

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



**Independent Audit Committee
Friday 11 September 2020 at 10.00am
Via Microsoft Teams**

MINUTES

Attendance

| | |
|------------------------------|---|
| Helen Donnellan (HD) - Chair | Committee Member |
| Tom Grainger (TG) Vice Chair | Committee Member |
| Amanda Gallaher (AG) | Committee Member |
| Gordon Mattocks (GM) | Committee Member |
| Linda Williams (LW) | Committee Member |
| Malcolm Smith (MS) | Committee Member |
| Nicola Allen (NA) | Treasurer (OPCC Devon and Cornwall) |
| Sandy Goscomb (SG) | Director of Finance and Resources (Devon and Cornwall Police) |
| Julie Strange (JS) | Chief Financial Officer (OPCC Dorset) |
| Karen James (KJ) | Head of Alliance Audit, Insurance & Strategic Risk |
| Jo George (JG) | Senior Audit Manager |
| Neal Butterworth (NB) | Head of Finance (Devon & Cornwall and Dorset Police) |
| Mark Bartlett (MB) | Grant Thornton |
| Lucinda Hines (LH) | Head of Technical Accounting |

Apologies

| | |
|----------------------|---|
| Fran Hughes (FH) | Chief Executive OPCC Devon and Cornwall |
| Simon Bullock (SB) | Chief Executive (OPCC Dorset) |
| Steve Mackenzie (SM) | Interim Chief Financial Officer (Dorset Police) |
| Alex Walling (AW) | Grant Thornton |

02/20/01 Apologies for Absence

Apologies received from FH, SB, SM and AW.

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02/20/02 Declarations of Interest, Equality and Health and Safety Obligations

TG declared an interest as a trustee of Safewise, Weymouth which is mentioned in paragraph 26.2.2, page 78 of the Dorset OPCC accounts.

02/20/03 Open Items of Chair's Business [FOIA – Open]

HD thanked Amanda Gallaher and Malcolm Smith for their diligence and support for the Committee, as this is their last meeting as members of the Independent Audit Committee.

The Committee wish to record and celebrate the exceptional hard work of the Finance Team to have achieved the preparation of the accounts during these unprecedented times and challenges.

The Committee members should receive papers 8 days before a meeting. The papers for this meeting allowed less than half of this time. The Chair asked that this is noted and will be reflected in the review of 'lessons learnt from the accounts process,' in order to avoid repetition in a future year. This would allow increased scrutiny and confidence to give assurance.

02/20/04 External Audit Findings Report [FOIA – Open]

a) Devon & Cornwall

MB presented the external audit report presented on the audit opinion for 2019/20.

The Chair recognised the level of collaboration between GT and the staff of the finance team. The audit was not carried out in a short period of time but over several months. MB stated that LH and her team deserve immense appreciation and thanks for their timeliness and responses to the auditors' queries. The statement of accounts were received on May 29, 2020 within the original statutory deadline and well within the revised deadline set for the Covid-19 pandemic

International audit standards require Grant Thornton, as the external audit provider to give an opinion of whether audits give a true and fair view and if the documents are materially consistent. The external audit work has been carried out by remote working between June and September 2020.

There were no adjustments that would impact upon the main financial statements, other than those needed for the McCloud adjustments. Work on this is still in progress but there are no other outstanding actions that would require amendment in the financial statements for either the OPCC or CC accounts.

Anticipated audit reports will be unmodified. The 'evidence of matter' paragraph is where the auditors draw attention to any particular section of the accounts and

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includes the external valuers' comment. The comment is standard in all public sector accounts this year.

The PCC and CC have proper value for money arrangements and this will be an unqualified opinion.

An addendum pointed out that Covid-19 was a significant risk.

Grant Thornton confirm that there have been no objections to the statement of accounts and anticipate that they will certify these with no concerns when the outstanding information is received from the actuaries.

The materiality level did not change through the preparation of accounts. Only issues over the materiality level are presented separately in the accounts. MB responded to a question about changes in the materiality level from the previous year by explaining that this is calculated from the figure for turnover. He acknowledged a typing error and that materiality is 1.45%.

No issues were identified with the management override of controls. MB gave assurance that the issue raised in 2018/19 regarding journal authorising had been addressed and is now working correctly.

