



Independent Audit Committee

Tuesday, 17th December 2019 at 10.00am

Boardrooms 2 and 3, Dorset Police Headquarters, Winfrith

Attendance

Tom Grainger (Vice Chair) (TG)	Committee Member
Amanda Gallaher (AG)	Committee Member
Linda Williams (LW)	Committee Member
Gordon Mattocks (GM)	Committee Member
Malcolm Smith (MS)	Committee Member
Sandy Goscomb (SG)	Director of Finance and Resources (Devon and Cornwall Police Force)
Nicola Allen (NA)	Treasurer (Office of the Police and Crime Commissioner, Devon and Cornwall)
Julie Strange (JS)	Treasurer (Office of the Police and Crime Commissioner, Dorset)
Karen James (KJ)	Head of Audit, Insurance and Strategic Risk
Jo George (JG)	Senior Audit Manager
Neal Butterworth (NB)	Head of Finance (Devon and Cornwall and Dorset Police Force)
Lucinda Hines (LH)	Head of Technical Accounting (Alliance)
Steve McKenzie (SM)	Interim Assistant Chief Officer (Dorset Police Force)
Julia Harrison (JH)	PA to SMT (Office of the Police and Crime Commissioner, Dorset)
Laura Wicks (LAW)	South West Audit Partnership
Mark Bartlett (MB)	Grant Thornton

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Helen Donnellan (Chair)

Apologies

Committee Member

Frances Hughes

Head of Technical Accounting
(Alliance)

Tanya Hutchings

Administrative Officer (Office of the
Police and Crime Commissioner,
Devon and Cornwall)

Rupert Bamberger

South West Audit Partnership

04/19/01 Apologies for Absence

Apologies for absence were received as recorded above. The Committee welcomed Steve McKenzie, Interim Chief Financial Officer, Dorset Police.

04/19/02 Declarations of Interest, Equality and Health and Safety Obligations

No conflicts of interest were declared.

04/19/03 Open Minute Items [FOIA – Open]

The draft open minutes from the meeting of the Independent Audit Committee (IAC) held on 11th September 2019 were agreed as a true and accurate record, with amendments to the following:

- Minute reference 03/19/04f, the heading should be '**informal meeting**', rather than pre-meeting.

It was agreed that this change would be actioned before the minutes were finalised.

- Minute reference 03/19/09, third paragraph. In response to GM's query regarding the new system for submitting journals, LH confirmed testing has been completed and she would be signing them off.
- Minute reference 03/19/14, page, 8, KJ advised that consultation on the policy ended in November so it should be issued in the New Year. The Vice-Chair requested that the policy be circulated in advance of the next meeting.

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04/19/04 Open Items of Chair's Business [FOIA – Open]

The Vice-Chair raised the following on behalf of the Chair:

a. Internal audit

RB was formally thanked for his efforts on behalf of SWAP and the work on the internal audit programme. LAW to pass on to RB.

For action by: LAW

b. Working Together meetings

These will be held every six months. NA advised that the dates have been put in the diary; the next meeting being 26th March 2020.

c. Appraisals

The Chair's appraisal has been completed and objectives agreed. The intention is to streamline the appraisals of committee members next year and so will be carried out by telephone to save travel and time costs.

d. Annual Report

PCC and Chief Constable are happy for the annual report to be signed off. The Vice-Chair suggested the approval and sign off process could be much quicker than it has been in the current year. NA to ask Devon and Cornwall PCC to make it public on the website.

For action by: NA

e. Activity of IAC since previous meeting

- Chair pleased with the liaison and information flow from the finance teams following last meeting in relation to closure of accounts.
- Some members of the Committee observed the Alliance Ethics Board and feedback was positive on how ethical challenges are dealt with.
- Informal meeting held where Committee discussed work plan which builds on the assessment carried out in the early part of the summer by KJ's team and fed into the annual report.

04/19/05 Value for Money Profiles 2018/19 Data [FOIA – Open]

The Committee received and noted the report presented by Neal Butterworth.

