



JOINT AUDIT COMMITTEE

DRAFT MINUTES

Date: 31 October 2018

Time: 10.30 hours

Location: Conference Room 3, Police Headquarters, Huntingdon

Members : Simon Smith Chair
 Mike Hindmarch
 James Morgan
 Ian Pinches
 Gary Ward

In Attendance:

Nick Dean	Chief Constable
Dorothy Gregson	Chief Executive for the OPCC
Matthew Warren	Interim CFO for the OPCC
Niki Howard	Director of Finance and Resources
Zoe Thompson	BDO
Daniel Harris	RSM
Vicki Simms	Governance & Inspection Officer, Corporate Development Department
Joanna Conlon	Head of Finance
Laura Hunt	Superintendent Partner & Op Support left after Item 5
Nancy Leversha	Strategic Accountant, OPCC

1.	Welcome and Apologies
	The Chair welcomed attendees and introductions were made around the table. Apologies were received from Alan Baldwin Deputy Chief Constable, Jason Ablewhite Police and Crime Commissioner, Mike Hills Superintendent Corporate Development

	Department.
2.	Declarations of Interest
	There were no new declarations of interest.
3.	Approval of the minutes from the last meeting held on 25 July 2018
	<p>ND stated on page 3 Item 7 it is the CC for Herts that Chairs JCOB. NL will amend prior to publishing.</p> <p>Action 3(i) Cyber security report scheduled for April 2019.</p> <p>Action 6(ii) Seized Property IA report finalised 30 October 2018.</p> <p>BCH Governance there will be a report at our meeting on 30 January 2019.</p> <p>The minutes were agreed and signed.</p>
	<p>Resolved</p> <p><i>(i) The minutes were agreed and signed.</i></p>
4.	Review of Action Log
	<p>Action 11 – closed, will be picked up by Tri-Force meeting.</p> <p>Action 13 – scheduled for April meeting – close.</p> <p>Action 17 – closed.</p> <p>Action 18 – closed.</p> <p>Action 19 – Athena the DCC has reported it is embedding and there has been an internal audit report – closed.</p> <p>Action 20 – closed.</p>
	<p>Resolved</p> <p><i>(i) NL to move Action Log to end of Agenda from January 2019 meeting.</i></p>
5.	Internal Audit Progress Report – RSM
	<p>DH reported there have been two finalised reports for Cambridgeshire; Communication Strategy and Estates Management and two BCH reports have been finalised; Criminal Justice and JPS 2020 Benefits Realisation.</p> <p>The Seized Property report was finalised on 30 October 2018 and a Custody report has also just been finalised. No issued reports have had a negative assurance. The financial</p>

<p>audits are ongoing.</p> <p>DH highlighted paragraph 2.1 regarding Annual Opinion and advised the JPS 2020 report is an advisory report and a number of issues have been highlighted and 11 medium recommendations have been made.</p> <p>Estates Management received Reasonable Assurance but was close to being Partial Assurance, there are four medium recommendations made. One is regarding no defined Key Performance Indicators. The second is in regard to Approval of Contractors for Mechanical and Electrical services. The audit identified that some sub-contractors had no contract in place due to resources in procurement.</p> <p>GW asked how long this had been the case.</p> <p>NH stated procurement has been red on the risk register for some time as we have issues with procurement recruiting to posts. We anticipate once the procurement team is settled as 7F savings and resilience in the team will follow. There has been a challenge for some of the smaller contracts in Estates and ICT but the larger contracts are all managed correctly.</p> <p>IP asked if this isn't right with three forces, how will it be better on 7F and Fire how will the committee gain assurance?</p> <p>DG stated we have managed through an increased risk appetite. Procurement is one area where a more commercial model with leads on portfolio basis and a skill mix in the team as 7F will mitigate our risk not enhance it.</p> <p>NH stated we have been paying a market supplement as we were unable to attract staff, the 7F business case has been signed off and although there will be a lag due to recruitment this is progressing well. Kent/Essex will lead and their pay grades are higher than Cambs so NH is confident this will help.</p> <p>IP stated that is reassuring and is at odds with the IA report. GW stated this is future assurance and that the NAO has reported one of the biggest areas of fraud. NH stated she signs off everything and there are processes in place to monitor expenditure against each contractor.</p> <p>GW stated the scope of the audit included VfM and asked what the opinion was with regard to this. DH stated the VfM was sample testing and focussed on whether the procurement process was followed. There are no metrics for benchmarking and perhaps the scope should be tighter in the future.</p> <p>MW stated a level of pragmatism was applied, the main contractor wasn't performing but the broader organisation needs to function so we take on board the comments and</p>

move forward.

