and easier to understand which assisted in early completion of the audits.

We queried why police accounts could not be as straight forward to produce as those in the health service. The WAO advised us that police, similarly to local government accounts, were funded via a mixture of council tax precept and grants as opposed to the direct funding that the health boards received in Wales. The CFO explained that concerns relating to the complexity of police accounts had been raised previously with CIPFA and the Home Office. He advised us that Police and Crime Commissioners Treasurers' Society would continue to lobby to make the accounts less complex however factors such as Brexit and the Comprehensive Spending Review were taking precedence within central government. The CFO suggested that consideration could be given to producing a summary of the accounts but he was reluctant to create additional work for the finance team. He would consider expanding the narrative of the CFO at the beginning of the accounts to provide a more detailed summary in future.

We agreed that it was important for the public to be able to understand the accounts and encouraged the CFO to continue lobbying for change.

The WAO informed us that the two outstanding issues in the draft ISA260 had now been finalised. These were:

- **ISA 260 para.10 page.5** – Bank reconciliations had not been completed as at 31<sup>st</sup> March 2018 and;
- **ISA 260 para.10 page.5** – Related party transactions with South Wales Police had not been agreed.

The WAO thanked the finance team for their assistance in enabling these issues to be resolved. The CFO and ACOR also expressed their gratitude to the WAO for the work they had undertaken in this area.

We queried if the debtor's ledger and creditor's ledger were being reconciled on a regular basis and it was confirmed they were as part of a monthly process.

The WAO informed us that there was one uncorrected misstatement remaining for £0.6 million which related to the un-capitalised costs remaining in the CIES associated with the new headquarters. The WAO explained that it was not material and were satisfied that management

reasoning for non-capitalisation was clear. The WAO explained that the reasoning for not capitalising would need to be in the Letter of Representation. The CFO confirmed this was already in the document. We questioned whether, as a committee, we were required to agree with the reason for non-capitalisation. The WAO confirmed that this was the case. We queried why we were waiting until the new headquarters build obtained planning permission before the sum was capitalised and suggested that the expenditure could be capitalised with an adjustment made next year if needed. The CFO assured us that they had considered this suggestion but as the amount was immaterial they agreed that it would remain in revenue until planning permission was approved; all costs moving forward would then be capitalised. We queried if there were any issues regarding depreciation of the building long-term. The ACOR confirmed that following construction, the value of the building would likely be lower than the amount spent and were re-assured that this was common within public sector construction.

We asked whether there was likely to be a reputational issue in relation to the amount of public money being spent on the new headquarters as the people of Gwent would be a large stakeholder. We stated that by the time the building would be complete, police funding in Gwent would be provided by approximately 50% from the council tax precept and 50% from grant funding. The ACOR confirmed that this was an issue that the PCC was considering and that if asked, the total cost of the building including both capital and revenue amounts would be provided. The PCC agreed that the public would likely have a greater interest in the project than they had previously due to the future funding arrangements. The PCC informed us that this was the single biggest project the OPCC and force were currently progressing and that a number of press releases had been issued providing information to the public. The PCC reminded us that the cost of building the new headquarters was lower than the cost of bringing the current and much larger headquarters building up to modern standards; this was something he would keep under consideration until final costings were received. We agreed with the decision to not capitalise the £0.6 million in relation to the new headquarters building.

We noted the adjustments made and were informed that they had been identified by both the finance team and the WAO. The CFO advised us that only one misstatement affected the bottom line which amounted to £20,000 and related to correcting the short-term debtors figure. The CFO acknowledged that the issues experienced during the completion of the accounts in order to meet the faster closing deadline had not allowed a detailed review to be undertaken prior to providing them to the WAO for audit. The HoF would build review capacity into the annual accounts timetable in future to ensure this did not happen again.

The WAO stated that as in previous years, the working papers were of a good standard and thanked the finance team for their work in this area. The WAO advised us that dates would be agreed with finance in advance to ensure the relevant people were available when needed for next year's audit process. It was also suggested that additional training

within the finance team could be beneficial to prevent reliance on consultants.

**Action**

We questioned whether it would be beneficial to receive a detailed quality assurance report for the lifetime of the process in order to understand where controls exist and where they do not. The CFO explained that an Internal Control Reconciliations Financial Procedure exists as well as an Annual Accounts Closure Plan which would be presented ahead of next years' process at the December JAC.

**CFO**

**WAO**

The WAO informed us that the audit fee may be increased as a result of the additional staff that were needed to ensure the accounts were completed on time but that this would be confirmed at the next JAC. The WAO assured us that they would attempt to minimise the cost.

We thanked all those involved for their work and support in ensuring the completion of the audit by the 31<sup>st</sup> July 2018 deadline.