The report sets out key tables within the VfM profiles. Most interesting are the outlying reports which cover what the profiles are used for. The key concerns in the profiles are the CIPFA POA which uses prior year crime data and current year budgeted staffing figures and last year's actual staff figures.

Referring to the comment made in the minutes, VfM profiles are used to inform savings and investment plans, not necessarily to drive them. It becomes difficult to

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get the overall sense of what the organisation looks like compared to others because of the huge amount of data available.

Alliance business cases are a few years old and were used in the process to provide some degree of comparison with other organisations. They are used externally and available to the public on the internet.

The Vice-Chair said the Committee is primarily concerned about how they are used and how they influence decision making and ensuring that there are mechanisms in place. SG said the VfM scores were looked at. As part of that, nearly £1m saving was obtained out of the budget. In response to AG's query with regard to benchmarking, SG confirmed there will be more of that kind of scrutiny.

NB said the profiles in the regions have been looked at to establish why they are different. The principal argument is to make sure costs reflected the organisations as accurately as possible to start benchmarking. The organisations are structured differently and, in most cases, the outliers are doing things differently. There is other benchmarking which goes down to a greater level of detail and it is about understanding what is done and why. Using that information to change the organisation has not been done yet.

MS advised that he had spent time in the past looking at this type of thing in local government and it is very hard to get a like for like comparison, although it is worth trying. NB said where there are outliers it is ascertained whether the right cases have been recorded in the right place.

NA said it is important to go into this sort of work and trying to get the benchmarking and data analytics is useful. NA agreed to present on her national data analytics work at the next meeting.

For action by: NA

The Vice-Chair queried why Dorset came out at the bottom of the table in respect of cost of finance. NB advised there is a fine line and, going back to the regional benchmarking and seeing how different departments are structured, they are all different. It is necessary to understand where the costs are to compare like for like. GM advised that the two main reasons for the variations are different structures and different treatment of costs from each other. Different structures will always be an issue. Treatment of costs might be able to be standardised.

04/19/06 Code of Corporate Governance [FOIA – Open]

KJ gave a verbal update on the Code of Governance programme of work. The revised documents have been ongoing for a number of years. The Chief Financial Officers (CFO) currently have a draft complete set of documents to review and each CFO must satisfy themselves from their respective starting position of the proposed documents. It is right to have a mirrored set of governance documents as far as possible. The next step is for due diligence work to take place. Both forces are still monitoring a review of the existing Scheme of Governance as part of the annual

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governance statement process. Part 3d is about the meeting structure and this is the area where Jim Colwell was conducting a review across both forces, which is yet to report.

KJ said in terms of timetable it is going to be very much down to CFOs and the decision making process. 1st April is probably achievable, if there are no significant changes, but if there are significant changes it probably will not go through in a period of political sensitivity, bearing in mind there will be in purdah in April with PCC elections in May.

The Vice-Chair raised the issue of the work that Jim Colwell is doing. He thought there were two exercises that need to go together and queried what the new legal codes of governance would look like. SG said the Codes of Governance are a financial and standing order set up which have to survive independently. The overall question of how meetings are set up is ongoing. KJ said part 3d is the meeting structure which is one small part of the overall Code and will not affect the financial decisions. SG said they should all go together in the annual governance statement. The individual corporation sole own this.

NA said the annual governance should outline the meeting structure. Dorset and Devon and Cornwall are fairly similar. There is a Joint Leadership Board (JLB) in Devon and Cornwall and Dorset where the two corporations sole come together for decision making purposes then feed back into the JLB. GM said if the codes are due to be finalised next year it would be good to get an early exceptions report as to which bits of the governance code are not compliant so it feeds into the AGS statements. SG not aware of any non-compliance. NA said there are some quite restrictive things in the financial regulations which need to be revised.

04/19/07 Internal Audit Charter [FOIA – Open] Deferred

LAW advised that this is usually presented with the annual audit plan.