JM stated the risk appetite approach is sensible how much is the financial risk? NH stated the Estates budget is £585k and approximately £70k has been spent to date so they are within their budget.

DG stated we must drive efficiencies for procurement through the 7F and that is this report had been a no assurance then we would be having different conversations. This is why IA audits are so important but equally we cannot add cost pressures to back office functions. The reality under which we operate is to maximise officers and deployment. We plan to get better but we need to be transformational and this takes time.

IP asked in the wider context the joint working is a long term solution. Under the JPS 2020 report the weaknesses that are listed here, will we be reading this about 7F in the future?

DG stated the reason we asked for the audit was in order to provide us with assurance there is a business process behind the operational side.

NH added that she has been close to the 2020 Board but felt the governance processes were not transparent. Prior to this JPS has been a success story. CFO's felt unsighted and no savings were included in our plans. JCOB are now gripping this.

SS summarised the discussions for Estates Management the recommendations will follow up in the normal way with a Follow Up in March 2019. From that a scope for a further audit can be developed.

SS asked we have had two BCH reports that we are unsighted on with 19 medium recommendations. What is this saying about culture and thematic issues?

DH answered the plan is for 11 BCH audits, five are advisory and six are assurance. Cultural and thematic issues on a BCH basis may be useful at a Tri-force level.

SS asked if the strands could be pulled together as this would be useful for the tri-force meeting in February 2019. NH agreed this would be a key agenda item. DG stated it would be useful for RSM to present this as Cambs are seen as pushing governance and the update from RSM could provide a level of transparency and openness across the three forces.

MH asked if there is a map that is being worked to with regards to Estates. DG stated although we don't have a document labelled Estates Strategy, there is a plan that we are working to. DG stated we could circulate a set of minutes and papers from ESG to provide assurance. GW asked if this was driven by operational need and it was confirmed.

	<p>SS asked Supt Hunt to talk through the finalised Seized Property audit report.</p> <p>LH reported the report was finalised yesterday (30 October 2018) the audit was conducted in Summer 2017 and significant issues were found and a no assurance report was issued. We have made progress and now the latest audit has a reasonable assurance. Policies and procedures have been reviewed in line with the audit. LH reported that compliance testing on both drugs and property was fully compliant. A full property reconciliation has taken place when moving between systems and from January 2019 bi-monthly dip sampling will be undertaken.</p> <p>NH recorded her thanks to Laura for the work involved. LH stated it was due to her team DS Neil Hewson, Sarah Truss and Inspector Keren Pope.</p> <p>SS asked how this will continue to remain compliant. LH stated dip sampling and checking of each other along with regular reconciliations by independent people will provide assurance.</p> <p>SS asked about the Benchmarking Report that had been circulated from RSM, the report appeared to suggest that performance is pretty good but there has been a downward trend from 16/17 to 17/18. DH replied as usual as the report is they are comparing different audits against a moving risk base and not looking at the same areas. DG added this needs to be good enough and challenging as it reflects where we are. We need to ensure we remain good enough and do not slip. We are reviewing our governance processes with ND to remove duplication. Reviewing how we grip our governance processes and link meetings together with links to the Police and Crime Plan. We are looking for good outcomes for the people of Cambridgeshire not to be best in the country. ND arriving is good timing to review.</p> <p>IP stated you've outlined and articulated a rapidly changing risk environment and planned mitigations but this is not in the Strategic Risk Register, some risks have increased and bullet points don't cover this. DG said it is a crystallising environment, it has been similar for a number of years but the risk register highlights the risks.</p> <p>GW asked if the audit performance has changed, is performance better or worse. If performance hasn't changed then is there capacity to squeeze a bit further or absorb the challenge and still deliver a service to people of Cambs.</p> <p>DG stated Estates is a classic example, create audit programme from our risk register, partnership working is a mitigating action to our risks and so we have shifted the audit programme to review our Controls Assurances.</p> <p>SS said this had been a very helpful discussion.</p>
	<p>Resolved:</p>