### **Statement of Accounts and Approval of Joint Annual Governance Statement**

6. We received the Statement of Accounts for both the PCC Group and Chief Constable.

The CFO stated that he had included the comments discussed at the March and June meetings, with the more recently received comments noted which would be reflected in the Annual Governance Statement (AGS) next year due to time constraints relating to the production of the document. The CFO stated that the only issue highlighted in the ISA260 that was not reflected in the accounts was the uncorrected misstatement on the capitalisation of new HQ costs.

We received a presentation from the HoF that provided us with an update on the differences between the draft accounts and the final accounts.

The HoF explained that a number of things went well during the audit such as a good working relationship with the WAO despite there being new people in both teams and no material errors had been identified. The HoF explained that the Big Red Button (BRB) had worked as hoped in finalising the accounts despite it being the first year it had been used. It had also provided a better structure for the work undertaken and had mitigated a number of risks. The HoF expressed her thanks to the BRB consultants for their support and stated that they had provided additional assurance that the accounts were compliant.

We noted the lessons learnt and how they would be resolved for the 2018/19 accounts. We discussed a number of system issues that needed to be resolved and also identified areas that could be completed sooner to assist with the timeliness of the completion of the accounts in the future.

We advised the WAO that we found both the report on the ISA260 and

the presentation very useful and would like to have both in the future.

**Action**

### **Ms A Harkin left the meeting at 11:10am**

The HoF provided us with an update in relation to debtors and creditors. We were informed that at the time of the last JAC in June 2018, there was £2.5 million of debtors with over £2.4 million overdue; this now stood under £2 million. We noted that in the first quarter of 2018/19 we received £1.9 million of overdue debt. The HoF assured us that she was confident that plans in place to recover debts were working. We were advised of the debts that needed to be written off; these totalled £1,761. Many of those who owed money were non-contactable and the amount was under the threshold for proceedings in the small claims court. We queried whether we were required to approve these debts for write-off however the CFO stated that there were delegated measures in place between the CFO and ACOR and that detail of the debts written off would be included in the next Key Performance Indicators report presented to the JAC.

The HoF informed us that as at the last JAC meeting there were £7.8 million of outstanding creditors (including those not yet due), however, since the new service level agreement had been put in place, £7.9 million had been paid to creditors. The HoF stated that the average days taken to pay invoices has reduced to 11.7 days when aged creditors were not included; confirming the new system is working well for new orders. The HoF advised us that the creditor's position as at 16<sup>th</sup> July 2018 had reduced to just under £2.8 million (including those not yet due) and that there were now only 83 outstanding invoices compared to 461 in June.

### **The CC left the meeting at 11:15am**

We thanked the HoF and her team for the improvements that had been made.

We queried why there was not detailed information in relation to the vetting audit report which had received limited assurance. The ACOR stated that this was an issue of risk, not just in Gwent Police but nationally. Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) had also identified this as an area for improvement and as a result the force had an action plan in place with a completion date of December 2018. The ACOR assured us that work on this was being monitored through the force management mechanisms.

On page 21 of the PCC Statement of Accounts we discussed the statement that training and development plans did not have 'credibility amongst most of the workforce' and questioned whether the public would be concerned by this. The CFO explained that a balance between being open and transparent and raising issues that may cause concern with the public. The ACOR advised us that HMICFRS had published reports in relation to the inspection findings in this area and that due to their sensitivity he believed that the AGS had addressed them in sufficient

detail. The ACOR assured us that there were action plans in place and that these were monitored through the force management structures and by the OPCC. We requested that in future, further narrative was considered for inclusion, detailing the work the OPCC and force were undertaken to resolve issues such as this.

**Action**

### **The CC re-joined the meeting at 11:30am**

We agreed we were satisfied that the appropriate accounting policies had been applied to the accounts and that we recommended approval for the incorporation of the AGS into the Statement of Accounts.

## **MINUTES**

5. The minutes of the meeting held on 7<sup>th</sup> June 2018 were received and confirmed. The following were highlighted:

### **Page 3, Open to Closed Section**

We queried whether we published the minutes from the closed section of the meeting. The HoAC confirmed that this was the case but what is written is restricted as reasonably as possible.

### **Page 2, External Audit Update Report**

The WAO stated that the CC's accounts had not been received on the 6<sup>th</sup> June 2018 as stated but instead on 7<sup>th</sup> June 2018 and requested that this was amended.

### **Page 6, Internal Audit (TCBC)**

We queried whether sickness continued to be an issue in relation to the completion of audits within the Shared Resource Service. The ACOR informed us that two members of staff had returned to work and that the JAC would continue to be updated on issues in this area.

