

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

JOINT AUDIT COMMITTEE

9th March 2016

Present: Mr R Leadbeter (Chair)
Mr G Hughes, Mr J Sheppard, Ms D Turner and Mr A Blackmore

Together with: Mrs S Curley – Chief of Staff (CoS)
Mr D Garwood-Pask – Chief Finance Officer (CFO)
Ms C Hawkins – Acting Information Officer (AIO)
Mr N Stephens – Assistant Chief Officer, Resources (ACOR)
Mr M Coe – Wales Audit Office (WAO)
Ms K Watts – WAO
Ms V Davies – TIAA (IA)

The meeting commenced at 10:00 hours.

The Chair welcomed new members Mr Blackmore and Ms Turner to the Committee and congratulated the CoS on her recent appointment. The Chair also extended congratulations to both the Information and Acting Information Officers on the births of their daughter and son respectively.

Action

The Chair acknowledged the recent resignation of Committee member Mr D Mullan and the retirement of the former Chief Executive Mrs S Bosson, thanking them for their services and valued contributions and requested they be formally thanked for such.

CoS

APOLOGIES

1. Apologies for absence were received from Mr J Herniman - WAO, Mr I Johnston – Police and Crime Commissioner (PCC), Mr J Farrar – Chief Constable (CC).

DECLARATIONS OF INTEREST

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

APPOINTMENT OF CHAIR

3. Due to the recent resignation of two of the Committee members, one of whom was the Vice-Chair, we considered that these were exceptional circumstances and that the current Chair should remain in post.

We noted that the Terms of Reference (ToR) restricted the same individual from serving more than three consecutive years in the Chair and discussed amending the current ToR to allow for contingency. Pending approval by the PCC and CC, we agreed that a caveat be added for proven exceptional circumstances to allow members to re-elect the same individual to the Chair for one further year.

Action

CoS

Mr R Leadbeter was re-appointed as Chair for the ensuing year and thanked members for their continued support.

APPOINTMENT OF VICE-CHAIR

4. Mr J Sheppard was appointed as Vice-Chair for the ensuing year.

MINUTES

5. The minutes of the meeting held on 9th December 2015 were received and confirmed. We noted that Members had not received the minutes following approval. The following was highlighted:

CoS

Page 5, Internal Audit Update Report

We noted that the IA Annual Report had been expected at the March meeting and queried progress. IA informed us that this was still in production.

Page 9, Initial Budget Briefing

We noted that a precept event was due to have been held on 11th January 2016. The CFO advised that, due to a lack of public interest, the three planned events were cancelled and the exercise undertaken electronically instead. Approximately 600 returns of the online survey had been received and used to inform the precept-setting process.

Page 12, Reserves Strategy

We queried whether there had been any feedback from the Home Office in relation to Gwent's reserve position since the previous meeting. The CFO informed us that there had been no communication from the Home Office in this respect, and provided assurance that the revised strategy for 2016/17 and allocation of the reserves provided adequate justification for the amount currently held.

We received a verbal update on the Estate Strategy for Police Headquarters. The ACOR advised that this was moving forward and a decision to purchase land had been agreed by the PCC. As it was likely that work to break ground would not commence before September 2016, we discussed whether

there was any potential risk of a new PCC choosing to defer the project pending their review. The ACOR confirmed that the decision was supported by the condition of the current Headquarters building not being sustainable beyond the next three years without considerable financial investment. The CFO also advised that a robust business case had been developed and formed part of the project plan.

Action

Page 12, Any Other Business

We queried whether the IA internal review on their Public Sector Internal Audit Standards (PSIAS) compliance had been circulated to Members. The ACOR had received a copy of the report which would be circulated with the minutes.

ACOR/AIO

The CFO proposed that the new Members might benefit from a JAC familiarisation session which could include inputs from Internal and External Audit. Members were requested to submit by e-mail to the AIO any other topics of interest they would like covered within the session.