	<p>(i) <i>The Committee noted the report.</i></p> <p>(ii) <i>Estates Management Report to be monitored through ESG.</i></p> <p>(iii) <i>RSM to collate themes/cultural issues across BCH for Tri-Force meeting in February 2019.</i></p> <p>(iv) <i>NL to circulate ESG papers & minutes to members.</i></p>
6.	Internal Audit recommendations progress update
	<p>VS thanked LH for attending and reporting on the Seized Property report. It has been a quiet quarter for IA. Estates Management and Corporate Communications are both due to report to CDD by end of October so will be reported to January meeting. Upcoming audit – Governance of major projects ongoing. All other recommendations have been monitored and no outstanding actions.</p> <p>NL stated there are no OPCC recommendations to report on.</p> <p>NH reported there are no financial reports as these audits are work in progress.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the reports.</i></p>
7.	External Audit Arrangements
	<p>SS welcomed ZT our new External Auditor.</p> <p>ZT explained no real change under PSAA, any variations to fees would have to be agreed locally and then with PSAA and they monitor nationally.</p> <p>BDO have agreed with EY to review their files which will minimise impact on us. BDO have met with the finance team and a plan has been agreed. Interim testing will be January/February and the team will be completing the final audit from June in order to meet the end of July deadline.</p> <p>SS asked for communication around the plan to provide the committee with assurance.</p> <p>IP stated his main concern for the timetable is for resourcing and meeting the obligations in the timetable. He appreciated the verbal report but requested a report to provide assurance.</p> <p>ZT stated she will be happy to supply the timetable and set out issues with a RAG report for delivery and highlight any concerns to the committee.</p> <p>GW asked that the programme be received before audits start.</p>

	<p>ZT said the programme will be available after Christmas following BDO completing their risk assessment but prior to the audits commencing. BDO are providing a senior resource who will be on site during the audits.</p> <p>NH stated that the synergy between how BCH are audited is key.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the update.</i></p> <p>(ii) <i>ZT to provide audit programme after Christmas 2018.</i></p>
8.	Strategic Risk Register
	<p>DG introduced the strategic risk register paper. She stated there have been two main changes since the committee last saw the register. One is SR1.1 where we have seen a reduction in public satisfaction and public confidence also decreasing. We have also noted our concerns over the upper tier authorities with Northants issuing a S114 notice, Cambridgeshire and Peterborough have significant cost pressures and also seeing Districts coming under pressure. MW chairs the County CFO group.</p> <p>MW added each individual organisation is making significant revisions for cuts to their budgets. He gave an example where the County Council have no statutory responsibility for homelessness so cut their budget, the pressure goes down to District Councils but if they cannot deliver resources, this adds pressures to NHS and policing.</p> <p>DG stated we have increased the current risk but are not increasing our risk appetite. We have stated there are unknown or unintended impact and are working closely with partners. We are granting funds to the County Council for Community Resilience to co-ordinate services and will have the post implementation review of the LPR. With the Public Service Board will co-ordinate the understanding of risks across public services. We are managing outcomes.</p> <p>SR3.5 was created whilst we went through the appointment process and arrival of a new Chief Constable. This risk was managing the risk and ensuring a smooth transition. The review of our governance structures is at an early stage but it is being driven by the changing environment.</p> <p>IP stated the risk register is constantly changing and driving meeting agendas it is doing the job it is intended to do.</p> <p>DG said there are tensions within the organisation, with BCH collaboration, partnership collaboration and we end up looking three ways. Matrix management is complicated and challenging but all partners are having to step into this arena.</p> <p>IP agreed that synergies need to be driven out of three force otherwise 7F will be more</p>

	challenging.
	<p>Resolved:</p> <p>(i) <i>The committee noted the report.</i></p>
9.	Integrity Controls Assurance
	<p>DG presented the report explaining this displays how the NOLAN principles drive integrity through all our business. The controls processes for the Stop Search Public scrutiny and Out of Court disposals both are independent which provides some integrity around our controls processes.</p> <p>IP asked if there was a diagram of structures available.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the report.</i></p> <p>(ii) <i>A diagram of meeting structures to be provided to committee members.</i></p>
10.	JAC Effectiveness Review
	<p>SS welcomed the investment in the committee from the External review. HE stated a member of the team observed the April JAC meeting and then there was a follow up meeting which produced a performance assessment with issues. The committee have reviewed the draft development plan and collated their views with areas to take forward. One of these involved a very useful meeting with ND this morning. The paper has been circulated for feedback/suggestions and subject to any comments this will be how the committee move forward.</p> <p>An area that was identified as a continuing issue is visibility of BCH audit outcomes. This was endorsed by RSM when completing this review and will form an agenda item for the Tri-Force meeting in February.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the report.</i></p>
11.	Review of Terms of Reference
	<p>SS presented the terms of reference and stated this is due for their annual review. The committee haven't had an opportunity to aggregate their views but from research undertaken they are similar to other constabulary's audit committees.</p> <p>GW asked if it was usual for the Chair to be appointed by the Commissioner and Chief Constable. IP replied it is unusual but this audit committee differs as the organisations</p>

