

**Handling Instructions: For Independent Audit Committee use only
FOIA – Open**



**Strategic Alliance
Independent Audit Committee**

Tuesday 11th December 2018 at 10.00am

**Boardroom 2 & 3, Force Headquarters, Winfrith, Dorchester, Dorset
DT2 8DZ**

Attendance

Helen Donnellan (Chair) (HD)	Committee Member
Amanda Gallaher (ABG)	Committee Member
Malcolm Smith (MS)	Committee Member
Linda Williams (LW)	Committee Member
Gordon Mattocks (GM)	Committee Member
Nicola Allen (NA)	Treasurer (Office of the Police and Crime Commissioner, Devon and Cornwall)
John Jones (JJ)	Assistant Chief Officer (Dorset Police Force)
Alexis Garlick (AG)	Chief Finance Officer (Office of the Police and Crime Commissioner, Dorset)
Karen James (KJ)	Head of Audit, Insurance and Strategic Risk
Neal Butterworth (NB)	Head of Finance (Devon and Cornwall and Dorset Police Force)
Tanya Hutchings (TH)	Administrative Officer (Office of the Police and Crime Commissioner, Devon and Cornwall)
Rupert Bamberger (RB)	South West Audit Partnership
Laura Wicks (LAW)	South West Audit Partnership
Tracey Kirkpatrick (TK)	South West Audit Partnership
Mark Bartlett (MB)	Grant Thornton

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Apologies

Tom Grainger (Vice Chair)	Committee Member
Frances Hughes	Chief Executive Officer (Office of the Police and Crime Commissioner, Devon and Cornwall)
Simon Bullock	Chief Executive Officer (Office of the Police and Crime Commissioner, Dorset) Assistant Chief Officer (Dorset Police Force)
Sandy Goscomb	Director of Finance and Resources (Devon and Cornwall Police Force)
Sharon Taylor	Assistant Chief Constable (Devon and Cornwall Police Force)
Jim Nye	Chief Superintendent (Devon and Cornwall Police Force)
Ben Deer	Superintendent and Strategic Alliance Programme Delivery Manager
Alex Walling	Grant Thornton

04/18/01 Apologies for Absence

Apologies for absence were received as recorded above.

04/18/02 Declarations of Interest, Equality and Health and Safety Obligations

No conflicts of interest were declared. The Committee were informed of the health and safety procedures, HD highlighted the need to remember equality obligations during the discussions.

04/18/03 Open Minute Items [FOIA – Open]

The open draft minutes from the meeting of the Independent Audit Committee (IAC) held on 18th September 2018 were agreed as a true and accurate record, with amendments to the following:

- Minute 03/18/03, the third bullet point. The second sentence should read ‘The Committee sought an update around the implementation of the **test** system.’ The action for this bullet point should be for JJ.
- Minute 03/18/04a. The final sentence should read ‘This would feed into the annual report, due in March **2019**.’

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- Minute 03/18/10, the fourth paragraph. The penultimate sentence should read 'It was agreed that it would be preferred to deliver training **before IAC meeting dates...**'

It was agreed that these changes would be actioned before the minutes were finalised.

For action by: TH

04/18/04 Open Items of Chair's Business [FOIA – Open]

The Chair raised the following:

a. Summary of Committee's work

HD provided an update of the work undertaken by the Committee since the most recent meeting. Members of the Committee had attended the following events:

- South West Audit Partnership (SWAP) event for Audit Committees
- Treasury Management Training – delivered by Arlingclose
- South West Police Audit Conference – delivered by Grant Thornton

It was noted that the Committee found these events added to their knowledge and linked well to training needs.

The Committee also had separate meetings to allow time to address the duties within their role, including appraisals, the contribution of the Committee, training needs and its development. These meetings were valuable, as they provided opportunities for wider discussion.

b. Training

The suggestion of an 'away day' for the IAC in Spring 2019, to include a tour of the Southside site, at Middlemoor HQ. It was also suggested and agreed that an IAC members' meeting be held on this date. The Committee asked that possible dates for the 'away day' be at the end of February/beginning of March 2019.