CFO/AIO

ACTIONS

6. We received and noted the actions from the meeting held on the 9th March 2016. The following were highlighted:

Action 2, Minutes, Internal Audit Update Report

We discussed the option to move to accessing IA updates via the Client Portal. We reiterated our previous reluctance to stop receiving the Outstanding Audit Recommendations Report and agreed that it was a useful tool in ensuring delivery against recommendations. We therefore agreed that the Committee should continue to receive the report.

Action 5, Minutes, Any Relevant Reports from other Organisations that should be brought to the attention of the JAC

The CFO advised that feedback regarding the 'Telling the Story' Consultation had not yet been received. This was being pursued at a national level and also being raised with the Chartered Institute of Public Finance and Accountancy (CIPFA) and WAO colleagues and comment would be provided to the Committee once received.

REPORTS FOR CONSIDERATION

The Chair noted a request to receive item 7, WAO Update Report before item 6, WAO Audit Plan 2016.

WAO UPDATE REPORT

Action

7. We received the Update Report from the WAO of which the following points were highlighted:

The Financial Audit and Audit Plan had been completed for presentation at this meeting.

We were advised that the Principal Financial Accountant for Gwent Police would be taking up a similar position within South Wales Police. Once in this role, assistance would be provided to Gwent in aligning Enterprise Resource Planning (ERP) systems whilst providing consistency in the production of the statutory accounts. The CFO informed us that work was also being undertaken to look at closing the accounts earlier than current timescales provide and that the relevant staff responsibilities had been revised to accommodate the changes.

The WAO had undertaken two workshops around collaboration between the Welsh police forces to review the accounting for collaborative operations in the 2014/15 financial statements designed to improve the 2015/16 process, and that a further finance workshop had been attended to consider changes in capital accounting and associated improvements in working papers.

The Auditor General for Wales had been undertaking an All Wales Local Government Improvement Study relating to Community Safety Partnerships (CSPs), looking specifically at whether PCCs and CSPs are working together effectively to tackle crime and other public safety issues. A national report was planned for release in Summer 2016 with local feedback also anticipated.

WAO ANNUAL AUDIT PLAN 2016

8. We received and noted the Annual Audit Plan 2016 from the WAO.

The Annual Audit Plan set out the work proposed for the 2016/17 financial year, timescales, costs and task owners.

We were advised that an amendment to the wording in paragraph 1 of section 9 and the report would be re-issued following the meeting.

We noted the table of risks under section 9. IA highlighted the following points:

- The inclusion of the May 2016 Police and Crime Commissioner elections which could impact on the

production and audit of key documents during the year. This would be monitored and any potential disruption minimised.

- Work to identify jointly-controlled operations that require disclosure under the Code of Practice and audit recommendations, requiring co-ordination with other Welsh forces to determine agreed outcomes and consistency across Wales.

Changes to system controls and key personnel within the 2015/16 financial year including changes within the finance team and PCC's Office, a voluntary exit scheme for police officers and an amendment to the useful life of Police Headquarters, as well as the work towards faster closing and production of the financial statements.

We were advised that IA would be undertaking work relating to specific areas of the corporate governance and financial management processes in place for the PCC and CC, and that further detail on the exact work to be undertaken would be provided once assurance assessment had been completed.

We noted that the proposed audit fee for 2016/17 remained at £77,900 for finance statements audit, and £7,760 for performance audit work, totalling £85,660 for the year.

We also noted the timetable of work and associated reporting requirements.

We welcomed the contents of the report and the clarity of process within. We discussed the timing of the Governance Statement and whether this would be approved by the current PCC. The CFO assured us that this was planned for sign-off in April 2016. If this was not possible, the new officeholder would be required to sign the statement for the previous year.

We also discussed the plans for earlier closing of the accounts and whether this could be updated in the timetable. WAO advised that the current timetable was reliant on a number of related deadlines being met and allowed for some slippage on submission.

We queried whether comments received by the WAO regarding the Commissioner or CC were fed back to the relevant organisations. We were advised that this is generally the case but depended on the nature of the contact. As such, this work was negotiated and charged on an ad hoc basis and was excluded from the flat fee.