The Pension Fund net liability is complete other than three issues:

- 1) McCloud ruling – information from the actuaries is due in the next 3-4 weeks.
- 2) The actuarial revaluation of the TUPE of staff through the Working Together arrangement between the two forces information has now been received and is being reviewed by the external auditors.
- 3) Assurance from the auditors on the Devon Pension Fund is awaited. Delays mean that the work will not be complete this week and it is anticipated that late September or early October is more realistic.

SG stated that issues raised with the actuaries and the timeliness of the information being received from them are being reviewed. NB will present a report to IAC on this as part of his 'lessons learnt' paper for the October 29 2020 meeting.

ACTION: NB to bring a report to the October 2020 IAC on the work of the actuaries and lessons learned with the provision of revised working during the preparation of the 2019/20 accounts.

Currently, there are no audit adjustments for the OPCC or CC statements of account, but this may be necessary when the Pension Fund Net Liability work is completed.

GM asked if the comment about the Land and Buildings material uncertainty referring to the date of the valuation of the assets is similar for other forces. MB are satisfied with the valuations used and NA confirmed that other forces and PCCs follow similar practice.

GM queried the external auditor's comment that budget savings were not stated in the outturn report. During discussions with SG, it was agreed that this was reported

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through the force in other reporting methods. The external auditors were assured but felt that this would be reflected in the final outturn report. SG and NA reiterated that the savings were all achieved earlier in the year. They will ensure that budget savings are included in future accounts.

b) Dorset

MB presented the audit opinion for external audit work for 2019/20.

International audit standards require Grant Thornton, as the external audit provider to give an opinion of whether audits give a true and fair view and if the documents are materially consistent. The external audit work has been carried out by remote working between June and September 2020.

There were no adjustments that would impact upon the main financial statements, other than those needed for the McCloud adjustments. Work on this is still in progress but there are no other outstanding actions that would require amendment in the financial statements for either the OPCC or CC accounts.

Anticipated audit reports will be unmodified. The 'evidence of matter' paragraph is where the auditors draw attention to any particular section of the accounts and includes the external valuers' comment. The comment is standard in all public sector accounts this year.

The PCC and CC have proper value for money arrangements and this will be an unqualified opinion.

An addendum pointed out that Covid-19 was a significant risk.

Grant Thornton confirm that there have been no objections to the statement of accounts and anticipate that they will certify these with no concerns when the outstanding information is received from the actuaries.

An addendum due to Covid was a significant risk across the statement of accounts.

Value for money conclusions will be unqualified opinions for both OPCC and force.

Materiality increased to 1.9% materiality from 1.8% in 2018/19 in line with increased assurance of the Force processes. Dorset accounts were received on June 9, 2020, which again was a significant achievement with remote working.

No issues were identified with the management override of controls. MB gave assurance that the issue raised in 2018/19 regarding journal authorising had been addressed and is now working correctly.

The Pension Fund net liability is complete other than three issues:

- 1) McCloud ruling – information from the actuaries is due in the next 3-4 weeks.

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- 2) The actuarial revaluation of the TUPE of staff through the Working Together arrangement between the two forces information has now been received and is being reviewed by the external auditors.
- 3) Assurance from the auditors on the Devon Pension Fund is awaited. Delays mean that the work will not be complete this week and it is anticipated that late September or early October is more realistic.

Audit adjustments for OPCC or CC are subject to one item and more may arise when the Pension Fund Net Liability work is completed. MB stated that some misclassification and amendments are needed, which are not inconsistent with other public sector accounts.

GM noted the £6.8m savings required over the next three years and sought assurance that these savings can be identified and achieved in this time. HD referred to the Going Concern Report which addresses this.

02/20/05 Letter of Representation [FOIA – Open]

a) Devon & Cornwall

NA presented the letter of representation, stating that we have responded to the audit and are confident that the OPCC and CC have fulfilled all statutory requirements.

b) Dorset

JS presented the letter of representation, stating that we have responded to the audit and are confident that the OPCC and CC have fulfilled all statutory requirements.

TG asked the s151 officers about processes to provide assurance that all 24 statements are accurate and appropriate. NA explained the process using two of the statements explaining the processes and giving assurance that information is accurate and correct.

**02/20/06 Statement of Accounts and Annual Governance
Statement for Dorset 2019/20 [FOIA – Open]**

JS and LH presented the reports, the purpose of which is to present the annual financial report for Dorset.