	<p>are corporations sole where other committees appoint from an independent board. DG added we have an independent Police and Crime Panel and the role of the committee is different and we have sought and invested in the skills of our committee.</p> <p>It was noted para 3.12 needed to be updated to HMICFRS and include the monitoring of HMICFRS recommendations in the ToR. Following this amendment the committee agreed to adopt the terms of reference.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the report.</i></p> <p>(ii) <i>NL to update the terms of reference paragraph 3.12 and publish newly adopted ToR.</i></p>
12.	Treasury Management Review 2017/18
	<p>MW stated this is an historic look back over last year for our borrowing and investments. Paragraph 3 of the report provides a summary table which states we are under borrowed, however we did take a loan out for £10m for the Southern Police Station build. The return on interest rates is not great but not dissimilar to any other public body. We have to maintain a safe haven with relatively short terms.</p> <p>GW said you choose investment counterparties carefully. What happens if their ratings change downwards whilst invested? MW answered we have Treasury advisors and once we are able to withdraw funds we wouldn't reinvest with anybody who has been downgraded. We have a limited range we can utilise.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the report.</i></p>
13.	Summary of meeting and actions
	<p>SS summarised we have spent a lot of time on internal audit. The notion of being just good enough is challenging. The committee can only do their job if the spirit of openness and transparency continues and we depend on this so we can challenge as well as play our part to oil the wheels. We are anxious to fulfil our role as required.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the update.</i></p>
14.	Review of Forward Agenda Plan
	<p>GW asked if it is possible to review both the internal and external plans prior to commencement of the year. IP stated the new external auditor's transition may impact</p>

	<p>on this.</p> <p>GW asked if it was possible to review in order for the committee to have some input. NH stated a draft plan may be available for the January meeting to gather views. DH agreed that would be possible if RSM are reappointed following the tender for the Internal Audit contract.</p> <p>MH stated internal audit should contain areas from the strategic risk register input and BCH. External audit works to a fixed timetable and key areas of risk should be identified. ZT stated BDO will complete their initial risk assessment this side of Christmas 2018. April they can report on the delivery of the plan or any concerns that have arisen.</p> <p>GW asked if the internal audit is a one year plan. DH stated the Strategy for 18/19 provides the annual plan but in the appendix is a three year profile but this is not set in stone.</p>
	<p>Resolved:</p> <p>(i) <i>The group noted the report.</i></p>
16.	AOB
	<p>DG provided an update on the JR, it is going ahead on two grounds; efficiency & effectiveness and Public safety which are two technical aspects on how the Home Secretary made their decision. The third ground was on the OPCC consultation process and this has not been upheld. We await the process to continue. MW has been confirmed through the Police and Crime Panel meeting and the arrangement can be terminated by mutual agreement. The Head of Finance is due to start in November and their focus will be on BCH governance.</p> <p>MH wished to congratulate JM on his appointment as a Superintendent with the City of London Police and was presented with a small token of appreciation from all the committee. SS said he will be greatly missed and wished him good luck.</p>
17.	Date of Next Meeting
	The next meeting will be held on Wednesday 30 January at 09.30 am, Conference Room 3, Police Headquarters, Huntingdon.
18.	2019/20 Meeting Dates
	<p>Tri- Force meeting Wednesday 13 February 2019 Conference Rooms 3 & 4 Police HQ, Huntingdon.</p> <p>Tuesday 23 April 2019 10.30am Conference Room 4, Police HQ, Huntingdon</p>

	Tuesday 30 July 2019 10.30am Conference Room 3, Police HQ, Huntingdon
	Tuesday 29 October 2019 10.30am Conference Room 3, Police HQ, Huntingdon
	Tuesday 28 January 2019 10.30am Conference Room 3, Police HQ, Huntingdon

Simon Smith