

**Minutes of the Joint Audit Committee**  
**Tuesday 23<sup>rd</sup> September 2015 @ 10:00 am**  
**SCC, Police Headquarters**

**Present:** Mr Gawain Evans, Chair )  
Mr Alasdair Kenwright ) Members of Joint Audit Committee  
Mr Malcolm MacDonald )

**In attendance:**

Christopher Salmon – Police & Crime Commissioner (PCC)  
Simon Prince - Chief Constable (CC)  
Helen Morgan-Howard – Chief of Staff, OPCC (HMH)  
Jayne Woods – Chief Finance Officer, OPCC (CFO)  
Edwin Harries – Director of Finance (DoF)  
Karen Davies – Force Accountant (KD)  
John Herniman – Engagement Director, WAO (JH)  
Jason Garcia – Audit Manager, WAO (JG)  
Vicky Davies – Head of Audit TIAA (VD)  
Anne Williams – Support Officer, OPCC

**A1 Apologies for absence**

Apologies for absence were received from Ann Williams Member of Joint Audit Committee and Adrian Williams Director of Resources.

**A2 Declarations of interest**

There were no declarations of interest.

**A3 To confirm the minutes of the meeting held on 23<sup>rd</sup> June 2015**

The minutes were agreed as an accurate record of the meeting.

**A4 Matters arising**

Under A64 - It was agreed to discuss Financial Sustainability of Police Forces in England & Wales under Any Other Business.

Under A58 - Business Continuity – a presentation will be made at the December Committee meeting.

**Financial year 2014/15:**

**A5 To receive the draft Letter of Representation 2014-15**

**Police & Crime Commissioner for Dyfed-Powys & Chief Constable for Dyfed-Powys**

The letters of representation formed part of the standard requirement of the audit of financial statements of the Police and Crime Commissioner and the Chief Constable for Dyfed-Powys for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

Members were satisfied with the content and confirmed that nothing further should be brought to Wales Audit's attention. Some minor amendments within the letters were highlighted and following a discussion it was agreed that the letters be dated in conjunction with or as close as possible to the signing of the accounts.

**Decision: The Draft Letter of Representation of the Police & Crime Commissioner was approved for signature.**

**The Draft Letter of Representation of the Chief Constable was approved for signature.**

**A6 To receive management's response to the audit enquiries on arrangements for the prevention and detection of fraud**

JH referred to requirements set out in the International Standards on Auditing (ISAs) which sought documented consideration and understanding on a number of governance areas which impact on the audit of the financial statements. The report sets out responses to enquiries made of Management, Police & Crime Commissioner and Chief Constable and supports WAO's audit opinion on the 2014-15 financial statements.

With reference to the questions asked of the PCC and CC, AMSK asked whether WAO were satisfied with the responses received. JG confirmed it was good practice to bring the procedure to the Joint Audit Committee and JH confirmed that WAO were satisfied with all representations.

It was noted that Members were content with the letter and responses.

**Decision: Members were in agreement with management's response to the audit enquiries on arrangements for the prevention and detection of fraud.**

**A7 To consider the Wales Audit Office Audit of Financial Statements 2014-15**

JH introduced the Wales Audit Office Audit of Financial Statements 2014/15 which summarised key issues which had arisen from the audit of accounts.

JH recorded his thanks to the Finance Team for their work during the process and confirmed the Auditor General's intention to issue an unqualified audit opinion on the financial statements of the Police and Crime Commissioner and of the Chief Constable by the statutory deadline.

Some minor amendments to both circulated sets of accounts were in agreement. No uncorrected misstatements remained and misstatements corrected by management were highlighted in the Appendices. JH summarised the reason for an adjustment to Property, Plant and Equipment and made an observation regarding the recognition for a provision in the accounts for backdated lump sum payments to pensioners.

2014/15 was the first year which required the accounts to disclose the ratio of the Chief Executive's and the Chief Constable's remuneration to the median remuneration of offices and staff; this was a matter discussed and corresponded upon with management. The Chair questioned appropriate requirements in relation to this disclosure.

JH referred to changes which affected all local government bodies in England and Wales; namely changes to the definition of jointly controlled operations within the Code of Audit Practice and audit regulations which meant that additional activities had to be included in disclosures relating to collaboration. Although content with the information within the accounts JH highlighted recommendations for future accounts. The Chair requested clarification on a collaboration matter which had resulted in the lack of information being provided by another Force within the required time and sought recommendations for future years. JH confirmed that the matter would subsequently be raised with all appropriate bodies.