- a) The PCC and Group for Dorset Statement of Accounts 2019/20
- b) The Chief Constable for Dorset Statement of Accounts 2019/20
- c) Joint Annual Governance Statement
- d) Going Concern Report

JS presented the Going Concern Report and stated that the requirement to prepare the accounts is legislated and are prepared on a going concern basis. There has been an increase in scrutiny and concerns around the Going Concern for all Public Sector bodies. The CC and PCC, as those charged with governance, took the decision together with the two S151 officers that Dorset Police is a going concern.

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JS confirmed that the amount of savings required is a concern, as policing lacks a multiple-year projection of government funding. However, prudent projections have been made and the force has set up a 'task and finish' group to identify savings without the need to reduce the services to the public. Significant work is underway and future forecasts are continually reviewed.

JS presented the statement of accounts for the PCC, Group and CC. An overview gave the outturn and impact on cash flow and liquidity as a result of the pandemic. JS asked for thanks from herself and Steve McKenzie be given to NB, LH and their colleagues for their work completed in preparing the accounts.

LH referred to page 46 of the OPCC Group accounts, note 7 which stated the outturn was fully funded by taxation and shows that the accounting adjustments are the statutory movements required. She referred to page 24 and the significant swing between years arising from the pension fund adjustments that had been discussed.

The question on page 82, concerning depreciation was answered with an explanation about differences in ownership of assets, which provided assurance.

Assurance was also given regarding remuneration and compensation for loss of employment, which is noted as a separate column. This complies fully with legislation about disclosure.

JS provided assurance about the changes to risk management following the 'root and branch' review. Since the July 2020 IAC risk management processes have been changed with improvements to governance. This enhances effectiveness.

The Committee was advised that the Corporate Governance Framework referred to in the Annual Governance Statement is currently being updated in line with a plan for this to be fully effective from April 1, 2021.

Typographical errors in the Annual Governance Statements are being submitted separately.

**02/20/07 Statement of Accounts and Annual Governance
Statement for Devon & Cornwall 2019/20 [FOIA – Open]**

NA and LH presented the annual financial report for Devon & Cornwall.

- a) The PCC and Group for Devon & Cornwall Statement of Accounts 2019/20
- b) The Chief Constable for Devon and Cornwall Statement of Accounts 2019/20
- c) Joint Annual Governance Statement
- d) Going Concern Report

NA gave an overview of the statement of accounts and the Going Concern report. In August 2020, the Executive Board considered the Going Concern report and found it very clear and relevant. This will now be completed annually. Devon & Cornwall PCC and force show resilience in their financial arrangements.

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Assurance was given regarding the outturn with a underspend of £1.1m in the force accounts and the impact of the pandemic on cash flow and liquidity. NA pointed out the significant capital programme in 2019/20 with the opening of two newly-built police stations during the year.

Clarification was given about chief officers' remuneration and benefits reported in the accounts. The draft accounts include these figures which have been audited by the external auditors.

TG pointed out differences regarding the treatment of debtors. In Devon & Cornwall all debtors are shown in the PCC accounts, whereas in Dorset the group figure is significantly higher than the amounts in the PCC accounts. LH confirmed that the treatment is differs between the forces. SG and LH will look into this to provide an understanding for this. The Committee was informed that this does not affect the statements of accounts.

ACTION: SG and LH to investigate the reasons behind the differences in the treatment of debtors in the accounts.

At 12:15 am the open section of the meeting concluded

The Committee reconvened at 12:15

02/20/8 Items of Chair's Business [FOIA – Closed (various)]

The Committee is concerned about the outstanding issues for accounts to be finalised.

The Committee has expressed sincere thanks to the Finance Team, yet remain concerned that the Team is currently dealing with 2019/20 accounts, the current year's work and setting the budget for the 2021/22.

SG stated that the outstanding adjustments relate to pensions. She emphasised that this additional IAC meeting is extremely helpful for scrutiny and progressing accounts to being signed off once the audit opinion is received.

NA stated that the requirement to sign off the accounts is with the CC and PCC and the IAC's role is independent scrutiny of the accounts. This meeting has achieved that and the accounts will only be presented at the IAC October 2020 meeting if there is a significant material difference other than the pension adjustments. The annual opinion from the external auditors' will be provided at that meeting.

The next full meeting is scheduled for 29 October 2020 at 10:00am via Microsoft Teams.