For action by: TH and HD

c. Appraisals

The first round of appraisals of IAC members had been completed using the guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). These appraisals link to training needs and a training plan. It was highlighted that no date has yet been set for the appraisal of the IAC's Chair which needs to be completed before March 2019.

For action by: HD and AG

One training need identified during this round of appraisals was for a diagram showing lines of accountability within the four corporations sole. The Committee found Figure 8, from part two of the National Audit Office 2018 report, Financial sustainability of police forces in England Wales to be useful.

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This shows accountability arrangements and relationships between different organisations, from parliament through to policing and the public. It was agreed that a similar diagram showing governance and accountability of leadership and management be created and included in the Annual Governance Statement. This diagram is to be brought to the IAC along with terms of reference for the relevant boards/meetings.

For action by: KJ

The Committee also requested to observe meetings for the relevant boards.

d. Meetings with Police and Crime Commissioners (PCCs) and Chief Constables (CCs)

The Committee was informed that meetings had been arranged for the PCC for Dorset and the CCs for both Devon and Cornwall and Dorset; however a date had not yet been identified for a meeting with the PCC for Devon and Cornwall.

04/18/05 Medium Term Financial Strategy [FOIA – Open]

The Committee noted the report brought by Neal Butterworth. The report aimed to update members on the progress of the Medium Term Financial Strategies (MTFS) for Devon and Cornwall Police and Dorset Police for 2019/20.

It was highlighted that, as the information for the Police Financial Settlement had not yet been received from the Government, the MTFS was likely to change. However, overall the MTFS are in line with the previous year, excluding the exceptions as laid out in the paper submitted.

The Committee sought assurance that the potential mitigations within the paper would address the shortfalls, especially as the amount of shortfalls were not yet known. It was explained that until the settlement information was known it would be difficult to be fully assured that the potential mitigations would be successful. However, NB was confident that the budgets for both Forces would balance.

The Committee queried if the arrangement for police pensions would change in the future, due to the financial burden it placed upon the Forces. It was confirmed that this was already happening, as new recruits can retire after 35 years of service (rather than 30) and will receive a pension based on career average earnings.

Clarification was sought, by the Committee, about whether the Strategic Alliance savings were likely to be realised in future or not. It was confirmed that these savings would likely be realised in future years.

The Committee sought further information about when the challenge about the actuarial figures would be resolved. It was explained that the challenge had been accepted, but the figures would not be reviewed as per Police and Crime Commissioners Treasurers' Society (PACCTS).

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A discussion was held around whether the Forces may have to make changes to the services provided, and it was explained that as there are no statutory definitions of what services the police force should deliver, changes might be made, but it would be a last resort.

04/18/06 Internal Audit Charter [FOIA – Open]

The Committee noted a verbal update provided by Rupert Bamberger. It was explained that the Internal Audit Charter will set out the purpose, authority and responsibility of internal audit and will be brought to the Committee in April 2019. It was agreed the Charter would be brought to the Audit Committee in April each year moving forward.

For action by: RB

04/18/07 Draft Capital Strategy [FOIA – Open]

a. Devon and Cornwall

The Committee considered and noted the report given by Nicola Allen. The paper presented the draft Capital Strategy, prior to it being approved by the PCC and sought to confirm the Committee's role in the oversight and governance of the Capital Strategy.

It was highlighted that this was the first time a Capital Strategy had been required. The Capital Strategy is a way of showing the diversity included in capital programmes across the public sector. It also gave a way of understanding the strategy behind the capital programmes of the Forces.

The necessity for an amendment to Appendix A was recognised and 7.1 will read '...risk register. **Further oversight is provided by the formal meetings of the executive. New risks can be added to the risk register at any point.**'

For action by: NA

A discussion was held around the governance of the Capital Strategy and it was clarified that a Capital Strategy Group has been established to compliment and report to the Force Resources Board. Assurance was given by NA that this structure had been used elsewhere, as it deals with the granularity and detail.

The Committee sought further information about why Devon and Cornwall PCC holds estates, compared to Dorset PCC who does not. It was explained that the structure for Devon and Cornwall PCC was established during 2016/17 and, although unusual, is not unheard of. The current structure was adopted to ensure a commercial view on estates was given, but with significant operational input.

