

**Minutes of the Joint Audit Committee**  
**Tuesday 20<sup>th</sup> September 2016 @ 10:00 am**  
**Strategic Command Centre, Police Headquarters**

**Present:** Mr Gawain Evans (GE) Chair )  
Mrs Ann Williams (AW) ) Members of the Joint Audit Committee  
Mr Alasdair Kenwright (AMSK) )  
Mr Malcolm MacDonald (MM) )

**In attendance:**

Dafydd Llywelyn – Police and Crime Commissioner (PCC)  
Adrian Williams – Director of Resources (DoR)  
Edwin Harries – Director of Finance (DoF)  
Carys Morgans – Chief of Staff (CoS)  
Jayne Woods – Chief Finance Officer,(JW)  
John Herniman – Engagement Director, WAO (JH)  
Leanne Malough – Audit Team Leader, WAO (LM)  
Jason Garcia – Audit Manager, WAO (JG)  
Jonathan Maddock– Client Manager, TIAA (VD)  
Karen Davies - Force Accountant (KD)  
Sarah Welsby – Force Accountant (SW)  
Insp Stuart Bell – agenda item 12 only (SB)

**A60 2016/17 Apologies for absence**

Apologies for absence was received from Mr Simon Prince, Chief Constable, and Vicky Davies TIAA.

In order to ease the flow of content Members agreed to change the order of the agenda in order to discuss the summary of Statement of Accounts before the Letter of Representation.

**A61 2016/17 Declarations of interest**

There were no declarations of interest.

**A62 2016/17 To confirm the minutes of the meeting held on 21<sup>st</sup> June 2016**

The minutes of the 21<sup>st</sup> June 2016 were accepted as a true record.

**A63 2016/17 Matters arising**

Discussions took place on the points of action within the Minutes. For the purpose of clarity and completion, a final version of the Annual Report of the Joint Audit Committee was circulated.

**A64 2016/17 Draft Annual Statement of Accounts 2015/16**

**Draft Chief Constable Statement of Accounts 2015/16**

The Draft Statement of Accounts provides information on the financial position and financial performance of the Chief Constable of Dyfed-Powys for the financial year 2015/16.

This was the fourth Statement of Accounts to be produced by the Chief Constable under the arrangements set out in the Police Reform and Social Responsibility Act 2011 where each Chief Constable is a legal entity or 'corporation sole' in their own right.

The DoF summarised the Chief Constable's Statement of Accounts 2015/16 and highlighted the most significant matters within the accounts and emphasised relevant contextual information on the financial environment.

Members made observations and raised appropriate questions.

AMSK commented on the easy read and effectiveness of the Narrative Report.

In answer to questions by AMSK, the DoF provided an update on IPCC matters referred to on page 21, and confirmed that the Force Business Continuity Plan was scheduled for presentation to Chief Officer Group at the end of September.

Typos were noted and arrangements to incorporate highlighted alterations confirmed.

The PCC referred to a critical time ahead in relation to the Police Funding Formula. An agreement was made at a recent Policing Board meeting to invite locally elected representatives to a summit to provide a clear understanding of the funding issues and pressures faced by the Force to ensure a strong voice for Dyfed-Powys. The PCC also referred to collective plans of PCCs in Wales on a national basis.

A resolution to the funding formula was likely to become effective in 2018/19 at the earliest.

### **Draft Police & Crime Commissioner Statement of Accounts 2015/16 (Group Accounts)**

The CFO introduced the Statement of Accounts 2015/16 (Group Accounts) for the Police and Crime Commissioner which are an amalgamation of the Chief Constable's Accounts and Police & Crime Commissioner's Accounts. The CFO highlighted some key elements within the Group Accounts which were specific to the Police & Crime Commissioner.

Questions were invited on the content within the Group Accounts.

AMSK observed a section of duplicate content and MM observed some typos and suggested some changes on layout for clarity purposes. MM asked for clarification on figures quoted under Long-Term Debtors.

Members commended those involved in the preparatory work to produce the two sets of Accounts.