### **Page 6, Internal Audit (TCBC)**

We requested that the minute be amended from 'Audit Committees' to 'Audit Committee'.

## **ACTIONS**

6. We received and noted the actions from the meeting held on the 7<sup>th</sup> June 2018. The following were highlighted:

### **Action 2, Date of December Meeting**

We were informed that the HoAC had been unable to review the meeting date due to workload constraints.

### **Action 5, Internal Audit (TCBC) Annual Report 2017/18**

We queried when an updated Annual Plan for 2018/19 to include

**ACOR**

progress of outstanding audits from 2017/18 would be provided. The ACOR confirmed this will be presented at the September meeting.

**Action**

We queried the number of outstanding actions but agreed that there was an unusually short period of time between the previous meeting and this meeting which had resulted in action owners being unable to complete their actions. We requested that at the July 2019 meeting, we only received the minutes and that the actions for both the June and July meetings were provided at the September meeting.

#### **Action 14, Update on All Wales Training Day Comments**

The HoAC confirmed that she had been unable to meet with the CFO to review comments and provide an update but this would be completed by the September meeting.

#### **Approval of Joint Audit Committee Annual Report**

- **AGREE DEEP DIVE TOPIC FOR MARCH 2019**

7. We received and approved the Joint Audit Committee Annual Report subject to the following amendments:

##### **Page 4, Bottom Paragraph**

A space is required between the final two paragraphs.

##### **Page 10, Top Paragraph**

A space is required between the final two paragraphs.

##### **Page 10, Second Paragraph**

We requested that the reference made regarding the rescheduling of audits is attributed to TCBC and not TIAA.

The HoAC stated that the deep dive topic chosen at this meeting would be included in the final report.

We discussed the potential areas for the March 2019 deep dive and agreed to join hate crime and the Adverse Childhood Experiences project into one session.

The PCC congratulated the new Auditor General for Wales on his appointment.

We agreed to approve the annual report subject to the discussed amendments being made and requested that it was presented to the PCC and CC in order to evidence the work the JAC had undertaken during 2017/18.

**HoAC**

#### **Any Other Business**

9. The following business was raised:

- a) **Bid for Comprehensive Spending Review**

The PCC explained that all UK government departments were

now considering their bids for the Comprehensive Spending Review which would open at the beginning of 2019. The PCC informed us that he was a member of the Home Office Senior Steering Group which considered law enforcement funding. The PCC invited us to provide evidence and raise issues with him over the coming months so that he could share that knowledge to ensure policing received the best possible financial settlement. The DPCC stated that this review needed to consider financial resource and demand placed on the service. We noted that there were many reasons why the policing budget should be increased, including vulnerability and hate crime. We stated that we believe that there are times when support service functions are suffering as a result of reduced budgets, but the public will not be aware of this as they are predominantly concerned in frontline staff numbers.

**Action**

**The PCC left the meeting at 12:00pm**

**b) P60's for JAC Members**

We queried if we should have received A P60. The ACOR asked Ms J Glossop to look into the issue.

**Ms J  
Glossop**

The ACOR provided his thanks for our scrutiny over the previous twelve months and stated that without it the accounts were unlikely to have been finalised by the 31<sup>st</sup> July. The ACOR reiterated his thanks to the WAO and the finance team for their work in the successful completion of the accounts.

The ACOR informed us that the HoF had been successful in obtaining a new post outside of Gwent Police; we wished her every success in her new role. We were advised that recruitment of a replacement had commenced to ensure continuity. We asked what plans were in place to ensure we were not reliant on consultants in the future. The ACOR informed us there had been dependency upon consultants but recent recruitment had resulted in a number of key roles being filled which would reduce dependency going forward.

**c) Value for Money Profiles and Terms of Reference**

We questioned how we could meet our requirements under the Terms of Reference (ToR) in relation to value for money. We agreed to place this on the agenda for the next meeting for a detailed discussion to take place. IA explained that they had completed work with housing in England who had developed a unique self-assessment tool for assessing value for money and offered to share this with us. The HoAc agreed to look at other JAC ToR's to determine the wording used and to assess whether the wording in the Gwent ToR needed to be amended.

**GO**

**IA**

**HoAc**

**Mrs T Veale and Ms K Watts left the meeting at 12:16pm**

**TO IDENTIFY ANY RISKS ARISING FROM THIS MEETING**

10. The following risks were identified:

**Action**

- a) The closure of accounts were identified as a risk. The CFO agreed that the lessons learnt would be utilised to ensure the same issues did not arise in 2018/19. Consideration would be given to adding this to the risk register.

**CFO/  
ACOR**

**The meeting concluded at 12:18**

DRAFT