On behalf of the Committee, the Chair thanked KD and the Finance Team for their hard work in producing the accounts. JG on behalf of the WAO team endorsed the Chair's sentiments.

The CC made an observation in relation to challenges in producing the accounts as a result of changes within the force in order to deliver cost reductions.

JH referred to Welsh Government consultation on the timeline for faster closure of accounts for local government bodies and timescales for closure for police bodies in future year. He stressed the importance of starting to look at changing processes to meet those deadlines. Invitations had been sent to appropriate personnel inviting them to a good practice workshop. A long discussion ensued around workload relating to these changes and MM stressed that changes also had major implications for WAO and questioned preparation work in progress with regard to the changes.

## **A8 To consider the Chief Constable's draft Annual Statement of Accounts for 2014-2015**

It was highlighted that the draft accounts incorporated audit adjustments agreed with Wales Audit Office which had not been subject to final checks by them and that the draft version could be subject to further amendment.

The DoF gave a brief overview of the Chief Constable's Statement of Accounts which provided information on the financial position and financial performance for the financial year 2014/15.

The Police Reform and Social Responsibility Act established each Chief Constable as a legal entity or 'corporation sole' in their own right on 21<sup>st</sup> November 2012. This was the third Statement of Accounts to be produced by the Chief Constable of Dyfed-Powys under those arrangements.

The financial position of the consolidated Group of the Commissioner and Chief Constable for Dyfed-Powys were set out in a separate Statement of Accounts document produced by the Police and Crime Commissioner.

The Accounts provided detail of the financial affairs of the Chief Constable and comprised of Independent Auditor's Report, Statement of Responsibilities for the Statement of Accounts, Comprehensive Income and Expenditure Statement, Balance Sheet and notes to the financial statements.

A lot of detail was comprised within the Foreword and the DoF drew Members' attention to some factors worthy of noting. EH highlighted the year as a transition year for the Force where all police staff under the direction and control of the Chief Constable transferred into the employment of the Force on 1<sup>st</sup> April 2014, when all staff previously were under the employment of the Police and Crime Commissioner. Alongside this, the Force implemented the 'Public First' programme which sought to realign and make minimally efficient the structures supporting operational policing.

The table on page 5 set out the final out-turn position for 2014/15 compared with the original and revised budget for the Chief Constable. The Chief Constable had delivered policing services well within the budget limits set for 2014/15 and contributed a sound figure towards reserves. The DoF referred to Employee costs in terms of Officers being above the budget and provided clarification. The DoF provided clarification on the variance in Employee Police Staff costs and underspend due to the 'Public First' process and made reference to other areas of variables.

Exceptional items of Income and Expenses were disclosed together with the impact of the uncertain current economic climate on the Chief Constable i.e. the long awaited outcome of the Formula Funding review consultation and CSR.

MM highlighted some minor amendments for consideration and the DoF reminded Members that whilst the draft accounts incorporate audit adjustments agreed with Wales Audit Office they had not been subject to final checks by them.

MM commented on the detail in relation to the HMIC inspections taken place in the financial year. The DoF provided an appropriate explanation following a question on commutation payments and the element of uncertainty in relation to them.

Under the section on Other Employees, the Chair questioned procedures for disclosing Chief Constable employees' remuneration over £60,000.

## **To consider the Police and Crime Commissioner's draft Statement of Accounts (Group Accounts) for 2014-2015**

The CFO gave a brief overview of the financial position of the consolidated Group Accounts which contained the Commissioner's Accounts. Similarly to the Accounts of the Chief Constable, the explanatory foreword provided an explanation of the statements and their purpose and relationship. In brief the position of the Commissioner showed an under-spend against budget which resulted in £618k being transferred to reserves.

At the end of 2014/15 financial year the Commissioner held useable reserves amounting to £45m which would reduce significantly over the next four years with the majority being allocated for significant estate wide works. The CFO clarified the position on the earmarked revenue reserves amount of £22.8m and the Commissioner's decision on the amount of reserves when setting a 5% reduction in Council Tax payable.

The CFO provided an update on a national issue on the legality of some discretionary allowances made payable to chief officers throughout England and Wales which included a small number within Dyfed-Powys. A review of the existing information available to the Commissioner was expected bringing the matter to a close with no further action. JH confirmed that WAO were satisfied with the approach taken and the expected conclusion. MM was content that a trail of actions was documented and that various options had been considered in the event of any future queries. AMSK was pleased that a conclusion had been reached and that at the time payments were made in good faith with neither donor nor recipients wishing to act inappropriately.

