

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

JOINT AUDIT COMMITTEE

29th July 2019

Present: Mr J Sheppard (Chair)
Mrs D Turner, Mr A Blackmore, Mr R Leadbeter and Dr J Wademan

Together with: Mr J Cuthbert – Police and Crime Commissioner (PCC)
Ms P Kelly – Temporary Chief Constable (CC)
Mr N Stephens – Assistant Chief Officer, Resources (ACOR)
Mr D Garwood-Pask – Chief Finance Officer (CFO)
Mrs J Regan – Head of Assurance and Compliance (HoAC)
Ms N Warren – Governance Officer (GO)
Mr J White – T/Superintendent, Strategy, Performance and Change
Ms A Harkin – Wales Audit Office (WAO)
Ms T Veale – Wales Audit Office (WAO)
Ms K Watts – Wales Audit Office (WAO)
Ms H Cargill – Internal Audit (TIAA)
Ms H Boey – Temporary Joint Head of Finance (HoF1)
Ms J Glossop – Temporary Joint Head of Finance (HoF2)
Mr M Coe – Senior Accountant (Observer)

The meeting commenced at 10:05am.

We noted that the previous TIAA lead for Gwent, Ms V Davies, had a new role as Regional Managing Director; the Chair requested that the congratulations of the JAC were passed on. He also welcomed Mr M Coe and Mr J White to the meeting.

**Action
TIAA**

The PCC informed us that Ms P Kelly had been selected as his preferred candidate for the post of Chief Constable. Her proposed appointment would be considered by the Police and Crime Panel at a confirmation hearing on the 12th August 2019.

APOLOGIES

1. Apologies for absence were received from Mrs S Curley, Chief Executive.

DECLARATIONS OF INTEREST

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

MINUTES

Action

3. The minutes of the meeting held on the 3rd June 2019 were received and noted. The following were highlighted:

Page 2, Joint Strategic Risk Register

As Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) recommended that the data quality of crimes recorded should be improved, we requested that an update was provided at the next meeting to inform us of the work ongoing to improve this area.

**GO/
ACOR**

Page 3, Internal Audit (TIAA)

We requested a sentence to note that the Joint Audit Committee (JAC) had received, noted and considered the Annual Report and the annual audit opinion from TIAA at the June 3rd 2019 meeting.

GO

Page 8, Internal Audit (Torfaen County Borough Council)

We noted that the Business Continuity Manager had been appointed and queried if the vacancy they had left had been filled. The ACOR assured us that the vacancy had recently been filled and there were currently no gaps in resourcing that would impact the work of the Shared Resource Service (SRS).

The Chair welcomed the T/CC to the meeting at 10:15am.

Page 19, Annual Treasury Management Strategy End of Year Report 2018/19

We requested the total be amended from 'the loss of £200,000' to £2,000.

GO

Due to time constraints, we agreed to email any typographical errors to the Governance Officer outside of the meeting. Approval of the minutes would take place at the next meeting on September 12th 2019.

ACTIONS

4. We noted that due to the short period of time between the June and July meetings and agreed that the actions for both meetings would be provided at the next JAC meeting on September 12th 2019.

SHARED RESOURCE SERVICE ANNUAL INTERNAL AUDIT REPORT 2018/19 (TORFAEN COUNTY BOROUGH COUNCIL)

5. We received the SRS Annual Internal Audit Report from Torfaen County Borough Council (TCBC).

We referred to page 10 and noted the report was inclusive of audits relating specifically to other partner agencies. The ACOR advised us that the Annual Governance Statement (AGS) had been amended to reflect that Gwent Police were not within the scope of certain audits.

The ACOR explained that the SRS had finalised all of the outstanding

audits for the year and as a result, their overall audit opinion was 'generally satisfactory with some improvements required'. We queried if the number of planned audits for 2019/20 had changed due to the number of outstanding audits from the previous year. The ACOR confirmed the number of planned audits for 2019/20 had remained the same, however, Section 151 Officers from the SRS partner agencies had agreed to ensure the appropriate resource provisions would be put in place to make sure the audit actions could be progressed.

Action

We asked if the audit plan for 2019/20 incorporated the outstanding audits from 2018/19 and received confirmation that the three outstanding audits had been incorporated within the six planned.

We queried how the audits were commissioned and the ACOR informed us that there was a three year rolling programme based on risk but assured us that the programme could be revisited if the level of risk in any area had increased.

We questioned what the other SRS partner organisation's audit committees findings were in relation to the report. The ACOR informed us that the TCBC audit committee scrutinised their annual internal audit report but the level of scrutiny varied across the other partners. The CFO agreed to review the SRS partner organisations' AGSs in order to ascertain the degree of local audit committee scrutiny.

CFO

We asked if the 'Cyber Security' audit would be addressed earlier as it had been deferred and posed a level of risk to the Force. The ACOR informed us that policing Information Technology (IT) security requirements were significantly higher than the other partner agencies. The Force had achieved public network compliance and undertaken an IT Health Check in April 2019, which had resulted in the development of an action plan. The ACOR advised us that he monitored the plan on a monthly basis through the Information and Communications Technology (ICT) Delivery Board. The ACOR was also provided with further assurance by TCBC and the SRS Management Team that the work was being completed.