We discussed the production of separate Governance

Statements by the Commissioner and the CC and the repetition of information contained within the documents. The CFO advised that this was under consideration but due to timing constraints the statements had been produced in the manner provided.

Action

INTERNAL AUDIT ANNUAL PLAN 2016/17

9. We received the Annual Plan from Internal Audit which had been drawn up in consultation with the CFO and ACOR and took into consideration the previous Internal Audit Strategic Plan for the last year.

We noted that Annex A related to the proposed plan including the scope, rationale and the responsible individuals. Annex B provided the timetable and number of days required for each element of the plan and indicative arrangements for 2017/18 and 2018/19. We were advised that these figures were flexible and could be amended should the need arise. An Annual Report would be produced to capture all the work undertaken during the year.

We considered the Performance Indicators provided within the report and the proposed areas for audit. We were advised that Quarter 4 had been deliberately left unfilled to allow for any slippage during the year.

We were informed that the only change to the previous Plan was that carrying over of the Finance and Resources Implementation Review into 2016/17 due to the new finance system still being put into place.

We made reference to the IA Compliance Review of Local Policing – West Arrangements, and queried the recommendation to give consideration to include a review of Evidential Property in next year's audit plan. IA advised that the majority of recommendations relating to this had been completed but it was an area that they could still include if required. We discussed the timing of updates from East and West areas and the ACOR provided assurance that work had been done to rectify the issues identified within the report, in spite of the late submission by the East area.

We noted the paragraph Audit Committee Responsibilities and the Chair reiterated that in accepting the report, the Committee was accepting the responsibility relating to planned audit coverage meeting its requirements and that the areas selected for review were adequate to provide assurance against the key risks within the organisation.

The CFO proposed that the new Members may also benefit

CFO/IA/WAO

from a discussion with IA around assurance mapping which could be delivered jointly with WAO.

Action

SUMMARY INTERNAL AUDIT PROGRESS REPORT

10. We received the Summary Internal Audit Progress Report against the Annual Plan for 2015/16.

We noted the number of audits completed since the last meeting and number of recommendations and observations around Operational Effectiveness Matters (OEM) made in each case. We were reminded that the report for Local Policing East had been received since completion of this report.

We were advised that the review of Corporate Communications arrangements for the force had been deferred until 2016/17 and that the 2015/16 review included only the Corporate Communications arrangement for the OPCC. In addition, the timings for the review of the Finance and Resource system had been adjusted as discussed earlier in the meeting.

We noted the Performance Measures contained within the report and the intention to improve on the number of days between draft and final reports.

We discussed the timing delay from the issuing of draft reports to responses received by IA and received assurance from the ACOR and IA that in this case, there were circumstances which had accounted for the delay.

We queried whether there would be any delay in receiving the Annual Report from IA and were assured that time had been allocated in Quarter 4 to accommodate any slippage.

We discussed the recommendations regarding the Wales Interpretation and Translation Service (WITS) and queried whether an update would be provided at the meeting. IA advised that there were a number of Priority 1 recommendations that remained outstanding which had impacted on the production of one report relating to the vetting of interpreters used by the service. We expressed concern that IA had been unable to obtain a timely response from the relevant lead officers on the matters outstanding. IA advised that, whilst they had been informed that progress had been made, they were awaiting evidence to support this. The ACOR assured us that the recommendations had been progressed and would be presented to a meeting of the WITS Board in the next few days.

The ACOR also updated us on a potential change in governance and hosting arrangements for WITS under a new

Memorandum of Understanding for all Public Sector partners. Further updates would be provided by the ACOR at subsequent meetings.

Action

We noted that IA had outstanding updates for the Data Protection Review and queried whether this was still the case. The ACOR advised that since the report was published updates had been provided by the responsible officers.

We discussed the provision and timings of the updates in the report as a whole and agreed that this report duplicates the information provided within the ACOR's report, which may be more up-to-date at the time of publication. We agreed that Appendix C of the IA report was no longer required with the caveat that IA would inform the Committee of any slippage in audit timescales due to lack of response from the responsible officers.