**Decision: Subject to the identified amendments being incorporated the draft Chief Constable's Annual Statement of Accounts for 2015/16 and the draft Police and Crime Commissioner's Statement of Accounts (Group Accounts) 2015/16 were approved for signature.**

### **A65 2016/17 Draft Letter of Representation 2015/16**

JH outlined the standard audit procedure as part of the closure of accounts. Two letters of representation followed the two sets of Accounts.

Full access had been provided to all relevant information required in the preparation of the financial statements; all transactions, assets and liabilities had been recorded in the accounting records and reflected in the financial statements and there was no relevant audit information which would impact on the accounts which Audit were unaware of.

There were no questions to note.

**Decision: The Draft Letter of Representation of the Police and Crime Commissioner and the Chief Constable was approved for signature by the appropriate signatories.**

#### **A66 2016/17 Management response to the Audit enquiries on arrangements for the prevention and detection of fraud.**

JH outlined the requirements in accordance with the International Standards on Auditing (ISAs).

The Chair made reference to one minor point of wording in relation to fraud. MM observed that the report was lacking reference to work undertaken by the Joint Audit Committee and suggested that this be taken on board next year in order to strengthen the letter.

JG reported that this was a standard annual document which could ideally be prepared by the July Joint Audit Committee meeting affording an opportunity to add as necessary in advance of signing the accounts in September.

**Decision: To present this item of business at the July meeting in future years.**

**Decision: To emphasise the scrutiny function of the Joint Audit Committee within the document in future years.**

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

#### **A67 2016/17 Wales Audit Office Audit of Financial Statements 2015-16 and Management Letter**

The Report gives an opinion on whether the financial statement of the Police and Crime Commissioner and Chief Constable for Dyfed-Powys provide a true and fair view of their financial position at 31<sup>st</sup> March 2016 and of their income and expenditure for the year end.

JH reflected on previous comments on the accounts being complicated to understand and complimented all involved in the preparation of the two sets of accounts accompanied by good working papers to enable a smooth running audit process.

All addressed amendments had been included and pending some minor outstanding information and queries and subsequent approval by the Committee, the accounts were in a position to be signed with an unqualified opinion.

There were no concerns about the qualitative aspects of the accounting practices and financial reporting with no significant difficulties during the audit encountered.

JH highlighted the challenge and pressures on the finance team in future years in order to meet earlier closure.

Two matters previously discussed and corresponded upon with management were worthy of reporting and bringing to Members' attention. One was in relation to 'Milne v Government Actuary's Department's (GAD)' court ruling and the other was the Control Account Reconciliations. JH was happy that both matters had been addressed appropriately.

In relation to Control Account Reconciliations and for clarification, the Chair requested an indication on the period where monthly reconciliations had not taken place in order to receive an indication of the scale.

In relation to the 'Milne' court ruling, MM noted that it would be worthy to record that settlement of the liability had been made by the Home Office in the event of any future claims.

The DoF echoed earlier sentiments and paid gratitude to members of the Finance Team for their hard work in the accounts process.

JG referred to forthcoming internal plans by both DoF and CFO and their teams, together with WAO's plans from an Audit's perspective, to review the closure process and determine areas of improvement in order to meet the shortened timescale in future years.

JG summarised the deadlines for incorporating amendments and signatures and the deadline for publication on the Force and OPCC website.

**Decision: The Committee noted the Audit of Financial Statements Report and Management Letter.**

#### **A68 2016/17 Progress report of the Internal Auditors - Summary Internal Controls Assurance (SICA)**

The summary report provided the Committee with an update on the progress of work as at 13<sup>th</sup> September 2016. All completed audits were on the agenda for discussion.

Work was complete on the outstanding Priority 1 recommendation and scheduled for Chief Officer Group sign at the end of the month. In relation to Duty Resource Management, MM expressed concern over the time taken from the issued draft to the time of management responses. MM appreciated the complex nature of the area and SW provided an explanation on the matter.

**Decision: The Committee noted the progress report of the Internal Auditors.**

#### **A69 2016/17 Reports of the Internal Auditors**

##### **a) Assurance Review of the ICT Security – Data Assurance**

The review considered arrangements for the approval process for permitting electronic data to be passed to third parties, the data security arrangements and the transit arrangements designed to minimise unauthorised access to the data whilst in transit and the monitoring arrangements.