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Clarity was requested by the Committee about where the feedback, following evaluation of a completed capital project is considered within the governance structure. It was explained that new proposals will go through Capital Strategy Group and from there, the feedback is considered by the Force Resources Board and then the Joint Management Board.

b. Dorset

The Committee considered and noted the report given by Alexis Garlick. The paper presented the draft Capital Strategy, prior to it being approved by the PCC. The paper also confirmed the Committee's role in the oversight and governance of the Capital Strategy.

It was proposed to change Appendix A, 4.2 to make explicit reference to the Police and Crime Plan, following conversation with the Chair.

As Dorset have not adopted the same governance as Devon and Cornwall, the existing processes and structures were considered to be adequate with the addition of monthly budget monitoring of the capital programme by the Force Resources Board. Therefore, Appendix A, 4.6 will have an additional bullet point added which reflects the addition of the monthly budget monitoring.

Section 10.1 will also be amended, as follows: '...and the ownership of assets are outlined in the **collaboration agreements, s.22.**'

For action by: AG

The Committee requested that, where possible and appropriate, future papers from the treasurers have one covering paper with separate appendices. It was agreed that this would be done, where possible.

For action by: NA and AG

04/18/08 2018/19 Treasury Management Mid-year Report [FOIA – Open]

a. Devon and Cornwall

The Committee noted the report brought by Nicola Allen. The report aimed to present the 2018/19 treasury management mid-year monitoring for Devon and Cornwall.

It was highlighted that Devon and Cornwall Force's return was 0.66% lower than other Forces. It was explained that this was because many other Forces receive longer term interest rates on their investments, as they were taken out before those of Devon and Cornwall.

Clarity was sought by the Committee around Devon and Cornwall's exposure to unsecured funds in investments. It was explained that many of the unsecured investments are only very short term and that there will always be an element of unsecured investment. This allows flexibility in case of the need

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to release funds at short notice. Further detail was given that when making short term investments, advice is taken from the advisors as to the maximum amount to invest and the period of time over which to invest.

The Committee sought clarity about the process for resetting the cash limit for financial instruments. It was explained that the authority to do this came through the treasurer.

b. Dorset

The Committee noted the report brought by Alexis Garlick. The report aimed to present the 2018/19 treasury management mid-year monitoring for Dorset.

The Committee sought information about whether an increase in cash limits, according to broker's advice, would give rise to any additional risks. It was explained that there would not be significantly more risk and an increase in cash limits would give further flexibility.

04/18/09 Draft 2019/2020 Treasury Management Strategy [FOIA – Open]

a. Devon and Cornwall

The Committee received the report from Nicola Allen, which presented the draft Treasury Management and Investment Strategy for 2019/20. The report was considered and noted by the Committee.

The report applied to Devon and Cornwall. It had proved too complex to have one strategy for Devon and Cornwall and Dorset, as balances, borrowing and investments sums were very different. The strategy presented was supported by the treasury management practices, which will be taken to the Police and Crime Panel in February 2019.

It was noted that there was an error in Appendix A, which will be amended.

For action by: NA

Information was sought by the Committee about whether Devon and Cornwall Police Force had been asked to provide a financial guarantee to the Police ICT Company previously. It was confirmed Forces had not previously been asked to provide a financial guarantee, however giving a financial guarantee would ensure the risk is spread between all Forces.

The Committee sought clarity around Appendix A, 4.5. It was explained that the new International Financial Reporting Standards (IFRS) could have an impact on Treasury Management. The paragraph would be reviewed in light of recent guidance issued and updated accordingly.

For action by: NA and AG

Information was sought by the Committee about how 'liability benchmark' had been defined. It was explained that this represented the lowest level of

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borrowing and was the limit of liability. It was agreed that the explanation for the term would be reviewed to provide better clarity.

For action by: NA, AG and LH

Following a request for further information by the Committee, it was established that cash limits had been reduced, in order to allow Devon and Cornwall to benefit from better interest rates on investments.

b. Dorset

The Committee received the report from Alexis Garlick, which presented the draft Treasury Management and Investment Strategy for 2019/20. The report was considered and noted by the Committee.