COMPLIANCE REVIEW OF LOCAL POLICING – WEST ARRANGEMENTS (INCLUDING CID)

11. We received and noted the Compliance Review of Local Policing – West Arrangements.

We were informed that a Limited Assurance rating had been awarded as a result of the audit.

We discussed the recommendations within the report and expressed concern at the initial findings, noting that assurances had been given regarding improvements and progress to address the issues identified.

We were informed that the system used to record exhibits had been updated to align with national recording standards and that storage had been centralised to ensure more effective custody. The ACOR advised that the Deputy Chief Constable (DCC) was now the Lead Officer for Evidential Property and the improvements had been implemented very effectively.

We welcomed the improvements in Property arrangements and queried to what level the report would be presented. The CFO explained that any Limited Assurance report was provided to the Commissioner and CC through the Strategy and Performance Board as part of his briefing process.

We noted an error on page 2, recommendation 3 of the report, which should show a Priority of 2.

IA

INTERNAL AUDIT CHARTER

12. We received and noted the Internal Audit Charter which defines

the purpose of internal audit activity, its authority and its responsibility. The Charter sets out the framework for the conduct and delivery of internal audit services provided by TIAA.

Action

We queried the second bullet point on page 2 of the document and whether the statement was accurate. We discussed the interpretation of the statement and agreed that it did not accurately represent the responsibility of IA. In view of this we agreed that the second bullet point could be deleted.

IA

We discussed the process for appointing Internal Audit and the terms of the contract awarded. We were given assurances that the tendering process was robust and transparent and that the Committee had been represented in the last round of tendering.

OUTSTANDING AUDIT INSPECTION RECOMMEDATIONS

13. We received a report that scheduled outstanding recommendations from previous audit reports and the current status of the work necessary to implement the required actions.

Page 5, R03 Business Continuity and Disaster Recovery 2013/14

We were referred to page 1, R03 IT Disaster Recovery 2010/11 for the latest position update on this recommendation and expressed concern at the difference in timescale reported from the original plan date of April 2012 to the current plan date of September 2016. We also noted that the senior uniformed operational representative was not in attendance at the meeting.

We noted that the recommendation stated that management 'produce and test a formal Disaster Recovery Plan covering force wide IT infrastructure, systems and processes' and queried whether such a plan been produced in 2012, and, if produced, whether that plan been updated to reflect changes in technology and processes in the meantime. The ACOR advised that the systems were in place and any risks were being mitigated, but in terms of the recommendation as set out in the report, the project was incomplete.

We queried whether it would be helpful to have more information regarding the mitigation of on-going risk. The ACOR confirmed that currently only Priority 1 risk was reported to the Committee and that a full version as provided to Business Tasking and Co-ordination Group (BTCG) could be placed on the Agenda for each meeting of the Joint Audit Committee to provide the full narrative for each entry.

ACOR

We recommended that IA host a review of the implementation

IA

of the Disaster Recovery Plan in 2017 to ensure that what has been delivered is as required, and queried the possibility of the Committee receiving a presentation on the plan as implemented towards the end of 2016 or early 2017. We discussed undertaking a deep-dive at the Disaster Recovery site and agreed to add the proposal to the Committee planning schedule.

Action

CFO/AIO

Page 7, Data Protection – Information Asset Ownership 2014/16 – May 2015

R01 Information Asset Register

We noted the revised completion date of April 2016 and queried whether this was achievable. The ACOR confirmed that activity was on target for the new date.

We also noted the completion date for Information Asset Management training under RO3 Policies and Procedures for Information Asset Training (page 8) and discussed the levels of compliance across the three levels. We queried how this training requirement was built into new staff induction. The ACOR advised that this formed part of the induction programme as well as the on-going training programme within force.

Page 12, Joint Scientific Investigation Unit 2014/15 – May 2015

We discussed the recommendation relating to the Joint Scientific Investigation Unit (JSIU) and requested clarification of the action required regarding the JSIU Corporate Business Plan. The ACOR confirmed an update would be provided at the next meeting.