04/19/08 Devon and Cornwall Report and Draft Strategies [FOIA – Open]

The report presented by NA was noted by the Committee.

a. Treasury Management Mid-Year Report

NA advised that with regard to investment activity to this point, the balance ranged from about £5m to £72m. There was a conscious decision to maximise long term investment to get better interest rate returns. Interest receivable for year to date has been under- performing. Due to a variety of uncertainties, eg Brexit and the general election which has affected the risk when looking at non UK domiciled organisations. It is anticipated the situation will be less volatile when Brexit proceeds.

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The Vice-Chair asked whether the same advice was given to other Arlingclose clients. NA said the advice covers all clients. There are some investments of a capital nature where the return on these will not be received until requested or cashed in.

LH advised there were some dips in cashflow during the year. LW and MS said it is important to know why money is invested and AG agreed and thought the training was extremely useful in understanding the treasury management function.

GM queried whether it is a major issue that finance is not informed about timing when departments intend to pay large amounts for services or goods. NA said it is challenging to get departments to appreciate the importance of understanding the cashflow implications of the payments. During the last 12-18 months a lot of work has been done on the capital programme. There will still be some slippage but it is hoped to reduce this significantly by educating others on not being too pessimistic or optimistic on the forecasts. It does not look good if capital programmes are not met.

In response to the Vice-Chair's query, NA advised there are no separate assumptions for treasury management purposes. GM asked whether the control for the commitments of the cash is with treasury or the spending officer. NB said the purchasing and payments teams work closely with LH and her team to coordinate payments.

b. Draft 2020/21 Treasury Management Strategy

NA has highlighted the changes made when compared to last year. The counter parties list has been taken out of the document as it gets out of date very quickly. With regard to longer term investments, NA will be looking at maximising the length of time to invest.

The liquidity indicator is how much cash has to be kept instantly available at any one point in time. It has become quite restrictive with the limit at £6m. This has been reduced to £3m. This indicator is completely flexible, but is required as a statutory indicator. However, this level of flexibility may change the year after. JS advised that the question applies to Dorset as well and by having complete flexibility it means that if external borrowing is required, then there is the flexibility to take the appropriate decision at that point taking the circumstances into account. All loans should not mature at the same time.

LW referred to the business model at 4.5 and asked if the change was significant in any way. LH advised that it was a new standard which came into effect last year in the accounts for 18/19.

GM referred to page 4 and queried whether modern slavery creates any restrictions. NA said there is a legal requirement for everybody with a turnover of £30m or above to have a statement about modern slavery.

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With regard to paragraph 3.6, GM queried what sort of risk is involved. LH said it is where they use Arlingclose for advice. SM said the Municipal Bond Agency was set up some years ago and because no one is using it, it has not had a great deal of cash at its disposal. GM was satisfied that if advisers are saying it is ok he was happy. GM wanted reassurance that if investing in individual housing associations the debt is secure.

c. Draft Capital Strategy

Financial data has been taken out as it is a strategy and therefore about the approach. There have been no significant changes to the way capital is dealt with. NA said when looking at how a capital project is funded the capital programme for Devon and Cornwall has five major forms of financing capital: grant, reserves, capital receipts, revenue contributions and borrowing. There is very little capital grant from central government, ie £1m. The underlying capital spend is £5m - £6m, which is the minimum needed.

The Devon and Cornwall strategy is that short term assets are funded from reserve capital receipts or capital grant with long term assets incurring the majority of the borrowing. There will be a time when there are no long term capital projects. JS believed Dorset was a similar process, with £400k capital grant against a core ongoing spend of about £4m. Trying to balance funding so that recurring costs are funded from recurring income sources or income to the capital budget. The capital grant is reasonably small.

Dorset have spent all the capital receipts and do not have a huge programme of assets left to sell. Dorset are now in a position where an increase in the amount built into the revenue budget is required. SG hoped that the government would reset the capital grant. NA said available funding can be subject to a political decision, eg a PCC decision on whether to borrow. Neither PCC is averse to borrowing.

GM referred to paragraph 6 on page 8 regarding risk appetite. NA said the process in Devon and Cornwall is that there is a matrix prioritisation exercise for all estates. Devon and Cornwall have an ageing estate. The matrix split the properties so that decisions were where it made financial sense and some were based on risk.

d. Draft Reserves Strategy

The reserve strategy has not significantly changed from last year. NA advised that there was an error in paragraph 4 with £11.21m being incorrect; however, 3.6% is correct. This error will be corrected. For Devon and Cornwall £312m is the overall outturn.