We referred to page 2 and agreed that the definition of the overall annual audit opinion was unclear. The ACOR agreed to liaise with TCBC to ensure the report was made clearer in terms of its overall definition.

ACOR

APPROVAL OF JOINT AUDIT COMMITTEE ANNUAL REPORT 2018/19

6. We received the JAC Annual report for the year ending 31st March 2019. The following were highlighted:

Page 2, We discussed the Chair's foreword and agreed not to add TCBC into this year's report as the JAC had only had contact within them during the current financial year.

Page 11, We queried if the correct wording had been used for the annual audit opinion from TCBC. The HoAC advised us that the wording was

correct and was the same as that used in the AGS.

Action

We suggested that a pictorial annual timeline be included within the report, highlighting the number of audit recommendations achieved and identifying those where an extension had been requested, in order to monitor the risks. The ACOR explained that he would explore the possibility but it may be difficult to put that mechanism in place.

ACOR

We agreed to approve the report.

PRESENTATION ON THE ANNUAL AUDIT OF FINANCIAL STATEMENTS – ISA260

7. We received a presentation on the 2018/19 Annual Audit of Financial Statements ISA260 from the WAO.

The WAO stated that they would be recommending that the Auditor General issued an unqualified audit report on the financial statements for 2018/19.

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 this was the first year where the statutory deadlines applied, in bringing forward the deadline of May 31st 2019 for the preparation of the Financial Statements and the 31st July 2019 for their audit certification. The WAO had received the draft Financial Statements for both the PCC and the CC by the statutory deadline of 31st May 2019, however, there were elements of the Statements which were incomplete.

We queried what sanctions would occur if the deadline could not be met. The WAO advised us that the accounts would remain open, which could cause potential public relations issues and objections.

We asked if the Finance Team had been trained in the use of every aspect of the Big Red Button (BRB) software in order to prepare the Financial Statements. The ACOR informed us that staff had received significant training in 2017/18. Consultancy services had been utilised less during 2018/19 as staff had become more experienced in using the system, however, he acknowledged that more training was required in the use of the BRB to improve the process. The Finance Team would be using the BRB software to undertake a quarterly closedown going forward in order to address issues they had encountered and to expand their knowledge base.

The WAO informed us that there was one uncorrected misstatement

identified for £311,000 falling well below the level of materiality, which related to the recovery of duplicate payments made in 2017/18. The WAO explained that they accepted the amount was not material and suggested the JAC consider whether they were content with the rationale provided by management in the Letter of Representation for not correcting the misstatement prior to approval of the accounts.

Action

We queried if the final amendments had been made to the Financial Statements and the WAO confirmed that they had been completed.

The WAO explained that there had been problems in the preparation of the Financial Statements, however, there had been an improvement in the process overall since the previous year. Whilst the draft Financial Statements were received on the 31st May 2019, they were incomplete and the WAO had encountered difficulties obtaining timely information at the commencement of the audit. We noted the WAO had made a number of recommendations for learning in order to improve the process and acknowledged that remedial actions had been put in place by management in readiness for the 2019/20 financial year.

We noted the significant correction made to the draft Financial Statements in relation to the McCloud Appeal. The Court of Appeal had ruled against proposed changes to public sector workers pensions in December 2018. This ruling had significantly impacted the Police Pension Fund and the Local Government Pension Fund of which Gwent Police was a member, resulting in increased liabilities of £63,709,000.

The CFO thanked the Finance Team for their assistance throughout the process. The CFO and ACOR also expressed their gratitude to the WAO for the work they had undertaken.

The CFO made reference to a national survey from the Chartered Institute of Public Finance and Accountancy (CIPFA) for stakeholders in Financial Statements and asked JAC Members that they consider completing it by the 23rd August 2019. The CFO agreed to provide a link to JAC members in order for them to complete the survey.

CFO

PRESENTATION ON THE STATEMENT OF ACCOUNTS, LESSONS LEARNT FROM THE CLOSURE OF THE ACCOUNTS 2018/19 AND APPROVAL OF JOINT ANNUAL GOVERNANCE STATEMENT

8. We received a presentation from the HoF2 that provided us with an update on the differences between the draft accounts and the final accounts.

The HoF2 explained that a number of things went well during the audit, such as a good working relationship with the WAO and that the process had run more smoothly and swiftly than the previous year. There were no material errors identified in the audit findings.

However, there had been a delay in the process with the complete draft Financial Statements being submitted two weeks later than required. The

accounts process was also affected by the McCloud ruling and sickness within the Finance Team.

Action

We noted the lessons learnt and how they would be resolved for the 2019/20 accounts process. We discussed a number of system, training and resource issues that needed to be resolved and we also identified areas that could be completed sooner to assist with the timeliness of the completion of the accounts in the future. We agreed that lessons learnt should remain on the agenda going forward.