MM questioned figures within the financial funds of the group compared to figures quoted within the revenue budget not corresponding.

In response to a question on the content of a table on short-term debtors MM was satisfied with the response provided by the CFO and the work undertaken following an internal audit on debtors.

The DoF provided an explanation on the involvement of Force Presentation Fund.

MM highlighted minor areas within the accounts all of which were noted for revision.

MM was thanked for his thoroughness in examining the accounts.

The Chair concluded that Members were content with information within the Letters of Representation and the Annual Statement of Accounts for 2014-15.

**Decision: The Chief Constable's draft Annual Statement of Accounts for 2014-15 and the Police & Crime Commissioner's draft Annual Statement of Accounts (Group Accounts) for 2014-15 were approved.**

## **Financial Year 2015/16**

### **A9 Progress report of the Internal Auditors**

VD drew attention to audits carried out since the previous meeting of the Joint Audit Committee. There had been good progress to the Annual Plan 2015/16 with only slight changes to timings proposed. Regular liaison meetings with Wales Audit Office had taken place and no frauds or irregularities had been advised.

VD provided clarification following a question by the Chair on areas of slippage in the first quarter which was not replicated into quarter 2.

The outstanding three Priority 1 recommendations highlighted that the Business Continuity Planning implementation timescale had been moved to the end of December and the other two Priority 1 recommendations, namely IT Systems and Debtors had been finalised but left in the report for good practice and will come off next time. Members were satisfied with this trail.

JH left the meeting at this stage.

### **A10 Reports of the Internal Auditors –**

#### **HR Management – Absence Management Arrangements review**

The review considered the arrangements in place for the management of sickness absence including monitoring and reporting. The review also considered arrangements for the prevention and lowering of sickness absence levels. The review awarded a reasonable level of assurance with six Priority 2 recommendations being highlighted around non-compliance with the Policy in place. Key findings highlighted that the Policy was last reviewed in May 2015 and MM questioned any significant changes since the established Policy dated September 2014. A response confirmed little change and staff had been reminded of their responsibilities and compliance with the Policy. In response to a question, the DoF provided clarification on the capabilities of TRENT system in managing instances of sickness and linking with the HR system.

#### **Review of the Mobile Phone Usage Arrangements**

The review appraised the arrangements for issuing and returning mobile telephones issued by the Force. The review also considered the arrangements for monitoring usage and the process for ensuring reimbursement for private use.

The review awarded an overall assurance assessment of reasonable with three Priority 2 recommendations which highlighted anomalies in processes when recovering outstanding debts. Members questioned the mechanisms and processes of the private phone usage system.

## **Review of the Arrangements for Authorising Payment of Overtime and Additional Allowances**

The review considered the arrangements for authorising and approving overtime and the payment of additional allowances at Divisional and Departmental level. The review awarded a substantial assurance assessment with key findings confirming robust and effective processes in place for authorisation of additional allowance and overtime payments to its employees. Recommendations referred to a couple of minor areas of improvement in the completion and authorisation of forms.

**Decision: The Joint Audit Committee noted the reports of the Internal Auditors.**

### **A11 Treasury Management**

The CFO confirmed that during the financial year 2014/15 the treasury management function complied with its Treasury Management Policy Statement and treasury management practices. None of the prudential indicators had been breached and a prudent approach had been taken in relation to investment activity with priority being given to security and liquidity over yield.

To date in 2015/16 Treasury Management activities continued to perform in line with the current Treasury Management Strategy. In addition to current statutory requirements, the CFO upon the advice of Arlingclose proposed two immediate changes to the current Investment Strategy to allow for maximum investment opportunities available in investments over 364 days. The CFO was in the process of conducting a review of the Strategy for the next financial year with a view of making fundamental changes to allow for an increase in returns and minimising exposure to risk.

MM questioned the requirements and legal obligation in relation to the impact on the Commissioner's ability to raise the precept should monies be invested for longer than one year, a matter which the CFO agreed to explore.

In response to a question by AMSK, the CFO confirmed that changes proposed for next year should result in us achieving an overall interest rate that is closer to the average interest rate achieved by Arlingclose's clients.

In response to a question from the Chair the CFO advised on the source whereby the Force received credit rating advice.