For action by: NA

04/19/09 Dorset Report and Draft Strategies [FOIA – Open]

a. Treasury Management Mid-Year Report

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JS advised that Dorset follows a similar profile to Devon and Cornwall with the changes. Dorset also had to undertake short term borrowing earlier in the year and it will become a more regular occurrence to support more long term investments to improve overall performance. Dorset are underperforming compared to other OPCCs in all regions, apart from against budget where they are over performing. This is partly due to the fact that when the budgets were set, it was assumed that Transforming Forensics would have an impact but now there is more cash for a longer period that is available to invest. Now investing at lower rates and having a significant proportion invested in debt management office. A lot of counterparties will not take investments as small as half a million pounds. SG queried whether the Home Office has changed the terms of its grant payment and JS confirmed that it has.

b. Draft 2020/21 Treasury Management Strategy

One of the main changes in Dorset is to make more longer term investments to be able to improve returns but also to diversify the portfolio. There will be a limit of £4m. All investments of over a year are delegated to the Commissioner. Counterparty limits are at the same level as the current year.

c. Draft Capital Strategy

Very similar to last year although, because there are no capital receipts, the pressures on the capital programme are increasing and there is a need to be sure that everything in the budget reflects the highest priority schemes. In order to improve governance, a capital strategy group would be introduced to provide more detailed scrutiny. This had already been supported by the Resource Control Board.

d. Draft Reserves Strategy

The reserves strategy is also similar to last year. The reserve strategy will be finalised in the budget setting process. General reserves are close to the minimum level. Therefore, the approach is to continue to build reserves through the budget and outturn process. However, this will depend on the outcome of the final settlement. The adequacy of reserves will only be able to be confirmed once the final settlement has been received. The Vice-Chair queried whether the requirement to confirm the adequacy of reserves should be added to the responsibility on page 5 and JS confirmed it should be, so will be changed.

For action by: JS

04/19/10 Internal Audit Quarterly Update and Highlights [FOIA – Open]

The Committee noted the report presented by Laura Wicks.

Some movements have pushed things through to Q4 due to other operational requirements. No significant audit risks in the last quarter. Appendix B includes

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partial assurance opinions and a summary of original work that is ongoing. Appendix A demonstrates where the audit work is.

GM queried on page 3 a note regarding the Victim Services Grant. LAW responded that the audit is no longer carried out mid-year, but will be done at the end of the year when it is formally due. GM asked whether it would be appropriate to have a revised target date. NB said that work is taking place but it will not be this month.

GM noted that Devon and Cornwall have independent authorisation for overtime whereas Dorset have not. He queried what Dorset are putting in place. NB said there are a series of other controls available and reports that will identify which officer has authorised that overtime. NB said work is being done to look at the overall authorisation of Devon and Cornwall and will review Dorset as well.

LW queried about some of the outstanding priority recommendations in Appendix C. The Vice-Chair said it was more appropriate to discuss in part 2 of the meeting.

LAW said some audits have been moving on since the papers were written, for example, the present issue on assets. LAW to discuss fire safety with JG.

For action by: LAW

LW commented on the reference to the regional police audit work and said it was going well. She queried whether the reports would come back to IAC when finished. LAW thought they would but it might be slightly different format.

The Vice-Chair noted that the reports on page 6, Appendix A, have not been received. LAW explained that it depends on when the officers are getting the reports. If the recommendations are quick to implement they are turned around quicker. LAW said the KPI is 10 working days to turnaround draft reports but it depends on other commitments.

In Appendix C the Vice-Chair noted that several items have a N/A when there is no revised end date. LAW said they may not be due yet so therefore not completed. There are some which need to get the revised dates.

04/19/11 External Audit Quarterly Report [FOIA – Open]

The Committee noted the paper presented by Mark Bartlett.