ACOR

Due to time constraints, we agreed to consider item 18, WAO Fee Scheme 2016/17 as the next Agenda item.

WAO FEE SCHEME 2016/17

14. We received and noted the WAO Fee Scheme for 2016/17.

The scheme set out the fee rates and scales applicable for audit work undertaken during 2016/17, as well as the basis upon which the fees had been established. The CFO confirmed that there had been consultation with the WAO regarding the fee-setting which had been used to inform the document.

WAO proposed that they include a briefing on the fee scheme as part of the audit familiarisation for new members.

WAO

Mr M Coe and Ms K Watts left the meeting at 12.55pm.

BUDGET SETTING 2016/17 – VERBAL UPDATE

15. We received and noted a verbal update from the CFO.

We were informed that, at the Police and Crime Panel on 22nd January 2016, the precept for 2016/17 had been agreed at 3.99%. At the same time, the Panel also endorsed the Medium Term Financial Projections (MTFP).

The CFO confirmed that between the Joint Audit Committee meeting held in December 2015 and the January 2016 Police and Crime Panel meeting, the following funding assumptions had been revised:

- Grant funding cuts: expected at 7%; set at 0.57%
- Precept: expected at 4%; set at 3.99%
- Base growth increase: anticipated at approximately 1.08%; set at 0.84%
- Removal of £920,000 of reserves to balance the budget in 2016/17
- Grant funding cuts of 2% per annum for 2017/18 to 2020/21 to accommodate the Home Office reallocation of funding to PCCs
- The impact of the police funding formula was now included within the projections, totalling £2million per annum in each of 2017/18, 2018/19 and 2019/20.

As a result of the changes to the cuts, a funding increase of £16.2 million, less £700,000 from precept and base growth deviations, was available over the life of the MTFP.

By way of changes to expenditure assumptions, a £2million contingent amount had been added to allow for annual pressures in each of the four years 2017/18 to 2020/21. This replaced the £1million per annum original estimate.

We were advised that there had been significant investment in the creation of Connect Gwent, a multi-agency hub for victims of crime, and plans were being made to form a Multi-Agency Safeguarding Hub (MASH) to support vulnerable individuals. This had resulted in a further £3million investment in the PCC budget. The CFO confirmed that the Capital programme had also been supplemented by approximately £0.5million per year. Expenditure projections had been reduced by around £400,000 as a result of the Commissioner's investment in the Police ICT Company. In total, the expenditure assumptions over the life of the MTFP had increased by approximately £7.3million.

We were informed that a number of efficiencies had been deferred, including the reduction in Police Community Support

Officers (PCSOs) and the operational policing model, which had been moved back to the end of the life of the financial plan. As a result, a small change of net deficit had been seen from £15.5million in December, to £14.8million at the point of budget setting, providing a gross deficit of £26.3million by 2021. The new iteration of the MTFP would be presented to the Committee at the June meeting. The CFO advised that the report presented to the Police and Crime Panel would be available on their website but would be circulated with the minutes for information.

Action

AIO

We expressed our disappointment that the deficit remained at around £15million but were reassured that the budget setting process was robust. We queried whether assurance could be given around the linking of the Capital programme to future efficiencies. The CFO confirmed that this work fell within the Staying Ahead programme and that the intention was not to use reserves necessarily, but to ensure sufficient pressure continued to be placed on this programme. The CFO also proposed that a more in-depth explanation of the Capital programme would take place at the June meeting.

CFO/ACOR

We discussed whether there would be any opportunity for the Committee to review the budget setting process between December and January as the draft report for the Police and Crime Panel would be prepared during this period. We expressed concern that there had not been opportunity to comment on the changes seen this year and requested that the CoS look at the timetable of meetings for the Committee to assess whether it would be possible to provide for the timing of the provisional settlement.

CoS

ASSET MANAGEMENT STRATEGY 2016/17

16. We received and considered the annual refresh of the Asset Management Strategy.

We noted that that an amendment to the date of the Strategy was required and that the report would be presented to the Commissioner for approval at the Strategy and Performance Board (SPB) in March.