**Decision: The Joint Audit Committee considered the Treasury Outturn Report for 2014/15, mid-year report for 2015/16 and proposed changes to Treasury management Strategy.**

### **A12 Update on HMIC activity**

The HMIC inspection regime had continued to be active and the DoF gave a verbal update on recent activity. Eighteen specific recommendations on the thematic report

on Firearms Licensing inspection were noted - nine of which were for the CC to action, six for the Home Office and three for the national policing lead on firearms. Work was in progress within the Force to develop a specific action plan in terms of HMIC findings.

Other inspection activity not reported on to date included Peer Leadership inspection, Honour Based Violence, Child Sexual Exploitation and a re-visit of national Child Protection. A thematic report on Vulnerability in case files inspection where Dyfed-Powys Police Force had ten case files inspected with some national recommendations in terms of that inspection was awaited.

HMIC were currently in Force looking at Effectiveness and Legitimacy with an inspection due during September/ October 2015.

**Decision: The Joint Audit Committee noted the information provided verbally on HMIC activity.**

**A13 To receive the Minutes of the Corporate Governance Group meeting 1<sup>st</sup> September 2015.**

The DoF summarised key areas within the minutes. The updated Corporate Governance Statements for the PCC and CC presented at the June Joint Audit Committee meeting appeared in the PCC and CC Annual Accounts. Discussions on the review of current issues which bore impact on governance arrangements concluded that there was nothing of great significance that would bring the Force to change their Corporate Governance Statements. An update on the monitoring of on-going tasks together with a review of updated core principles was summarised. It was noted that the role of the Ethics Group in reviewing key decisions strengthened effective scrutiny on the management of risk. A short discussion ensued around engagement with communities and stakeholders prior to the forthcoming election of Police and Crime Commissioners and purdah period. The next meeting of the Group was due in November.

**Decision: The Joint Audit Committee noted the minutes of the Corporate Governance Group 1<sup>st</sup> September 2015.**

**A14 Consultation on the 2016/17 Code of Practice on Local Authority Accounting**

The CFO provided Members with information on two CIPFA consultation exercises due for closure on 9<sup>th</sup> October 2015 - one on the Code of Practice for next year and the other, of more interest to Members, the Simplifying of the Accounts (Telling the Story) consultation. The CFO summarised key areas within the consultation paper and drew attention to the pros and cons of options available. To date no opinion had been formed and it was the CFO's intention to conduct some further work to look at implications for Dyfed-Powys.

Members made appropriate observations with regard to the preparation of the accounts especially in terms of the timetable available to produce the accounts being curtailed.

The CFO agreed to feedback Members' comments when reporting back to CIPFA.

## **A15 Joint Audit Committee training**

A Joint Audit Committee Workshop had been arranged on 9<sup>th</sup> October 2015 in Colwyn Bay. A draft agenda was available for Members' perusal. Members were asked to request any arrangements for overnight stay.

Members expressed concern that the agenda item covering risk registers would be a duplication of previous year's training. Whilst Members requested some variety they appreciated that membership of the group in attendance would determine the content under this item. The CFO agreed to feedback Members' comments to the trainers.

## **A16 Any other business**

### **Change to Police & Crime Commissioner's website**

The CFO had fed back Members' comments on the difficulty in locating the Joint Audit Committee page on the Commissioner's website. Under the new website this area was located under Monitoring Your Commissioner section and the CFO referred Members to the an useful search facility available on the website. Members were asked to view the website and feedback any comments.

### **Meeting Dates 2016**

The following dates for 2016 had been circulated to Committee Members and representatives of WAO and TIAA – 22<sup>nd</sup> March, 21<sup>st</sup> June, 20<sup>th</sup> September, 6<sup>th</sup> December 2016.

### **Financial Sustainability**

A report on the 'Financial Sustainability of Police Forces in England and Wales' produced by National Audit Office had been released in June. The report had been briefly discussed at the June meeting where it was agreed to further discuss at the September meeting. MM questioned whether an input into the consultation had been sent as the deadline date for consultation had by now passed. MM expressed his concerns as the report concentrated on high population urban forces and portrayed a distorted picture as rural forces were not reflected within the report; similarly to the consultation on reform of police funding arrangements in England and Wales. Whilst an area within the content of the report referred to numbers of licensed premises, in rural communities the number of off licences would produce more of an impact; this was something not reflected within the document.

The CC endorsed issues around funding formula which were of concern to forces.

MM thanked the Chair for being able to raise his concerns on the report.

The Chair thanked everyone for attending the meeting.

**The meeting closed at 12noon.  
Next meeting - 9<sup>th</sup> December 2015**