He advised that the update report is at the early stage of planning for 19/20 financial year. The Vice-Chair asked if the invites could be done as soon as possible. MB to chase invites.

For action by: MB

There will be a communication from PSAA to all clients, but it is not clear what it will say. It will have an impact on cost and timing of audits. Page 4 sets out what IAC can expect from them over the year. Currently, there is not an in-charge auditor and

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therefore not in a position to confirm the dates of the interim audit. They will only be able to complete around 50% of the audit in the timeframe. Once an in-charge auditor has been appointed they can start feeding into the plans. MB will keep officers updated.

The Vice-Chair advised that part of the concern that he and HD have is that the Committee does not meet again until early April so something must be done in the interim, such as the draft items for noting.

For action by: MB

The Vice-Chair said the Committee relies heavily on a number of sources to fulfil its role on providing assurance PCCs and Chief Constables, so it needs to take stock of what MB has said. MB was happy to provide an update early in the New Year.

Following a discussion about auditor recruitment issues, NA advised that a response had been sent to PSAA. The Committee agreed it would like to look at NA's response and endorse it to confirm the new contract arrangements are not working successfully. There was however a very tight timetable for responses to be submitted to PSAA and NA would circulate her response straightaway, so that the Committee could also respond within the timescale.

For action by: NA

On receipt of NA's response, the Vice-Chair would put something together to endorse the Committee's support.

For action by: TG

MB to issue the Committee with sufficient progress reports between now and April on what is happening around timetables and the date for the February meeting if he can pick that up.

For action by: MB

04/19/12 Update on Fraud and Corruption Investigations [FOIA – Open]

The paper presented by Karen James was noted by the Committee.

There was an issue about the five cases in Dorset around timekeeping. There is an electronic working time recording system which can be actively managed by supervisors. LW said it is reassuring to see the value of the cases is quite small.

LW queried whether there was a review of the fraud and corruption outcomes. KJ responded that they are investigated by the Professional Standards department and treated individually, very seriously. One person was dismissed and the other resigned before the hearing so it shows how seriously the issue is being taken and the message that it sends.

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KJ confirmed that Chief Officers do not get overtime. MS thought the numbers were good and quite low.

04/19/13 Implementation of Meeting Management Software [FOIA – Open]

The Committee noted the report presented by Nicola Allen which is looking at the new software that the OPCC in Devon and Cornwall is putting into place for meetings management.

Devon and Cornwall OPCC have talked with the force with a view to them also using the software. The software solution for meetings management is used in 90% of LA's. It will be a different way of working for the Committee and it will be online. Dedicated equipment will be provided to use the system. It is far more controlled, accurate and timely and less resource intense.

The Vice-Chair explained that by way of background this was one of the items discussed at the informal meeting of the Committee. The real issue being raised was on practicality and receiving assurance that the technology was reliable and working. NA advised that testing is underway and a number of people are being trained as super users.

NA advised that the timetable for implementation would be for June/July. LW acknowledged it was inevitable and was most concerned about the getting the training in the diary. NA believed Committee members would have a choice on whether it is a tablet or laptop. Grant Thornton work with local authorities that use the same system. GM raised that meeting organisers would be able to make changes to agenda. NA said currently the agenda changes as papers are being produced, which is an issue, so notes can be made on the agenda if changes need to be made.

At 1.10 pm the open section of the meeting concluded and the Committee adjourned.

The Committee reconvened at 1.30pm.

04/19/14 Closed Minute Items [FOIA – Closed (various)]

04/19/15 Action Log [FOIA – Closed s.22]

04/19/16 Items of Chair's Business [FOIA – Closed (various)]

04/19/17 Medium Term Financial Strategy [FOIA – Closed s.22]

04/19/18 Risk Registers [FOIA – Closed s.31]

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- a. Devon and Cornwall Police Force**
- b. OPCC Devon and Cornwall**
- c. Dorset Police Force**
- d. OPCC Dorset**

Date, Time and Location of Next Meeting

There being no other business the meeting closed at 2.30pm. The next meeting will be held on 7 April 2020 at 10.00am in Boardroom 2 & 3, Police HQ, Winfrith.

DRAFT