The review awarded reasonable assurance with one Priority 2 recommendation on the requirement to comply with Data Protection and Freedom of Information Acts with

explicit reference in the Police Staff Misconduct Procedure. Management had accepted the recommendation and the DoR confirmed work in progress in this area of work within the organisation.

Members praised the comprehensive report and the elements of work covered within the review exercise.

In relation to risk, MM suggested that consideration be given to a standing item on reporting any breaches of regulations on data disclosure. Members agreed to this.

**Decision: Members agreed to the addition of a standing item on the reporting of any breaches of regulations.**

## **b) HR Flexitime Management**

The review considered the effectiveness of the controls and the monitoring of the flexi-time and flexi-leave arrangements including the impact on on-going service delivery.

The review awarded reasonable assurance with three Priority 2, three routine and one operational recommendations; all of which had been accepted. JM explained the key findings of the review and clarification was provided on the flexi system in relation to flexi calculations for part time staff.

## **c) Payroll – Anti-Fraud Arrangements**

The review tested for potential significant fraud exposures due to non-compliance with the organisation's payroll arrangements and/or inadequate or ineffective segregation of duties.

The review awarded substantial assurance and no significant issues were identified. It was pleasing that adequate controls for each of the areas reviewed were identified with effective segregation of duties and approvals within payroll processes and oversight provided by the Business Support Unit.

## **d) Public Service Bureau**

The review appraised the arrangements for monitoring Public Service Bureau complaints received and ensure that appropriate action was taken in a timely manner.

The review awarded limited assurance with five Priority 2 recommendations, four routine recommendations and two operational recommendations.

A lengthy discussion ensued around the key findings and all the recommendations had been accepted by management. Fundamental to the recommendations was the resource issue which had prevented the desired level of service being afforded.

As a result of the review the PCC provided Members with reassurance and referred to plans for a Force and OPCC standardised approach on complaints. The PCC referred to changes within the Policing Bill in relation to ways dissatisfaction and complaints are managed. Also on an All Wales Basis the PCC referred to a consistent way the public contact the police service in relation to dissatisfaction and complaints which formed the foundation for the ongoing work to review the Public Service Bureau. The PCC was grateful for the review as it allowed for highlighted issues to be addressed.

Reference was made to corporate communications and the use of social media as a means of providing a quick response and a means of reducing the level of concerns.

MM referred to mechanisms used by the Ombudsman's organisation on ways of dealing with persistent individuals.

The PCC provided reassurance to Members through his personal involvement in meeting persistent individuals.

The CoS referred to a review of the PSB to look at an improved system of business through public engagement which will be reported back to the PCC and CC by the end of November in order to determine a way forward.

### **e) Duty Resource Management**

The review considered the effectiveness of the Duty Resource Management. The review was awarded reasonable assurance with four Priority 2 recommendations.

With regard to the recommendation that no formal agreement was in place for the four days on and four days off shift pattern for Firearms and Driver Training, Audit acknowledged the reasons for this recommendation not being accepted.

Further clarification was provided on demand management and how resources are managed and well aligned to demand.

The PCC asked for clarification and questioned any change to the Driver Training element of the rota in relation to the number of days from four to five days in terms of consistency with other Welsh forces.

### **f) Driver Retraining**

The review appraised the control and monitoring arrangements for the Driver Retraining programme. The review was awarded reasonable assurance with two Priority 2, two routine and one operational recommendations; all of which had been accepted.

A positive outcome of the review was the operational recommendation which had been implemented in reducing the administrative burden on the Force as an efficiency measure saving on resource time.

### **g) Electronic Expense & Travel Claims Arrangements**

The review appraised the arrangements for the new electronic expenses and travel claims process. The review was an overview of the controls in place and was awarded reasonable assurance with one Priority 2, three routine and one operational recommendations.

This was a new process and a business change within the Force. The requirement for a report to list all monthly mileage and expense claims to Directors was already implemented resulting in a time saving within the Payroll area.

MM reported on the range of high quality reports received from internal auditors which reflects on the type of work being undertaken. The internal auditors were providing an excellent service by looking thoroughly at areas of business and making valuable recommendations.