It was decided that the final sentence of Appendix A, 3.5 will be amended to read ‘...will therefore be the subject of a separate report to the Police and Crime Commissioner.’

For action by: LH and AG

04/18/10 Audit Committee Training Plan [FOIA – Closed s.22]

This item was moved to the closed section of the meeting, item 17a, minute reference 04/18/17c.

04/18/11 Draft Reserves Strategy 2019 [FOIA – Open]

a. Devon and Cornwall

The Committee received and noted the report brought by Nicola Allen. The report presented the draft Reserves Strategy for 2019/20 for the Committee’s consideration.

An error was identified in Appendix A, which will be amended.

For action by: NA

The Committee sought clarification about whether the risks in paragraph 14 are kept under review. It was explained that as these are wider risks, they are not formally reviewed but considered on a regular basis.

The Committee asked whether it was possible to have a long-term reserves strategy. It was explained that, as settlements are only for a year and PCCs have a tenure of four years, it is impractical to decide a long-term reserves strategy.

The Committee sought information about whether financial provision had been made for potential developments in Cornwall. It was confirmed that provision had been made.

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b. Dorset

The Committee received and noted the report brought by Alexis Garlick. The report aimed to present the draft Reserves Strategy for 2019/20 for the Committee's consideration.

The Committee sought assurance around the possibility of slippage. Assurance was given that although slippage was possible, there is protection around the adequacy of reserves budget, as it has to have a statutory statement of adequacy of reserves.

04/18/12 Dorset Statement of Accounts 2017/18 – Defined Benefit Sensitivity [FOIA – Open]

The Committee noted the paper brought by Lucinda Hines. The report provided an update to the Committee on the actions taken and the conclusions reached in relation to the query raised on the annual statement of accounts.

04/18/13 External Audit Quarterly Report [FOIA - Open]

The Committee noted the report presented by Mark Bartlett, which aimed to provide an update of the work of the External Audit over the last quarter.

It was agreed that, in future, the External Audit Quarterly Report would be sent to Committee members digitally as well as in a hard copy. This will allow the Committee members to use the resources linked into the document by Grant Thornton.

For action by: TH

MB asked for feedback from the Committee regarding the South West Audit Conference. It was agreed that the conference provided a useful opportunity to interact with other committees, was relevant, worthwhile and contained an appropriate mix of national and regional contexts. The Committee welcomed future opportunities to meet and share practice with other committees. Feedback was given about the venue and it was suggested that there would be benefits to the conferences being open to non-committee members.

Following the feedback, it was asked how regularly the Committee would like the opportunity to meet with other committees. It was agreed that it would be useful to provide the opportunity annually.

The Committee sought clarity about whether the service provided by Grant Thornton in relation to audit conferences was included as part of the Grant Thornton fee. It was confirmed that it was.

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04/18/14 Response to Consultation on 2019/20 [FOIA – Open]

The Committee considered the proposal brought by Karen James. The report presented the consultation being undertaken by Public Sector Audit Appointments (PSAA) on the scale of audit fees for 2019/20 for opted-in local government and police bodies. The Committee supported the proposal by the PSAA.

At 12.21pm the open section of the meeting concluded and the Committee adjourned.

The Committee reconvened at 1.01pm, and Tracey Kirkpatrick joined the meeting.

04/18/15 Closed Minute Items [FOIA – Closed (various)]

04/18/16 Action Log [FOIA – Closed s.22]

04/18/17 Closed Items of Chair's Business [FOIA – Closed (various)]

04/18/18 Internal Audit Quarterly Update and Highlights [FOIA – Closed s.33]

04/18/19 Update on Fraud and Corruption Investigations [FOIA – Closed s.30(2)]

04/18/20 Risk Registers [FOIA – Closed s.31]

04/18/21 Merger Update [FOIA – Closed s.22]

04/18/22 Strategic Alliance Update [FOIA – Closed s.22]

04/18/23 Updated Operating Principles for the Independent Audit Committee [FOIA – Closed s.225]

Date, Time and Location of Next Meeting

There being no other business the meeting closed at 2.53pm. The next meeting will be held on Tuesday 2nd April 2019 at 11.00am in Helford Room, Force Headquarters, Exeter.