GO

The HoF2 provided us with an update in relation to debtors and creditors. We were informed that at the 30th June 2019, there were £411,000 of debtors with over £343,000 overdue. The top five debtors made up 79% of the £411,000 total. The HoF assured us that the recovery of the debts was achievable as they were low risk debts mainly from other Government Agencies. We were informed that no debtors had been identified for write off in quarter one.

The HoF2 advised us that at the 30th June 2019, there were £4.2 million of outstanding creditors (including those not yet due) however, £3.3 million of invoices payable were primarily due to the PCC for South Wales for collaborative activities accrued last year. We noted the average number of days to pay an invoice had remained within the 30 day threshold at 29.80 days.

The HoF2 informed us that the remaining duplicate creditor payments stood at £254,000 and 48% of the largest outstanding balances related to regular suppliers. The finance team were in the process of recovering the largest debts and credit notes would be raised for the remaining balance of the duplicate payments.

We thanked the HoF2 for her presentation.

The ACOR acknowledged that there was a lack of experienced resources and resilience within the Finance Department due to having an interim structure in place and due to unexpected sickness. This had resulted in some difficulties being encountered during the accounts closedown process. We were assured that the Finance team would receive further training going forward and noted that a permanent HoF role would be advertised in the near future in order to bring stability to the department.

We queried the rationale for not correcting the misstatement in the Financial Statements. We were informed that the duplicate payments were not material and would have impacted on all statements which would have required re-checking. In addition, as the duplicate payments arose in the creditor ledger, maintaining them in this ledger and therefore the accounting policy until the issue was fully resolved seemed appropriate. We agreed that we understood the rationale for not correcting the misstatement but we were not content with the length of time it was taking to recover the duplicate payments.

We requested that the Chief Finance Officer consider this issue when briefing the Police and Crime Panel in relation to the completion of the annual accounts.

**Action
CFO**

We asked if a root cause analysis had taken place to ensure the duplication of payments would not reoccur. We were assured the Fully Integrated Resource Management System (FIRMS) system now had the appropriate management checks and supplementary checks by TIAA were in place to ensure there would be no further duplication of payments.

We requested an update on the outstanding duplicate payments and information on the preventative measures that had been put in place to prevent this occurring again at the JAC meeting on the 12th September 2019.

ACOR

We queried if there was a cultural change required within the Finance Department. The ACOR advised us that although there had been a slippage in relation to the timetable for closure of the accounts, it was not due to the culture within the department, it was due to resourcing and the lack of experience within the team. We were assured the new HoF would be undertaking a review of resources and departmental expertise when appointed, in order to provide quality assurance in the future.

The CC left the meeting at 11:25am

We asked at what stage it was identified that the structure within the Finance Department had impacted upon the accounts. The ACOR advised us that an interim structure had been in place since September 2018 as a result of a departmental review. Unfortunately, sickness had impacted upon the year end process although this issue would be addressed with a permanent structure going forward.

We queried if there was flexibility within the budget for appointing an experienced HoF, as other organisations could potentially offer competitive packages at higher market rates. We were informed, a bench marking exercise had been undertaken to ascertain the budget requirements for the role. We were advised that the payroll team were also moving back into the Finance Department from People Services. We requested an update on the Finance Department structure at the next meeting.

ACOR

We pointed out that the Statement of Accounts should be understandable and accessible to members of the public and requested that the following was noted for the 2019/20 document:

Page 4, Comparison of costs 17/18-18/19.

Add narrative to the following sentence to explain the increase was related to increased pension costs – ‘Police Officers and Staff costs had risen from £106 million to £179 million’

CFO

Add narrative to explain what 'unusable' reserves means.

Our attention was drawn to the AGS. The CFO stated that the comments discussed at the March and June meetings had been reflected in the AGS.

We asked if there was sufficient flexibility in terms of Treasury Management investments as there were restrictions in place. The CFO advised us that he has limited flexibility in terms of investment. He would continue to lobby the Home Office to introduce the General Power of Competence for PCCs to put them on a par with Local Authorities. The CFO also informed members of his forthcoming meeting with CCLA Investment Management, which would explore opportunities for investment in property

We queried what would happen to the old Police Headquarters at Cwmbran when the relocation to the new Headquarters had taken place. We were advised that the building would be demolished although a decision was still to be made on the future use of the land.

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.

We thanked all those involved in the preparation of the accounts.

Both the CFO and ACOR provided their thanks for the scrutiny of the JAC over the previous twelve months. The CFO reiterated his thanks to the WAO and the finance team for their work in the successful completion of the accounts.

LESSONS LEARNT FROM THE CLOSURE OF THE ACCOUNTS 2018/19

9. The lessons learnt were presented under item 8.

Any Other Business

10. The following business was raised:

Force Financial Position

The PCC advised us that the financial position for the next financial year was unclear. It was expected that the main Home Office grant would be a one year roll over, as there was no prospect of a Comprehensive Spending Review ahead of 2020/21.

TO IDENTIFY ANY RISKS ARISING FROM THIS MEETING

11. We noted that a number of risks had been identified during this meeting for consideration by officers.

The meeting concluded at 11.55