CoS

The Strategy considered how the Commissioner's assets were able to support the delivery of the Police and Crime Plan priorities.

We were advised that the in-year reconciliations with regards to the Fleet Asset Register were undertaken ahead of the year-end accounting process and that, for the current financial year, this work had been scheduled for completion on 26th February 2016.

Action

We also noted that the level of reserves available allowed for purchase of assets and that Private Finance Initiatives (PFI) were available for some of the buildings currently forming part of the police estate.

We queried whether the Committee should be sighted on the reports relating to fleet, small assets and IT equipment to satisfy the reporting requirements. The ACOR agreed to provide members with the related documents as part of the reporting cycle.

ACOR

REVIEW OF MANUAL OF CORPORATE GOVERNANCE INCORPORATING THE ANNUAL REVIEW OF THE JOINT AUDIT COMMITTEE TERMS OF REFERENCE

17. We received a report highlighting the proposed changes to the Manual of Corporate Governance and also to the ToR of this Committee.

Manual of Corporate Governance Annual Review

We noted the proposed amendments highlighted at appendix 1. We were informed that the basis of the document remained fit for purpose, the changes made related to amendments regarding the staff structure of the OPCC. A further review would be required in the post-election period following consultation with the new Commissioner, to ensure that their governance requirements were captured within the document.

We agreed to recommend approval of the changes highlighted at appendix 1.

Joint Audit Committee Terms of Reference

We noted the amendment to the ToR with regard to the change of staff structure in the OPCC. We agreed to add the exceptional circumstances caveat for the re-election of the Chair as discussed earlier in the meeting. The CoS confirmed that this amendment would be put before the Commissioner and CC for approval at the March SPB meeting.

CoS/AIO

We further discussed the 'Tone from the Top' report and queried how the areas contained within the report were handled within other force areas. The CFO would take this matter to the next Police and Crime Commissioner Treasurer's Society (PACCTS) meeting for comment.

CFO

We were also informed that, in addition to the on-boarding of Gwent and South Wales Police finance systems and the associated alignment of processes, from 1st April 2016 the governance of Connect Gwent would move from the OPCC to the force. The ToR of the Connect Gwent Project Board would

be embedded into the Manual of Corporate Governance to ensure this remained effective.

Action

EXCLUSION OF THE PRESS AND PUBLIC

18. The information contained in the report(s) below has been subjected to the requirements of the Freedom of Information Act 2000, Data Protection Act 1998 and the Office of the Police and Crime Commissioner for Gwent's public interest test and is deemed to be exempt from publication under sections 4 and 7.

TO MONITOR THE JOINT STRATEGIC RISK REGISTER

19. We received and monitored the Joint Strategic Risk Register.

The ACOR advised us that the provision of Forensic Medical Examiners was a concern for the force. This had been mitigated in the short term via a private sector contract provider; however a tendering process was planned to secure longer term provision.

We requested that the proposed familiarisation session include a session on the Risk Register.

CFO/ACOR

TO MONITOR THE OPCC RISK REGISTER

20. We received and monitored the OPCC Risk Register.

The CoS advised us that we were awaiting the Welsh Language Standards for Police and Crime Commissioners and that discussion had been taking place regarding the identification of potential shared resources to support the anticipated requirements.

We discussed the risk associated with Partnership Working and clarified that monitoring of arrangements was reviewed monthly and therefore highlighted on an on-going basis.

ANY OTHER BUSINESS

- **Frequency of Review of Policies/Procedures at the Joint Audit Committee**

21. We received and noted the list of policies and procedures and the timetable associated with the review.

We queried why the dates for review of the Gifts and Hospitality policies for the Commissioner and the CC were subject to different timescales and whether these should be aligned. We agreed that the timescales would be replicated across both policies.

CoS

TO IDENTIFY ANY RISKS ARISING FROM THIS MEETING

22. There were no new risks arising as a result of the meeting.

The meeting concluded at 1.50pm.