**Decision: That the Committee note the reports of the Internal Auditors.**

### **A70 2016/17 HMIC Activity**

SB highlighted key areas with regard to the publication of recent reports. An update on governance arrangements following the spring PEEL inspection was provided.

Work in preparation for the 2016 PEEL Effectiveness Inspection was being prioritised. Stalking and harassment was due to feature heavily in the upcoming inspection.

There were no questions to note and SB was thanked for the update on HMIC matters.

**Decision: That the Committee note the report on HMIC activity.**

### **A71 2016/17 Treasury Management**

The CFO outlined the requirements of the CIPFA Code of Practice on Treasury Management whereby two reports on the performance of the treasury management function are made each year. The report outlines year end position 2015/16 and a mid-year position for 2016/17.

During the financial year 2015/16 the treasury management function complied with its treasury management practices. However, two prudential indicators were breached in that period and a rationale on those breaches was provided. Reference was made to the relevant text and illustrations on those breaches within the report.

The Committee were asked to consider and comment on the Treasury Outturn Report for 2015/16 and mid-year report for 2016/17. The Committee were also asked to comment on the proposal to increase the Treasury Management Indicator for the percentage of fixed debt repayable over 5 years and within 10 years to 70% for 2016/17.

MM recommended that the proposed actions be carried out and amendments made as necessary. Members agreed.

**Decision: That the Committee note the report on Treasury Management and agree to the proposed recommendations as laid out within the report.**

**Decision: The Commissioner agreed to approve a change to the percentage of fixed debt maturing over 5 but within 10 years to 70% (to allow for existing historic debt) in the Treasury Management Strategy for 2016/17.**

### **A72 2016/17 Minutes of the Corporate Governance Group 6<sup>th</sup> September 2016**

MM attended the meeting which provided him with an opportunity to discuss some changes proposed at the last Joint Audit Committee meeting; namely mechanisms around the statement of internal controls, aspects of presentation of accounting policies and an approach to encourage timely management responses.

Following the introduction of the new Corporate Governance Framework the DoF referred to work soon to commence to produce an Annual Governance Statement.

**Decision: The Committee noted the minutes of the Corporate Governance Group held on 6<sup>th</sup> September 2016.**

### **A73 2016/17 Joint Audit Committee Training**

Gwent Police was in the process of co-ordinating a training event to be held in mid Wales. Members were asked to provide their availability to attend such an event during November, December or January.

### **A74 2016/17 Any Other Business**

- i. Meeting dates for 2017 were confirmed as 29<sup>th</sup> March, 11<sup>th</sup> July, 19<sup>th</sup> September, 6<sup>th</sup> December, and circulated to Members after the meeting.
- ii. The term of office of two Members of the Committee was shortly due to expire which necessitated the advertising for membership. The Terms of Reference states that no member can serve for longer than eight years. The most any current Member had served was four years meaning that any current Member was eligible to apply if they so wished. Dates for interviews had been scheduled.

Initially membership of the Committee consisted of five Members and the intention to revert back to five members was confirmed.

- iii. The CoS and PCC provided an update on the Chief Constable recruitment process. Following a rigorous application and selection process the PCC had chosen his preferred candidate to be confirmed at a hearing of the Police and Crime Panel at the end of the month. The PCC expressed his gratitude to the CoS on the level of professionalism in the work undertaken on the recruitment process. Members thanked the CoS and PCC for the update.
- iv. MM referred to a report issued by the National Audit Office on the technical solution for the Emergency Services Network and highlighted potential financial risks on the capital programme which may be incurred as a result. It was a concern to be mindful of in the future on a number of issues, not just financial issues. The PCC and CC would receive periodic updates at regional level and through the CC as Chair of JESG. There was a lot of work to be undertaken and it was agreed, when appropriate to discuss at the Joint Audit Committee.

**Decision: Members agreed to bring the matter relating to Emergency Services Network to Committee for discussion at an appropriate time.**

There were no other items of business to discuss.

The next meeting was scheduled for 6<sup>th</sup> December 2016.

**Meeting ended at 11.55am**